



The Stalprodukt S.A. Capital Group

Consolidated Financial Report for the 1st half of 2022

Prepared in compliance with the International Financial Reporting Standards
(IFRS) approved by the European Union

Bochnia, August 2022

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Selected Financial Data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01- 2021 to 30-06- 2021	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021
I. Net sales of products, goods and materials	3 051 438	2 143 191	657 255	473 927
II. Operating profit (loss)	346 407	267 377	74 613	59 125
III. Profit (loss) before taxation	340 919	258 339	73 431	57 127
IV. Net profit (loss)	265 971	221 047	57 288	48 880
- attributable to shareholders of the parent company	265 812	214 236	57 254	47 374
- net profit attributed to non-controlling interests	159	6 811	34	1 506
V. Net cash flow from operating activities	71 771	247 750	15 459	54 785
VI. Net cash flow from investment activities	-4 148	-72 557	-893	-16 045
VII. Net cash flow from financial activities	-49 986	-30 200	-10 767	-6 678
VIII. Total net cash flow	17 637	144 993	3 799	32 062
IX. Total assets	5 298 675	4 841 895	1 132 050	1 052 723
X. Long-term liabilities	540 359	571 664	115 446	124 291
XI. Short-term liabilities	1 156 555	899 018	247 096	195 464
XII. Shareholders' equity	3 601 761	3 371 213	769 508	732 968
- equity attributable to shareholders of the parent	3 499 305	3 262 788	747 619	709 394
- equity attributed to non-controlling interests	102 456	108 425	21 890	23 574
XIII. Share capital	11 161	11 161	2 385	2 427
XIV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XV. Profit (loss) for one ordinary share (in PLN)	47,66	39,61	10	8,76
XVI. Book value per share (PLN)	645,45	604,13	138	131,35
XVII. Declared or paid-out dividend for one share in (PLN/EUR)	12,00	6,00	2,58	1,33

- Comparable financial data (item IX-XIV and XVIII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2021. Other comparable data is presented for the period from 1st January 2021 to 30th June 2021.
- EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
 - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30th June 2022 and amounting to PLN 4.6806 and PLN 4.5994 for this 31st December 2021.
 - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.6427 for 1st half 2022 and PLN 4.5222 for 1st half of 2021.
- For profit-per-share calculation the number of 5,580,267 shares was adopted.

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Consolidated balance sheet for 30.06.2022

CONSOLIDATED BALANCE SHEET	(thousand x PLN)		
	30.06.2022	31.12.2021	30.06.2021
Assets			
I. Fixed assets	2 432 422	2 394 343	2 391 641
1. Intangible assets other than goodwill	144 711	72 415	63 326
2. Goodwill	0	0	17 973
3. Tangible fixed assets	2 062 386	2 066 073	2 076 133
4. Right to use assets (incl. right of perpetual usufruct of land)	83 132	137 750	153 048
5. Investment real estate	39 277	8 027	9 346
6. Long-term financial assets	16 256	16 238	16 080
7. Other long-term financial assets	18 354	13 408	2 943
8. Long-term receivables	985	842	716
9. Deferred tax assets	59 956	68 543	29 613
10. Long-term prepayments	7 364	11 047	22 463
II. Current Assets	2 866 253	2 447 552	2 169 792
<u>Current assets other than assets held for sale</u>	<u>2 866 253</u>	<u>2 447 552</u>	<u>2 168 205</u>
1. Stocks	1 288 124	995 506	717 349
2. Receivables due to supplies and services and other receivables	1 012 243	844 647	721 943
3. Cash and cash equivalents	509 891	492 254	581 385
4. Other short-term investments	55 995	115 145	147 528
<u>Assets held for sale</u>	<u>0</u>	<u>0</u>	<u>1 587</u>
Assets in total	5 298 675	4 841 895	4 561 433
Liabilities			
Equity capital	3 601 761	3 371 213	3 075 979
I. Equity attributed to shareholders of the parent company	3 499 305	3 262 788	2 962 388
1. Share capital	11 161	11 161	11 161
2. Capital from the surplus of the issue price above the nominal value / agio /	8 416	8 416	8 416
3. Provision for cash flow hedges / revaluation reserve /	-90 345	-120 616	-26 726
4. Provision for exchange rate differences resulting from translation	34 595	29 314	17 754
5. Retained earnings / including uncovered losses /	3 535 478	3 334 513	2 951 783
II. Non-controlling interests / Equity attributable to minority shareholders /	102 456	108 425	113 591
I. Long-term liabilities	540 359	571 664	655 482
1. Provision for deferred income tax	155 803	147 435	137 398
2. Long-term provisions / including employee benefits /	176 154	177 947	120 055
3. Other long-term liabilities	0	225	0
4. Long-term provision for the costs of decommissioning, rehabilitation and environmental repair costs	40 000	40 000	181 552

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5. Accruals and deferred income classified as fixed	45 699	43 528	46 497
6. Credits and loans	8 146	20 376	46 259
7. Long-term liabilities due to leasing contracts	78 549	103 081	111 560
8. Other long-term financial liabilities	36 008	39 072	12 161
II. Current liabilities	1 156 555	899 018	829 972
<u>Short-term liabilities other than those included in groups intended for sale</u>	<u>1 156 555</u>	<u>899 018</u>	<u>829 972</u>
1. Short-term provisions for liabilities	89 769	109 978	137 204
2. Credits and loans	34 013	62 355	52 119
3. Liabilities due to supplies and services	573 625	451 455	347 854
4. Current liabilities due to social insurance and taxes other than income tax	41 946	41 377	36 978
5. Other short-term non-financial liabilities	92 179	77 139	94 004
6. Short-term reserve for the costs of decommissioning, rehabilitation and environmental repair costs	0	0	55 997
7. Liabilities due to income tax	11 261	3 950	8 283
8. Liabilities due to leasing /including IFRS 16/	7 890	8 234	6 603
9. Other short-term financial liabilities	189 079	132 649	78 508
10. Accruals	116 793	11 881	12 422
<u>Liabilities included in those intended for sale</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	1 696 914	1 470 682	1 485 454
Total Assets	5 298 675	4 841 895	4 561 433
Book value	3 601 761	3 371 213	3 075 979
Number of shares	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	645,45	604,13	551,22

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Consolidated profit and loss account for the period 01.01.2022 - 30.06.2022

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021
I. Net sales of products, goods and materials	3 051 438	2 143 191
II. Costs of products, goods and materials	2 543 937	1 767 664
III. Gross profit (loss) on sales	507 501	375 527
IV. Selling costs	60 593	43 129
V. General and administrative costs	82 159	78 876
VII. Other operating incomes	129 945	50 370
VIII. Other operating costs	148 287	36 515
IX. Operating profit (loss)	346 407	267 377
X. Financial incomes	23 659	3 211
XI. Financial costs	29 165	12 254
XII. Profit from shares in associated entities	18	5
XIII. Profit (loss) before taxation	340 919	258 339
XIV. Income tax	74 948	37 292
Profit (loss) from continuing operations	265 971	221 047
XV. Profit (loss) on discontinued operations	0	0
XVI. Net profit (loss)	265 971	221 047
1. Attributable to shareholders of the parent company	265 812	214 236
2. Attributed to non-controlling interests	159	6 811
Profit (loss) net	265 971	221 047
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	47,66	39,61

Total comprehensive consolidated income for the period 01.01.2022-30.06.2022

TOTAL COMPREHENSIVE CONSOLIDATED INCOME for the period	thousand x PLN	
	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021
Net result	265 971	221 047
Other comprehensive income that will not be reclassified to profit or loss, after tax	0	0
Other comprehensive income that will be reclassified to profit or loss, after tax, including:	38 101	-22 483
The effective part of the cash flow hedging in accordance with IFRS 9	32 820	-24 185
<i>including the effective portion of cash flow hedge in line with IFRS 9 attributable to minority interest</i>	2 552	-1 986
<i>gains and losses on translating items in the financial statements of the foreign operations</i>	5 281	1 702
Gains and losses on the translation of items in the financial statements of the foreign operation attributable to non-controlling interests	35	-39
Other comprehensive income	304 072	198 564
Total comprehensive income together	304 072	198 564
Comprehensive income attributable to equity holders of the parent	301 363	193 777
Comprehensive income attributable to minority shareholders	2 709	4 787

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Statement of changes in consolidated equity for the period 01.01.2022 – 30.06.2022

Statement of changes in equity for the period from 1st January to 30th June 2022 and 2021	thousand x PLN							
	Share capital	Capital from the surplus of the issue price above the nominal value/Agio/	Reserve for cash flow hedges / capital from revaluation	Exchange differences from translation	Retained profits	Capital of the parent company	Minority capital	Equity TOTAL
Balance as of 1.01.2022 (opening balance)	11 161	8 416	-120 616	29 314	3 334 513	3 262 788	108 425	3 371 213
Dividend					-66 963	-66 963	-8 678	-75 641
Total comprehensive income for 2022			30 271	5 281	265 812	301 364	2 709	304 073
Other changes in equity			0		2 116	2 116	0	2 116
Change in equity	0	0	30 271	5 281	200 965	236 517	-5 969	230 548
Balance as of 31.06.2022 (closing balance)	11 161	8 416	-90 345	34 595	3 535 478	3 499 305	102 456	3 601 761

Balance on this 1.01.2021 (opening balance)	11 161	8 416	-4 565	16 052	2 770 502	2 801 566	111 621	2 913 186
Dividend					-33 482	-33 482	-2 817	-36 299
Total comprehensive income for 2021			-22 161	1 702	214 236	193 777	4 787	198 564
Other changes in equity			0		527	527	0	527
Change in equity	0	0	-22 161	1 702	181 281	160 822	1 970	162 792
Balance as of 31.06.2020 (closing balance)	11 161	8 416	-26 726	17 754	2 951 783	2 962 388	113 591	3 075 979

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Consolidated cash flow account for the period 01.01.2022-30.06.2022

CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN	
	2022	2021
Cash flow from operating activities		
Gross profit (loss)	340 919	258 339
Income tax paid	- 58 623	- 25 660
Adjustments made to reconcile profit (loss)	- 210 525	15 071
Adjustments for undistributed investment gains accounted for using the equity method	18	5
Amortization and depreciation adjustments	88 486	88 370
Adjustments due to unrealized gains (losses) on exchange differences	620	145
Corrections for interest expense	4 991	
Adjustments resulting from dividend income		5 228
Adjustments for losses (gains) on the sale of fixed assets	5 010	- 31 295
Adjustments for provisions	- 21 432	- 9 859
Adjustments for the decrease (increase) in the value of inventories	- 289 694	94 462
Adjustments resulting from a decrease (increase) in receivables	- 141 590	- 147 247
Adjustments for the increase (decrease) in the value of liabilities	136 891	41 220
Other adjustments made to reconcile profit (loss) and deferred tax	8 104	- 25 958
Deferred tax adjustment	- 1 929	
Cash flow from operating activities	71 771	247 750
Net cash flow from investment activities		
Proceeds from the sale of property, plant and equipment classified as investment activities	4 086	35 008
Proceeds from the sale or redemption of financial instruments classified as investment activities	186 070	100 562
Dividends received classified as investment activities		1
Repayment of long-term loans granted		16
Cash inflow from interest received classified as investment activities		
Purchase of tangible fixed assets classified as investment activities	- 63 217	- 58 873
Acquisition of financial assets	- 131 017	- 149 141
Other investment inflows and outflows	- 70	- 113
Net cash flow from investment activities	- 4 148	- 72 557
Net cash flow from financial activities		
Proceeds from loans classified as financial activities	854	1 874
Other financial inflows / outflows	- 1 324	- 994
Paid dividends classified as financial activities	- 11	- 34
Repayment of credits and loans	- 41 425	- 21 995
Payment of lease liabilities, classified as financial activity	- 3 013	- 3 787
Interest paid, classified as financial activity	- 5 067	- 5 264
Net cash flow from financial activities	- 49 986	- 30 200

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Net cash flow	17 637	144 993
The effects of changes in exchange rates on cash and cash equivalents		
Increase (decrease) in cash and cash equivalents	17 637	144 993
Cash and cash equivalents at the beginning of the period	492 254	436 392
Cash and cash equivalents at the end of the period	509 891	581 385
Cash and cash equivalents subject to restrictions	20 440	16 799

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Abridged Financial Report for the 1st half of 2022

Selected Financial Data

Selected Financial Data	thousand x PLN		thousand x EUR	
	1st half 2022 increasingly for the period from 01-01-2022 to 30- 06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30- 06-2021	1st half 2022 increasingly for the period from 01-01-2022 to 30- 06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30- 06-2021
I. Net sales of products, goods and materials	1 432 690	874 929	308 590	193 474
II. Operating profit (loss)	191 618	88 986	41 273	19 678
III. Profit (loss) before taxation	183 673	86 485	39 562	19 125
IV. Net profit (loss)	140 742	75 385	30 315	16 670
V. Net cash flow from operating activities	149 635	57 875	32 230	12 798
VI. Net cash flow from investment activities	-4 401	-6 738	-948	-1 490
VII. Net cash flow from financial activities	-33 662	-13 483	-7 251	-2 982
VIII. Total net cash flow	111 572	37 654	24 032	8 326
IX. Total assets	2 652 987	2 434 023	566 805	529 204
X. Long-term liabilities	111 394	145 421	23 799	31 617
XI. Short-term liabilities	526 884	347 671	112 568	75 591
XII. Shareholders' equity	2 014 710	1 940 931	430 438	421 997
XIII. Share capital	11 161	11 161	2 385	2 427
XIV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XV. Profit (loss) per ordinary share (PLN)	25,22	13,51	5,43	2,99
Diluted profit (loss) per ordinary share (PLN)	25,22	13,51	5,43	2,99
XVI. Book value per share (PLN)	361,04	347,82	77,14 zł	75,62
Diluted book value per share (PLN)	361,04	347,82	77,14 zł	75,62
XVII. Declared or paid-out dividend for one share in (PLN/EUR)	12,00	6,00	2,58	1,33

- Comparable financial data (item IX-XIV and XVIII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2021. Other comparable data is presented for the period from 1st January 2021 to 30th June 2021.
- EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
 - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30th June 2022 and amounting to PLN 4.6806 and PLN 4.5994 for this 31st December 2021.
 - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.6427 for 1st half 2022 and PLN 4.5222 for 1st half of 2021.
- For profit-per-share calculation the number of 5,580,267 shares was adopted.

Consolidated Financial Report for the 1st half of 2022

Balance sheet for 30.06.2022

BALANCE SHEET	thousand x PLN		
	30.06.2022	31.12.2021	30.06.2021
Assets			
I. Fixed assets	1 399 489	1 447 423	1 454 377
1. Intangible assets other than goodwill	6 220	32 288	32 249
2. Goodwill	0	0	0
3. Tangible fixed assets	752 973	745 724	767 611
4. Right to use assets	30 955	83 535	84 042
5. Investment real estate	77 935	48 533	49 479
6. Long-term financial assets	511 851	520 440	517 836
7. Other long-term financial assets	12 927	12 927	119
8. Long-term receivables	0	0	
9. Deferred tax assets	6 628	3 976	3 041
10. Long-term prepayments	0	0	
II. Assets	1 253 498	986 600	828 409
Current assets other than assets held for sale	1 253 498	986 600	828 409
1. Stocks	514 700	459 149	260 071
2. Receivables due to supplies and services and other receivables	474 260	372 215	337 138
3. Cash and cash equivalents	264 535	152 963	231 199
4. Other short-term investments	3	2 273	1
Assets held for sale	0	0	0
Assets in total	2 652 987	2 434 023	2 282 786
Liabilities			
I. Shareholders' Equity	2 014 710	1 940 931	1 796 252
1. Share capital	11 161	11 161	11 161
2. Capital from the surplus of the issue price above the nominal value	8 416	8 416	8 416
3. Other capitals	180	180	180
4. Retained earnings (including uncovered losses)	1 994 953	1 921 174	1 776 496
II. Long-term liabilities	111 394	145 421	166 810
1. Provision for deferred income tax	73 281	73 556	75 267
2. Long-term reserves	5 332	5 331	15 006
3. Other long-term non-financial liabilities	0	0	0
4. Credits and loans	0	10 000	20 000
5. Long-term liabilities due to leasing contracts	32 781	56 534	56 536
III. Current liabilities	526 884	347 671	319 724
Short-term liabilities other than those included in groups intended for sale	526 884	347 671	319 724
1. Short-term provisions for liabilities	9 164	13 921	9 287
2. Credits and loans	0	20 000	20 000
3. Liabilities due to supplies and services	387 414	275 720	211 946
4. Other short-term non-financial liabilities	42 359	30 298	29 461
5. Liabilities due to income tax	10 680	1 063	7 628
6. Liabilities due to leasing	0	0	0
7. Other short-term financial liabilities	66 964	0	33 483
8. Accruals	10 304	6 669	7 920
Liabilities included in those intended for sale	0	0	0
Total liabilities	2 652 987	2 434 023	2 282 786
Book value	2 014 710	1 940 931	1 796 252
Number of shares	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	361,04	347,82	321,89
Diluted number of shares	5 580 267	5 580 267	5 580 267
Diluted book value per share (in PLN)	361,04	347,82	321,89

Consolidated Financial Report for the 1st half of 2022

Profit and loss account for the period 01.01.2022-30.06.2022

PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021
I. Net sales of products, goods and materials	1 432 690	874 929
II. Costs of products, goods and materials	1 153 943	738 116
III. Gross profit (loss) on sales	278 748	136 813
IV. Selling costs	36 988	22 530
V. General and administrative costs	22 825	18 715
VI. Other operating incomes	17 402	5 086
VII. Other operating costs	44 718	11 668
VIII. Operating profit (loss)	191 618	88 986
IX. Financial incomes	3 975	1 137
X. Financial costs	11 920	3 638
XI. Profit (loss) before taxation	183 673	86 485
XII. Income tax	42 931	11 100
XIII. Profit (loss) from continuing operations	140 742	75 385
XIV. Profit (loss) on discontinued operations	0	0
XV. Net profit (loss)	140 742	75 385
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) per ordinary share (PLN)	25,22	13,51
Weighted average predicted number of ordinary shares	5 580 267	5 580 267
Diluted profit (loss) per ordinary share (PLN)	25,22	13,51

Total comprehensive income for the period 01.01.2022-30.06.2022

TOTAL COMPREHENSIVE INCOME for the period	thousand x PLN	
	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021
Net result	140 742	75 385
Total Comprehensive Income	140 742	75 385

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Statement of changes in equity for the period 01.01.2022-30.06.2022

Statement of changes in equity for the period from 1st January to 30th December 2022 and 2021	thousand x PLN					
	Share capital	Capital from the surplus of the issue price above the nominal value	Supplementary capital	Others capitals	Retained profit	Equity in TOTAL
Condition after conversion on 1.01.2022	11 161	8 416	0	180	1 921 174	1 940 931
Dividend					-66 963	-66 963
Total comprehensive income for period 1.01 - 30.06.2022					140 742	140 742
As of 30.06.2022 (End of Period)	11 161	8 416	0	180	1 994 953	2 014 710
As of 01.01.2021 (Beginning of Period)	11 161	0	103 750	1 592 870	46 567	1 754 348
Adjustment due to the way of presentation		8 416	-103 750	-1 592 690	1 688 024	0
Condition after conversion on 1.01.2021	11 161	8 416	0	180	1 734 591	1 754 348
Dividend					-33 481	-33 481
Total comprehensive income for period 1.01 - 30.06.2021					75 385	75 385
As of 30.06.2021 (End of Period)	11 161	8 416	0	180	1 776 495	1 796 252

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Cash flow account for the period 01.01.2022-30.06.2022

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN	
	1st half 2022 increasingly for the period from 01-01- 2022 to 30-06-2022	1st half 2021 increasingly for the period from 01-01- 2021 to 30-06-2021
A. Cash flow from operational activity		
Profit (loss) on the activity of accounts. before tax	183 673	86 485
Income tax paid	36 240	5 386
Total adjustments	2 201	-23 224
Depreciation,	26 304	24 897
(Gains) losses due to exchange rate differences		
Interest		
Shares in profits (dividends)	3 137	3 407
Adjustments for losses (gains) on the sale of fixed assets	45	-403
Adjustments for provisions	-5 032	2 338
Adjustments for the decrease (increase) in the value of inventories	-54 875	-21 758
Adjustments due to the increase (decrease) due to receivables	-111 118	-87 853
Adjustments for the increase (decrease) in the value of other liabilities related to operating activities	133 809	54 233
Other adjustments made to reconcile profit (loss)	7 004	0
Adjustments due to deferred tax expense	2 927	1 915
Net cash flow from operating activities	149 635	57 875
B. Cash flow from investment activity		
Sale of intangible assets and tangible fixed assets		404
Sale of financial assets		
Dividends received classified as investing activities		
Repayment of long-term loans granted		
Cash inflow from interest received classified as investing activity	40	15
Purchase of intangible assets and tangible fixed assets	-4 441	-6 657
Acquisition of financial assets		-500
Other investment inflows and outflows		
Net cash flow from investment activities	-4 401	-6 738
C. Cash flow from financial activity		
Proceeds from loans classified as financial activities		
Other financial inflows / outflows		
Paid dividends classified as financial activities		
Repayment of credits and loans	-30 000	-10 000
Payment of lease liabilities, classified as financial	-32	-61
Interest paid, classified as financial activity	-3 177	-3 422

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Other financial expenses	-453	
Net cash flow from financial activities	-33 662	-13 483
Net cash flow (before currency effects)	111 572	37 654
The effects of changes in exchange rates on cash and cash equivalents	0	0
Increase (decrease) in cash and cash equivalents	111 572	37 654
Cash and cash equivalents at the beginning of the period	152 963	193 545
Cash and cash equivalents at the end of the period	264 535	231 199
Restricted cash and cash equivalents	5 853	7 367

explanations to the item Other adjustments in thous. zloty:

correction for free CO2 – 4,307

correction for RES certificates of origin – 2,722

Impairment allowance for shares – 8,589

total: 7,004

explanations to the cash flow statement: - change in liabilities - adjustment of liabilities due to dividends
- 66,964

Additional Information (Abridged Consolidated Financial Report for 1st half of 2022)

Introductory Information

The basic data

Apart from the Parent Company, the Stalprodukt S.A. Capital Group embraces 10 entities which constitute subsidiary companies. As of 30.06.2022, Stalprodukt S.A. held 100% shares in its subsidiary companies except for Zakłady Górniczo-Hutnicze „Bolesław” S.A., where it holds 94.93% of shares.

As the group's parent company, Stalprodukt S.A., provides operating and development guidelines for the associated entities formed within the framework of the Company's restructuring and expansion of its production, trade and services and organization of its own sales network.

The basic objects of operation of the capital group companies are:

- production of electrical transformer sheets – parent company Stalprodukt S.A., GO Steel a.s.
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- production of zinc and lead and recycling of zinc-bearing waste – ZGH “Bolesław” S.A. along with its subsidiary companies:
 - Huta Cynku “Miasteczko Śląskie” S.A. (Zinc Smelter) – production of rectified zinc, lead and cadmium,
 - Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. – mining of zinc ores and zinc concentrate production,
 - Agencja Ochrony Osób i Mienia “Karo” Sp. z o.o. – bodyguard and property security services,
- trade activities:
 - Stalprodukt-Centrostal Kraków Sp. z o.o., managing trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
 - Stalprodukt - Zamość Sp. z o.o.,
- ☐ other production- and services-related activities:
 - production of galvanized lightning conductors and wire, as well as galvanized steel strips - Cynk-Mal S.A.,
 - production of cold-rolled sheets - GO Steel a.s.
 - spare parts production and regeneration - Stalprodukt-Wamech Sp. z o.o.,

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- installation, repair/renovation and maintenance of machines - Stalprodukt-Wamech Sp. z o.o.,
- structural steel production - STP Elbud Sp. z o.o., Stalprodukt-Wamech Sp. z o.o.,
- galvanizing services - STP Elbud Sp. z o.o. and Cynk-Mal S.A.,
- roads and freeways construction and management – Stalprodukt-Wamech Sp. z o.o.
- bodyguard and property security – Stalprodukt-Ochrona Sp. z o.o.,
- designing equipment related to the use of renewable energy sources – Anew Institute Sp. z o.o.

Changes in the Issuer's and Capital Group's Ownership Structure

In relation to the 1st half of 2021, which is a comparable period to this Consolidated Financial Report, in the 1st half of 2022 the following changes in the structure of the Issuer's Capital Group took place:

1. On September 29, 2021, the General Meeting of Shareholders of Stalprodukt-Centrostal Kraków Sp. z o.o. adopted a resolution to put the company into liquidation. This decision is a consequence of the optimization of the distribution channel started in 2018. On 28 June 2018, an agency agreement was signed with Stalprodukt-Centrostal Kraków Sp. z o.o. Pursuant to its terms, the purchases and sales were not made for the subsidiary's own account, but for and on behalf of Stalprodukt. At that time the first stage of reorganization of the distribution business also took place, i.e. the takeover of the warehouses from Stalprodukt-Centrostal Kraków and their inclusion in the structures of the Stalprodukt's marketing director division.

In turn, on 1 October 2021, Stalprodukt took over the commercial teams and the scope of their tasks in its structures, thus the activity of the subsidiary as an Agent was terminated. The changes introduced in the distribution of the Profiles Segment products are aimed at improving the efficiency of finished goods warehouse management and reducing the costs related to the sales network, as well as increasing the segment's sales efficiency.

Subsidiaries and other entities

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies and companies consolidated at the level of ZGH "Bolesław" S.A. Additionally, the Parent Company and its subsidiaries also hold shares in the entities, over which they do not hold control, joint control or over which they do not exert significant influence, as determined pursuant to IFRS 10, IFRS11 and IAS 28.

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	Nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect	The applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation	Date of take-over of control/ joint control/ obtaining a significant impact	Percentage of capital held	Share of the total number of votes at a general meeting	Shareholding of the parent company

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				relations)	n/ equity valuation method				
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100.00	100.00	100.00
2.	Stalprodukt-Centrostal sp. z o.o. in liquidation	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100.00	100.00	100.00
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100.00	100.00	100.00
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100.00	100.00	100.00
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	Go Steel a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	100.00	100.00	100.00
10.	Hotel Ferreus Sp. z o.o.	Kraków	hotel services	subsidiary	full consolidation	09.03.2021	100,00	100,00	100,00
11.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment-related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
12.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93

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13.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92.82	92.82	88.11
14.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99.61	99.61	94.56
15.	Polska Technika Zabezpieczeń sp. z o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	80.00	74.29	80.00
16.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	shares held by Stalprodukt S.A./personal links	not applicable	not applicable	19.51	19.51	19.51
17.	StalNet Sp. z o.o.	Kraków	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	28.00	28.00	28.00
18.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	shares held by ZGH "Bolesław" S.A. /personal links	not applicable	not applicable	0.00	0.00	0.00
19.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0.00	0.00	0.00
20.	FCASE Sp. z o.o. Sp. k.	Myślenice, Jawornik	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00
21.	ArcelorMittal Sourcing a société en commandite par actions	Luxembor	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00

Fundamental Principles Governing the Preparation of the Abridged Interim Consolidated Financial Report

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 January 2022 to 30 June 2022 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2021 to 30 June 2021 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2021.

The Group's reporting year is equivalent to the calendar year.

This Abridged Consolidated Financial Report was prepared in line with the International Financial Reporting Standards approved by the European Union and, in particular, with the International Accounting Standard No 34 "Interim Financial Reporting" and was based on the assumption that the Group will be continuing its activities in the predictable future. As of the Financial Report approval day, the Issuer's Management Board does not find any circumstances likely to threaten the continuation of activities pursued by the Capital Group.

The Abridged Consolidated Financial Report does not contain all the information and disclosures required in the consolidated financial report and the additional information sheet mainly contains the explanations of events and changes indispensable for the understanding of the changes in the Group's financial standing and its performance results to have occurred since the end of the previous reporting year.

The Additional Information sheet embraces selected data explaining the facts required by the IAS 34 and the Regulation of the Minister of Finance as of 29.03.2018 r. on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757).

If the Additional Information sheet does not contain a description of some events, required by the above mentioned regulations, this shall mean that such events have not occurred during the reporting period.

Accounting Principles (Policy)

1. In the semi-annual abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2021.

In the reporting period no important changes were introduced into the accounting principles (policy), nor any adjustments were made in respect of the fundamental errors and adopted appraised values which would have significantly affected the Group's property and liquidity standing and its financial result.

2. The changes introduced into the standards and interpretations issued by the International Financial Reporting Standards Council and International Financial Reporting Standards Interpretation Committee, applicable since 1 January 2020 or later, either do not apply to the Stalprodukt Group, or do not significantly affect the heretofore applied accounting policy and assessment of its asset position and financial standing. The numerous changes introduced into the existing accounting standards and interpretation changes, referring to the existing standards, have already been adopted by the International Financial Reporting Standards Council, but not approved by the EU yet and so the same shall take effect at later dates.

The Management Board does not expect the introduction of the above standards and interpretations to significantly affect the accounting principles (policy) applied by the Group, its financial standing and financial result, but the same may still require further additional or amended disclosures to be included in the report. The above mentioned changes were precisely described in the Additional and Explanatory Information sheet appended to the published Consolidated Financial Report for 2021.

Consolidated Financial Report for the 1st half of 2022

3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.
4. Since January 2019 the Issuer has applied MSSF 16 to record and present the perpetual usufruct in the form of leasing. The effect of applying MSSF 16 was described in the consolidated and single report for 2019.

Estimated values

The estimates for the first half of 2022 refer to the consolidated financial statements:

- Provision for deferred tax was increased by PLN 11,553 thousand, decreased by PLN 7,773 thousand.
- Write-down on inventories was created in the amount of PLN 33,188 thousand and PLN 12,001 thousand was released of which PLN 29,891 thousand was created in the Profiles Segment and PLN 9,277 thousand was released.
- Write-down for doubtful receivables was created in the amount of PLN 959 thousand and released in the amount of PLN 865 thousand.
- Provision was created for employee benefits, including retirement benefits, awards and bonuses in the amount of PLN 3,435 thousand and released in the amount of PLN 6,193 thousand /mainly in the Zinc Segment/.
- Provision was created for certificates of origin for energy and emission rights in the amount of PLN 21,343 thousand and released in the amount of PLN 26,686 thousand.
- Provision was created for deferred repairs in the amount of PLN 34,989 thousand and released in the amount of PLN 24,742 thousand /in the Zinc Segment/.
- Provision was created for land reconstruction - PLN 298 thousand /in the Zinc Segment/.
- Compensation provision was created - PLN 1,505 thousand /in the Zinc Segment/.
- Provision was created for the bonus fund - PLN 2,408 thousand and released in the amount of PLN 7,252 thousand /in the Zinc Segment/.
- Provision was created for the discharge of water and sewage - PLN 624 thousand and PLN 490 thousand was released.
- The provision for other titles was released for PLN 1,157 thousand - in the Zinc Segment.
- In the interim separate statement of Stalprodukt S.A., write-down on long-term financial assets was created in the amount of PLN 8,589 thousand, this write-down does not affect the consolidated financial result.
- In order to make the production costs of products more realistic, in the second quarter of 2022, ZGH "Bolesław" S.A. reduced the costs of purchasing electricity due to compensation to electricity prices in the amount of PLN 5,198 thousand. The total amount reducing the costs of electricity purchase in the first half of 2022 is PLN 23,896 thousand.
- The provision for the decommissioning of the Olkusz-Pomorzany mine in the first half of 2022 was used in the amount of PLN 13,750 thousand, of which:
 - in the first quarter of 2022 PLN 8,228 thousand,
 - in the second quarter of 2022 PLN 5,522 thousand.The value of the reserve related to the mine decommissioning as at 30.06.2022 amounts to: PLN 140,975 thousand.
- The adopted interest rate was changed for the purpose of calculating the discounted lease liability based on IFRS 16 from 5% to 10% (for the presentation of perpetual usufruct as lease),

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which resulted in a decrease in long-term liabilities and intangible assets by PLN 23,752 thousand.

Item	the 1st half of 2022	2021	the 1st half of 2021
Goodwill	0	0	17 973
Total capital attributable to non-controlling interests	102 456	108 425	113 591
including attributable to non-controlling interests in direct subsidiaries	74 717	76 035	79 995
including attributable to non-controlling interests in subsidiaries of ZGH "Bolesław"	27 709	32 390	33 596

Business Segments

The segment-based reporting was based on IFRS 8 "Operating Segments". The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2021.

Income presented in the operational segment breakdown takes into account earnings only from external clients. Between 3 operational segments (electrical sheet segment, profile segment and zinc) there are no transactions. Within the accounting policy (principles) the 'remaining activity' position was identified so that the results of the Capital Group could be balanced. The 'remaining activity' covers assembly, after-sales, security, galvanising services etc. These services are provided by the Companies from the Capital Group for external clients and for the needs of individual segments, which, in the Issuer's assessment, does not constitute transactions between the operational segments. Simultaneously, taking into account the consolidation principles, sales income within the 'remaining activity', generated for the operational segments, was excluded from the consolidation as it was obtained within the Capital Group.

Information on Operating Segments for 1st half of 2022 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	860 742	595 374	1 376 871	218 451	3 051 438
Domestic	46 357	413 406	779 994	175 531	1 415 288
Export	814 385	181 968	596 877	42 920	1 636 150
Segment Costs	626 257	525 821	1 293 108	159 345	2 604 530
Segment Result	234 485	69 553	83 763	59 106	446 908
Other Operating and Financial Revenues Non-Attributable to the Segment					153 622

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Other General, Operating and Financial Costs Non-Attributable to the Segment					259 611
including: inventory write-downs / creation minus solution /	-471	20 614	1 044	0	21 187
Gross Profit					340 919
Income Tax					74 948
Net Profit					265 971
Segment Assets	1 294 646	965 029	2 479 945	499 100	5 238 720
Assets Non-Attributable to the Segment					59 955
Total Assets					5 298 675
Liabilities	339 682	268 914	854 624	99 076	1 656 913
Contingent Liabilities					40 000
Total Liabilities					1 696 913
Investment Outlays	3 937	1 762	35 162	5 405	46 266
Depreciation	19 615	9 759	50 917	8 195	88 486

Information on Operating Segments for 1st half of 2021 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	452 654	435 553	1 111 345	143 639	2 143 191
Domestic	32 480	313 825	636 386	69 090	1 051 781
Export	420 174	121 728	474 959	74 549	1 091 410
Segment Costs	393 419	363 186	932 946	121 242	1 810 793
Segment Result	59 235	72 367	178 399	22 397	332 398
Other Operating and Financial Revenues Non-Attributable to the Segment					53 585
Other General, Operating and Financial Costs Non-Attributable to the Segment					127 644
Gross Profit					258 339
Income Tax					37 292
Net Profit					221 047
Segment Assets	1 054 102	739 884	2 300 770	437 064	4 531 820
Assets Non-Attributable to the Segment					29 613
Total Assets					4 561 433
Liabilities	282 955	224 005	658 415	82 530	1 247 905
Contingent Liabilities					237 549
Total Liabilities					1 485 454
Investment Outlays	4 325	4 386	40 761	6 366	55 838
Depreciation	18 674	9 316	52 349	8 031	88 370

Assessment of obtained results and financial situation

In the first half of 2022, compared to the same period of 2021, the Stalprodukt S.A. Capital Group achieved sales revenues higher by PLN 908,247 thousand, i.e. by 42.4%. At the level of gross profit on sales, PLN 507,501 thousand was achieved, against PLN 375,527 thousand in the first half of 2021, which means an increase by 35.1%. On the other hand, at the level of operating profit, it reached the level of PLN 346,407 thousand, against PLN 267,377 thousand, thus an increase by PLN 79,030 thousand, i.e. by 29.5%. The net profit in the first half of 2022 amounted to PLN 265,971 thousand, compared to the first half of 2021, when it amounted to PLN 221,047 thousand, which means an increase by PLN 44,924 thousand, i.e. by 20.3%.

The Capital Group recorded positive results in all operating segments.

In the **Electrical Sheets Segment**, a 2.3% decrease in the sales volume of transformer sheets was recorded compared to the first half of 2021. At the same time, significant increases in revenues and results were achieved. Revenues increased by PLN 408,088 thousand, i.e. by 90.1%. The segment's result increased by PLN 175,250 thousand, which is an almost threefold improvement compared to the same period of the previous year. The main factor contributing to the improvement of the achieved results was a significant increase in prices.

In the first half of 2022, the share of HiB sheets at the Bochnia plant amounted to slightly over 25% of the production volume. Additionally, as in the entire year 2021, the plant in the Czech Republic made a significant contribution to the segment's result.

Despite the very good results, the Issuer again draws attention to the situation of producers in the European Union, which are negatively affected by competition with lower production costs coming from the regions, free of charge for CO₂ emissions and lower energy costs. Hence, there is still some degree of uncertainty about the further development of the macroeconomic situation in many markets.

Throughout the entire period, the segment had the organizational, production and financial capacity to conduct operating activities, both at the plants in Bochnia and in Frydek-Mistek. The development of the situation in the segment will be closely related to the impact of the pandemic on foreign markets, the reaction of the authorities of individual countries and the development of the situation in connection with subsequent waves of the pandemic.

On October 9, 2020, the Management Board of ArcelorMittal Poland S.A. ("AMP") made a decision on the permanent closure of steelmaking facilities of the Krakow branch. The blast furnace and steel plant were temporarily shut down in November 2019 due to the decline in steel demand and large import volumes of steel products from outside the EU. The decision was dictated by structural reasons such as: the lack of effective measures to protect the European steel market, further increase of duty-free quotas for imports of steel products from outside the EU with a decrease in demand for steel and high energy costs.

The Issuer's Management Board emphasizes that this decision does not have a direct negative impact on the supply of input products for the Company's needs, as they have already been taken over by other mills of the ArcelorMittal Group and are carried out in accordance with the schedule and production needs of the Company. Nevertheless, the long-term cooperation relations between both entities, favorable (due to the close location of the steelworks) logistics of deliveries from the Krakow branch of AMP and the great importance of this plant in securing supplies for the Electrical Sheets Segment are the reason that the decision to completely shut down the steelmaking facilities of the Krakow AMP steelworks and the failure to implement a development project ensuring the supply of the highest-performance transformer sheets charge should be assessed as unfavorable from the point of view of ensuring the optimal functioning of the Company.

What is particularly important from the point of view of securing input material needs for the Electrical Sheets Segment of Stalprodukt, the announcement of the Management Board of AMP also mentions investments in the steel plant in Dąbrowa Górnicza, including projects enabling the production of steel grades that will be used in the further production of grain oriented steel.

Extension of the protection period for the European transformer sheets market for another 5 years

On 14 January, 2022, the COMMISSION IMPLEMENTING REGULATION (EU) 2022/58 was published, imposing a definitive anti-dumping duty on imports of certain grain-oriented flat-rolled silicon electrical steel products originating in the People's Republic of China, Japan, the Republic of Korea, the Russian Federation and the United States of America, following the review of expiration of funds, pursuant to Art. 11 sec. 2 of the European Parliament and Council Regulation (EU) 2016/1036.

The above Commission Regulation maintains the mechanism of minimum import prices and price levels for individual product groups (differing in the level of magnetic loss), as set out in the original Implementing Regulation, i.e. No 2015/1953 of 29 October 2015.

The review of expiration of funds procedure was carried out at the request of the EUROFER Association, representing 2 European grain oriented sheet producers, i.e. ThyssenKrupp Electrical Steel and Stalprodukt S.A.

Grain-oriented electrical sheets are a key component in the production of transformer cores. They are also essential for the maintenance and expansion of the EU energy network and for the further development of the e-mobility sector.

According to Axel Eggert, CEO of EUROFER: "The EU's energy security and climate goals can only be achieved by maintaining a viable European GOES industry." He also added that GOES is a strategic top-shelf product, and the European Union cannot be dependent on foreign steel mills located in Asia, Russia or the United States in terms of supplies. In the opinion of the Management Board of Stalprodukt, the current level of market prices for grain-oriented sheets

is significantly higher than the minimum prices specified in the Regulation, which makes the minimum price mechanism irrelevant to the market. However, a drop in prices cannot be ruled out in the future. It is then that the minimum import prices should allow - European producers of transformer sheets, including Stalprodukt and its subsidiary GO Steel a.s. - maintain the profitability of sales of these products.

In the **Profile Segment**, a 6.5% decrease in volume sales was recorded in relation to the 1st half of 2021. At the same time, the segment generated sales revenues higher by PLN 159,821 thousand, i.e. by 36.7%. In addition, the Segment recorded a result of PLN 69,553 thousand. In the first half of the year there was a short but significant change in market conditions. The maximum charge prices recorded in the third quarter of 2021 dropped significantly in the fourth quarter, and at the same time with the beginning of the first quarter of 2022, there was a slight shift in the trend to an upward trend, which accelerated with the outbreak of the war in Ukraine. The company continued cooperation with regular customers, meeting the agreed delivery terms. The segment worked smoothly throughout the half of the year, fulfilling the agreed contractual obligations. After the period of rising prices to historically record highs, the downward trend was reversed following the decline in hot and cold rolled sheets. As a result, the balance of write-downs on inventories at the end of June amounted to PLN 20,614 thousand.

The period of the first half of 2022 was a time of significant market volatility caused by the war in Ukraine and sanctions imposed on Russia. The market was highly unstable, moving from panic over the shortage of deliveries from eastern markets to curbing demand over concerns about the economy entering a recession. In the opinion of the Issuer, the final prices of products made of the segment's products, which exceeded the levels acceptable to the market, had a significant impact on the market, which resulted in a decrease in demand.

At the same time, the Issuer would like to emphasize that earlier expectations regarding a systemic solution to the issue of dumped imports, which may have a positive impact on the situation of the company and steel processors, have not been fully resolved, due to among others (relatively) high quota amounts. The import of steel products (including pipes and profiles manufactured by Stalprodukt) to the European Union market has a significant impact on the competitive position of EU producers.

In the first half of 2022, the Zinc Segment's net revenues amounted to PLN 1,376,871 thousand and compared to the same period last year, in which sales amounted to PLN 1,111,345 thousand, were higher by PLN 265,526 thousand, i.e. by 23.9%. At the same time, the segment saw a deterioration in the result which fell from PLN 178,399 thousand up to PLN 83,763 thousand in the current period. The segment's margin in the current period was 6%. The main factors influencing the margin reduction was a significant increase in the prices of energy carriers, in particular gas and fine coke. The estimated increase in the segment's costs compared to the operating conditions in the first half of 2021 is approximately PLN 100 million, most of which concerns Zink Mill Miasteczko Śląskie S.A.

SALE OF THE ZINC SEGMENT

- sales of zinc in the first half of 2022 amounted to 76.8 thousand tons and was lower by 7.5 thous. tons (- 8.9%) compared to sales recorded in the first half of 2021.
- sales of silver (Dore's metal) in the first half of 2022 amounted to 305.2 thousand ounces and was lower by 237.7 thousand ounces (- 43.8%) compared to recorded sales in the first half of 2021.
- sales of refined lead in the first half of 2022 amounted to 5.2 thousand tons and was lower by 1.5 thous. tons (- 22.3%) compared to the same period in 2021.

In the first half of 2022, the revenues of the Zinc Segment are increased once by sales from the stock of mine concentrate (flotation galena) in the amount of 5.0 thous. tons.

THE MARKET OF ZINC, LEAD AND SILVER

The highest price per ton of zinc (LME zinc cash-settlement) on the London Metal Exchange was USD 4,530 / t (19 April). The record price level is due to concerns about supply, rising orders and historically low inventories. At the end of June this year zinc stocks in warehouses registered at the LME have fallen to the lowest level in many years and amount to approx. 80 thousand tone. The stocks of readily available zinc dropped to approx. 20 thousand tons, which corresponds to 50% of the daily world consumption of this metal.

Industrial metals prices dropped significantly in late June amid rising concerns about a potential global recession. As of June 30, the price of the metal used in electroplating steel is \$ 3,251.5 / t.

The prices of basic metals for the ZGH "Bolesław" Group were as follows:

1st half of 2022

average zinc cash settlement price on the London Metal Exchange USD 3,832 per tonne

average lead cash settlement price on the London Metal Exchange USD 2,269 per tonne

average silver price on the London Bullion Market USD 23.61 per troy ounce (USD 771.8 per kg)

the average PLN/USD exchange rate (NBP) was 4.1260

1st half of 2021

average zinc cash settlement price on the London Metal Exchange USD 2,832 per tonne

average lead cash settlement price on the London Metal Exchange USD 2,072 per tonne

average silver price on the London Bullion Market USD 26.29 per troy ounce (USD 845.3 per kg)

the average PLN/USD exchange rate (NBP) was 3.7682.

The price of zinc, converted into PLN, was PLN 16,272 per tonne and was 52.6% higher than in the 1st half of 2021, when it averaged PLN 10,662 per tonne.

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The price of lead, converted into PLN, was PLN 9,617 per tonne and was 23.3% higher than in the 1st half of 2021, when it averaged PLN 7,799 per tonne.

The price of silver, converted into PLN, was PLN 3.220 per kg, it was at a comparable level year on year - in the year preceding the average of PLN 3,185 per kg.

SMELTERS' PRODUCTION

- **zinc production reached 79.6 thousand tonnes** and was lower by 0.7 tonnes (-0,9%) compared to the 1st half of 2021.
- **refined lead production reached 8.0 thousand tonnes** and was lower by 1.8 tonnes (-18,1%) than in the 1st half of 2021.
- **silver production (Dore metal) reached 9.2 tonnes** and was lower by 7.1 tonnes (-43,3%) than in the 1st half of 2021.

NET SALES FROM CONTRACTS WITH CUSTOMERS	in PLN thousand	
	1st half of 2022	1st half of 2021
Revenues: Transformer Sheet Segment	190 403	452 654
Opening and closing balance		
1. receivables	109 403	109 940
2. assets under contracts		
3. contract liabilities		
4. revenues recognised in the reporting period concerning liabilities		
Revenues: Profile Segment	157 372	435 553
Opening and closing balance		
1. receivables	157 372	140 201
2. assets under contracts		
3. contract liabilities		
4. revenues recognised in the reporting period concerning liabilities		
Revenues: Zinc Segment	320 851	1 111 345
Opening and closing balance		
1. receivables	320 851	260 012
2. assets under contracts		
3. contract liabilities		
4. revenues recognised in the reporting period concerning liabilities		

Information on the political and economic situation in Ukraine and its potential impact on the activities of the Issuer and its Capital Group.

Stalprodukt S.A. and the companies of the Capital Group do not own any assets in Ukraine. The Stalprodukt company conducts a very limited commercial activity with customers in Ukraine and Russia. The share of these customers in the Company's sales structure is insignificant. Sales value to the above-mentioned countries accounted for 0.22% in 2020 and 0.25% in 2021. For the first 2 months of 2022 to the start of the armed conflict, it was 0.03% of sales revenues. The

main direction of supply of charge materials for the Transformer Sheets Segment are mills belonging to the ArcelorMittal concern, located in Poland and Western Europe.

The Issuer makes only supplementary purchases of the input material from mills in Ukraine and Russia (this applies only to the Profiles Segment). Purchases from the above-mentioned countries accounted for 5.94% in 2020 and 9.73% in 2021, respectively, of material purchases. For the first two months of 2022 until the beginning of the armed conflict, the value of purchases accounted for 5.96% of total material purchases.

At the same time, the zinc segment did not implement in 2021, and there are no signed contracts for the sale of its products for 2022 on the Ukrainian market. In turn, revenues from sales in 2021 to the markets of Russia and Belarus, involved in the armed conflict, accounted for approx. 1.2% of total sales in 2021. However, the share of this sale in the segment's revenues is very small. Thanks to diversified sales markets, an armed conflict should not affect sales and financial results in the long term. The zinc segment does not import raw materials for the production of its products from the above-mentioned countries, therefore it does not currently identify the risk related to the inability to obtain raw materials for the production of its products.

At the same time, the Management Board declares that as at the time of submitting this report, there are no significant disruptions in the scope of: decreased revenues, loss of customers or shortage of employees. The solvency, liquidity and collection of receivables also remain unchanged, and price fluctuations in the case of the zinc segment are secured in the form of forward transactions.

As at the date of this report, these are the only effects of the political and economic situation in Ukraine that may affect the Issuer's operations. Due to the high dynamics of the development of the situation, it is difficult to predict other possible financial consequences that may occur in the long term. At the moment, the greatest indirect effect of the war is the crisis related to the prices of energy resources and their availability.

[The impact of the coronavirus COVID-19 pandemic on the situation of the Company](#)

In the opinion of the issuer's Management Board, the COVID-19 pandemic did not have a significant impact on the entity and the Capital Group in the first half of 2022 and most likely this impact will remain insignificant in the near future.

Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. **Financial assets are derecognised from the accounting books when the rights to receive cash flows from**

financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The main financial instruments used by the Group include bank credits and short-term deposits, as well as derivative instruments recognized in accordance with the hedging policy. The main purpose of these instruments is to raise funds for business activities and to hedge cash flows. The companies also have other financial instruments, such as cash, trade payables that arise directly in the course of their operations and long-term loans. In addition, the Companies hold shares in other entities, which constitute long-term investments.

Financial instruments at the time of entry into accounting books are measured at a cost (purchase price), which is the fair value of the payment made. Transaction costs directly attributable to the transaction are recognized at the initial cost of the financial instruments.

After initial recognition at fair value, financial instruments are classified into one out of three categories and measured as follows:

- 1) financial instruments measured at amortised cost,
- 2) financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss.
- 3) financial instruments valued at the fair value through financial result.

Re 1) Financial instruments measured at amortised cost using the effective interest rate method to calculate interest. These instruments are held to maturity and include investments with fixed or determinable payments and fixed maturity that the company intends and has the ability to hold to maturity (receivables, loans). Impairment losses are recognised in accordance with the accounting policy and presented in a note to the financial statements.

Trade credit risk is mitigated by actions related to the selection of counterparties with good creditworthiness, setting credit limits for them, payment hedging policy and their on going monitoring in accordance with the applicable procedures. Therefore, the exposure of the Capital Group companies to the risk of bad debts is insignificant. Credit risk should be properly assessed by making appropriate bad debt provisions in the books.

The Company and entities from the capital group classify customers into risk groups on the basis of the adopted classification, based on the adopted methods of division into risk groups. Groups determine the level of risk from low (group 10) to the highest (group 0). Write-offs on items measured at amortised cost are determined on the basis of historical data according to the division into groups, grouped probability of credit risk and past customer behaviour.

Re 2) Financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss. The method of valuation is applied in the case of financial assets whose cash flows constitute only payments from capital and interest, are maintained in order to collect contractual cash flows and for the purpose of sale, and which are measured at fair value. Interest income on such financial assets is calculated using the effective interest rate method. Impairment losses are recognised in accordance with the adopted accounting principles.

Re 3) Financial assets valued at the fair value by financial result. Assets that do not meet the criteria to be measured at amortised cost (item 1) and at fair value by other income (item 2) are measured by profit or loss. Gains or losses on fair value measurement of investments are recognized in profit or loss. These include trade receivables subject to factoring for liquidity management purposes when the terms of a factoring contract result in the discontinuation of the recognition of receivables or loans that do not meet the SPPI test.

A financial instrument is derecognised from the balance sheet when the entity loses control over the contractual rights constituting the financial instrument; this is usually the case when the instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.

As at each balance sheet date, the Company assesses whether there are objective premises for impairment of a given component of financial assets or a group of financial assets. Such indications include, but are not limited to, serious financial difficulties of the debtor, the disappearance of an active market for a given financial instrument, adverse changes in the economic, legal and market environment of the issuer of a financial instrument, and persistence of a significant decline in the fair value of the instrument. When such evidence exists, the impairment loss should be estimated and an impairment loss should be recognized.

Derivative financial instruments are initially recognized in the books at cost and then measured at fair value. Changes in the fair value of derivative financial instruments are recognized immediately in the statement of total income, as the Parent Company does not use instruments that would qualify as hedge accounting. The Group companies, on the other hand, due to the specific nature and nature of their business model use hedge accounting.

The financial instruments used by the Parent Company are forward currency contracts related to sales and purchase contracts. The Company also occasionally uses forward currency contracts and currency options to protect against currency risk. Fair value of derivatives traded on regulated markets and securities available for sale is determined on the basis of quoted market prices as at the balance sheet date.

In order to estimate the fair value of derivatives whose prices are not quoted on regulated markets and other financial instruments, the Companies apply various methods and assumptions based on market conditions prevailing at each balance sheet date. Normally, market quotes or dealers' quotes are used for specific or similar instruments. Other techniques, such as option pricing models or the discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

The main types of risk arising from financial instruments are interest rate risk, liquidity risk, credit risk and currency risk.

As regards foreign currency receivables and liabilities, the Parent Company uses hedging against natural currency risk, as sales in particular currencies are offset by purchases, any open position (short or long) closes within two to three weeks and its value is insignificant in relation to total turnover. Given the stable financial situation and the predominance of financing with own funds and trade liabilities, the liquidity risk is low. The Company's objective is to maintain a balance between continuity and flexibility of financing by the selection and use of various sources of financing.

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Item	Category acc. to IFRS 9	the 1st half of 2022	2021	the 1st half of 2021
<i>Shares and stocks</i>	<i>fair value through financial result</i>	181	181	399
Trade receivables (net)	<i>amortised cost</i>	814 384	701 199	599 180
<i>Other receivables (without public-law)</i>	<i>amortised cost</i>	31 641	22 458	10 250
<i>Loans given</i>	<i>amortised cost</i>	14 950	14 942	17 217
<i>Securities</i>	<i>fair value</i>	30 633	96 068	122 937
<i>Including: Treasury bonds</i>				
<i>Corporate bonds</i>		23 246	61 878	80 984
<i>Investment fund shares</i>		7 387	34 190	41 953
<i>Cash and cash equivalents</i>	<i>fair value through financial result</i>	509 891	492 253	581 385
Total financial assets		1 401 680	1 327 101	1 331 368
<i>Trade liabilities</i>	<i>amortised cost</i>	573 625	451 455	347 854
<i>Credits and loans</i>	<i>amortised cost</i>	42 159	82 731	98 378
Total financial liabilities		615 784	534 186	446 232

Classification of financial instruments using the fair value hierarchy

The fair value hierarchy of financial instruments is comprised of the following levels: Level 1 - quoted prices in an active market for identical assets or liabilities, Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. based on prices), Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). In accordance with the above classification, Treasury bonds held by the Group are classified at Level 1, investment fund shares are classified at Level 2 and corporate bonds and shares are classified at Level 3.

The purpose and policy of risk management and measurement methods.

The Group's Companies are exposed to various types of financial risks - including changes in market prices of debt and equity instruments, fluctuations of currencies and interest rates. The overall financial risk management program of the Issuer focuses on the unpredictability of financial markets and seeks to minimize the potential negative effects on the Company's financial results. The Department of Financial and Risk Management, supervised by the Finance Director, manages the risk in the Parent Company. The main objective is to minimize the negative effects of external changes on the results obtained by the Company. Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

The main assumption of the ZGH "Bolesław" S.A. strategy with respect to hedging is to reduce the sensitivity of revenues to a decrease in the price of zinc, lead and silver and the USD exchange rate. The smaller the level of security for the Company's exposure, the more sensitive

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it is to price drops. The lack of hedge results in full discovery of the change in the exchange price of zinc, lead, silver and the exchange rate of the dollar, and in the event of a drop in the price to the level below the break-even point, significant losses, difficult to cover from any funds, especially in the period of longer maintenance of the low price level.

The strategy of ZGH "Bolesław" S.A. is based on the use of financial instruments offered by banks and allowing to hedge prices on the commodity market and exchange rate on the currency market. ZGH "Bolesław" S.A. uses hedging consisting in the transfer of risk through the use of short hedge method, which provides protection against the drop of metal prices and USD exchange rate. The derivatives used differ according to the type of market risk being hedged.

The main risks associated with the operations of the Capital Group companies are as follows:

- a) credit and contractual risk,
- b) liquidity risk,
- c) market risk, including:
 - interest rate risk,
 - currency risk.

Credit and contractual risk

The credit risk in the Company is limited by the current examination of the creditworthiness of the counterparties, by accepting appropriate collaterals (bank guarantees, letters of credit, bills of exchange, sureties) and by constant monitoring of overdue receivables. For the purpose of ongoing control, the sales and finance departments are required to apply the rules set forth in the credit and debt recovery procedures. These procedures determine the selection of counterparties, setting credit limits and the procedure in case of overdue receivables.

In order to perform a classification test for the purposes of IFRS 9, to determine the ratio of non-performance of liabilities and forecast the amount of the allowance for receivables, an analysis of turnover with customers was carried out in the period from January to December 2022. The Company conducts a credit risk management policy based on the Credit Procedure, which defines the rules for granting credit limits. In the process of risk identification, customers are assigned to a specific group determining its level, and if the level is too low to accept the limit applied for, negotiations are undertaken in order to obtain hedge.

In accordance with the adopted criteria for classifying customers into risk groups, based on the financial standing, the analysed ratios are assigned (in accordance with the matrix) points. The sum of points determines the customer's qualification to one of the ten risk groups as in the table below:

Risk group	Subgroup	The sum of points from ... to		Rating for customers in the zinc segment	Risk level
I	10	60	58	AAA	none
	9	57	54	AA	low
	8	53	51	A	low
	7	50	48	BBB	low
II	6	47	45	BB	average

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	5	44	40	BB	average
	4	39	35	B	average
III	3	34	30	CCC	average
	2	29	20	CC	significant
	1	19	14	C	significant
	0	13	0	D	insolvency

Group's share in balances of receivables from operating segments as at 30.06.2022					
Segment	Group I	Group II	Group III	Others	Total
Electrotechnical sheets	51%	31%	11%	7%	100%
Profiles	36%	35%	22%	7%	100%
Zinc	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in the 1 st half of 2022					
Segment	Group I	Group II	Group III	Others	Total
Electrotechnical sheets	53%	34%	13%	0%	100%
Profiles	42%	29%	17%	13%	100%
Zinc	100%	0%	0%	0%	100%

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 748,528 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 6 months 2022 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 6.8 0%.

THE HEDGINGS ADOPTED			thousand x USD/EUR/PLN					
			30.06.2022			30.06.2021		
No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	1 231	PLN	1 231	185	PLN	185
2	Bank guarantees and letters of credit	credit /contractual	8 960	EUR	41 938	6 910	EUR	31 239

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3	Bank guarantees and letters of credit	credit/contractual	1 095	USD	4 908	3 942	USD	14 993
4	Sureties	credit/contractual	2 600	PLN	2 600	2 600	PLN	2 600
5	Sureties	credit/contractual	19 450	EUR	91 038	15 074	EUR	68 147
6	Sureties	credit/contractual	2 000	USD	8 965	1 500	USD	5 705
7	Pledges and mortgages	credit/contractual	23 807	PLN	23 807	21 364	PLN	21 364
8	Pledges and mortgages	credit/contractual	0	EUR	0	0	EUR	0
	Total value of securities in PLN				174 487			144 233

It should be stated that the majority of recipients of Capital Group companies are clients with whom there has been a continuous cooperation for many years. At present, the companies do not have any restructured receivables, i.e. receivables towards the customers with whom it has agreed to postpone payment. Taking into consideration the above, the credit quality of the trading book should be described as good.

Contractual risk arises when a contract for the sale of goods under specified delivery conditions is concluded with the customer, which results in a liability on the part of the supplier towards the counterparty to release a given batch of goods, but, at the same time, to fulfil this liability the supplier must commence the production before full payment is made. The resulting situation is followed by the risk being borne by the supplier that the finished goods will not be collected by the counterparty.

The contractual risk occurs in the Companies generally only in the case of accepting orders for non-standard products and is assessed by the person accepting the order. It is limited by accepting appropriate securities, either by accepting partial or full prepayment for the ordered goods, before commencing production.

Liquidity risk

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.

In the current financial standing of the Parent Company, with a clear advantage of financing with own funds, liquidity risk is minimized at wide range. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Parent Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks. All credit lines which were described in a detailed fashion in the last consolidated financial report for 2020 are active and are extended by banks within relevant time limits.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Group's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID).

Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Parent Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored. It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

USD is another currency in which settlements are made. The currency position is being constantly monitored.

The nature of the activities pursued by the subsidiary company - ZGH "Bolesław" S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates. Hedging itself against the currency exchange rate risk, the subsidiary company applies: forward transactions, average-rate forward transactions, options or option strategies (interrelations were shown for the period from April 2022 to October 2024).

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 30.06.2022 r. PLN thousand					
Cash Flow Hedging	forward	\$139 100 000,00	-79 904	-79 904	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 600 000,00	-90	-90	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies		0	0	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (synthetic forward)	€ 1 800 000,00	-592	-592	risk from EUR/PLN exchange rates

Risk from Changing Raw Material Prices

ZGH "Bolesław" S.A. and its Subsidiaries' Exposure to Market Risks

The GK Bolesław's exposure to market risks in 2022 is as follows:

- Zinc - approx. 74 000 tons
- Lead - approx. 8 100 tons
- Silver - approx. 514 400 Ozs
- Currency - approx. USD 299 200 000

Currency exposure is closely connected with the price levels of metals (original exposure) and may be subject to fluctuations in case of their changes. Apart from the metal prices, currency exposure contains premiums achieved on the market when selling zinc, zinc alloys, and lead. The above mentioned exposures are based on budget estimations for 2022, i.e. \$3100 LME Zn, \$2200 LME Pb, \$21.5/ozs LBM.

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 30.06.2022 (zinc)			PLN thousand		
Cash Flow Hedging	swap	39 700	-39 425	-39 425	Price Change Risk Zn LME in PLN
Active commodity hedging instruments as of 31.12.2022 (lead)			PLN thousand		
Cash Flow Hedging	swap	1 975	-323	-323	Price Change Risk Pb LME in PLN
Active commodity hedging instruments as of 31.12.2022 (silver)			PLN thousand		
Cash Flow Hedging	swap	0	0	0	Price Change Risk Ag LMBA

Security accounting,

The Parent Company does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

Whereas considering the nature of the pursued activities, the subsidiary company ZGH "Bolesław" S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards. The risk management policy is based on the decisions issued by the Risk Committee. The details are defined in the ZGH "Bolesław" S.A.'s Hedging Policy, approved by the Management Board with the Resolution 2/2011 dated 14 January 2011. In order to hedge itself against metal price fluctuations, the Company concludes swap transactions, options or option strategies and forward contracts. The market risk management details are clearly defined in the risk management procedure. The Financial Division is divided into two main blocks, i.e. the Front Office with its executive unit – Risk Management Department, supervising officer – Financial Director and the Back Office with its executive unit – Hedge Accounting Department with Chief Accountant as a supervising officer.

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Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	30.06.2022	30.06.2021
Long-Term investments	5 139	2 111
Short-Term Investments	41 267	130 310
TOTAL, including:	46 406	132 421
a) valuation of derivative transactions	15 774	9 484
b) securities	30 633	122 937

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	30.06.2022	30.06.2021
Contracts for Hedging Transactions	35 861	19 487
Conclusions of Currency Option Transactions	112 373	33 030
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-5 962	-3 510
TOTAL	142 272	49 007

Valuation of Derivative Transactions	PLN thousand			
	30.06.2022		30.06.2021	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	15 230	54 655	1 177	41 789
Commodity Transactions - Lead	137	460	1	335
Currency Transactions - USD/PLN EUR/PLN	125	87 157	7 523	6 298
Commodity Transactions- Silver	282	0	783	584
Total	15 774	142 272	9 484	49 006

Securities

Papiery wartościowe	w tys. zł	
	31.03.2022	31.03.2021
Obligacje Skarbu Państwa (Kupon) FL	0	0
Obligacje Skarbu Państwa (Zero-Kupon) FL	0	0
Obligacje (Zero-Kupon)	0	0
Obligacje korporacyjne	23 246	80 984
-PKO Bank Hipoteczny S.A	9 871	53 498
-PEKAO Faktoring S.A	0	13 999
-PKO Leasing S.A	13 375	13 488
-PKO Faktoring S.A	0	0
Investment fund participation units:	7 387	41 952
- Quercus Ochrony Kapitału	1 993	2 009
- Quercus Obligacje Skarbowe	2 334	3 092

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- Generali Aktywny Dochodowy FL	0	1 358
- Quercus Dłużny Krótkoterminowy	2 950	3 006
- Unikorona Dochodowy FL	0	0
- Generali Korona Dochodowy FL	0	5 562
- Generali Oszczednościowy FL	0	0
- Generali Oszczednościowy	0	0
- Unioszczędnościowy FL	0	0
- Unioszczędnościowy	0	0
- Unikatowy Pieniężny	0	0
- Generali Aktywny Dochodowy	110	26 925
TOTAL	30 633	122 936

Division of Hedging Instruments	PLN thousand			
	30.06.2022		30.06.2021	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	15 429	135 762	9 207	44 953
Commodity Transactions - zinc	15 230	54 655	1 128	39 055
Commodity Transactions - lead	137	460	1	335
Currency Transactions - USD/PLN, EUR/PLN	62	80 647	7 295	4 979
Commodity Transactions - Silver	0	0	783	584
Trade Instruments	344	6 510	277	4 054
Commodity Transactions- zinc	0	0	49	2 735
Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	62	6 510	228	1 319
Commodity Transactions - silver	282	0	0	0
Total	15 773	142 272	9 484	49 007

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	30.06.2022	30.06.2021
Sales of Products Adjustment	-102 913	-8 731
Sales of Goods Adjustments	0	0
Revaluation of Investments	-3 609	-3 178
Gains/Loss on Sale of Investments	-7 214	-2 687
Total	-113 736	-14 596

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.06.2022	30.06.2021
Commodity Transactions	-43 641	-4 761
Currency Transactions	-65 885	5 331
Total	-109 526	570

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.06.2022	30.06.2021
Sales Increase	2 726	6 141
Sales Decrease	-105 639	-14 872
TOTAL	-102 913	-8 731

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Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.06.2022	30.06.2021
Valuation of Open Hedging Instruments:	-120 334	-35 746
- Zn	-39 425	-37 927
- Pb	-323	-334
- USD/PLN	-79 904	2 018
- Ag	0	199
- EUR/PLN	-682	298
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	0	0
- Zn	0	0
- Pb	0	0
- USD/PLN	0	0
TOTAL	-120 334	-35 746

Other Information

1. In the first half of 2022, the effects of seasonality did not occur in the Capital Group. In the reporting period, there were also no other items significantly influencing assets, liabilities, equity, net profit and cash flows, which would be unusual due to their type, size or frequency.
2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
 - guarantee of good workmanship concerning the production and assembly of road barriers totaling PLN 19,387 thousand
 - guarantees and sureties (avals) granted by ZGH "Bolesław" amounting to PLN 4,987 thousand,
 - ZGH "Bolesław" S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 60.5 million for subsidizing the project,
 - ZGH "Bolesław" S.A. in the IV quarter of 2019 established in the form of bank guarantees a collateral for claims of the waste holder in favour of the Marshal of the Małopolska Province in the total amount of PLN 9,582,100. The collateral in the amount of PLN 9,111.0 thousand applies to the installation of rotary kilns used for the production of zinc concentrate from waste zinc-bearing materials in a roll down process. The second collateral in the amount of PLN 21.1 thousand applies to installations used for the production of electrolytic zinc and its alloys. The third, in the amount of PLN 450 thousand includes an installation for the processing of waste in the recovery process.
 - no bank collaterals, which were disclosed in the 2021 report, were subject to change in respect of the banks financing the credit agreements.

3. The pending bankruptcy and composition proceedings cover the Group's receivables totalling PLN 5,714 thousand, wherein Stalprodukt's share amounts to PLN 2,468 thousand and ZGH "Bolesław"'s - PLN 3,246 thousand.

During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.

4. As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders are:
- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders, i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,
 - FCASE Sp. z o.o. Sp. k. holding 243,410 shares, accounting for 4.36 %-share in capital and 1,217,050 votes, accounting for 9.98 % of the total number of votes at the General Meeting of Shareholders,
 - Stalprodukt Profil S.A. holding 579,652 shares, accounting for 10.39 %-share in capital and 1,095,488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders,
 - ArcelorMittal Sourcing a société en commandite par actions holding 1,066,100 shares, accounting for a 19.10 %-share in capital and 1,066,100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

As of the Report submission day, the ownership statuses of management and supervision officers in respect of the Issuer's shares are as follows:

a/ management officers:

- Piotr Janeczek 115,053 shares of nominal value: PLN 230,106,
- Łukasz Mentel 100 shares of nominal value: PLN 200.

b/ supervision officers:

- Stanisław Kurnik 2,900 shares of nominal value: PLN 5,800.

In the period pending from the date of issuance of the previous periodic report, no changes occurred in respect of the shareholding status of the managing and supervising officers.

5. Apart from the typical and routine transactions, concluded in line with market conditions, with the capital group - associated companies, resulting from the on-going operating

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activities, neither the Stalprodukt Company, nor its subsidiaries concluded any other transactions with associated companies during the reporting period.

6. Transactions with related parties

a) Transactions that the parent company performed with subsidiaries in the period from 01.01.2022 to 30.06.2022 - these transactions have been eliminated in the consolidated financial statements - are presented in the tables below:

Items the 1 st half of 2022	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
ZGH "Bolesław" S.A.	0	19	0	199
Anew Institute sp. z o.o.	80	0	7	124
Stalprodukt-Wamech sp. z o.o.	554	5 292	1 743	10 732
Stalprodukt-Zamość sp. z o.o.	2 505	61	7 093	208
Stalprodukt-Ochrona sp. z o.o.	22	943	128	2 217
STP Elbud sp. z o.o.	272	6 638	1 884	16 798
Cynk-Mal S.A.	14 795	8	32 937	5 363
GO Steel a.s.	31 433	12 465	194 829	70 599
Hotel Ferreus sp. z o.o.	2	18	8	18
PTZ sp. o.o.	1	0	7	0
Stalprodukt-Centrostal w likwidacji sp. z o.o.	6	0	25	12

b) Transactions with related parties in accordance with IAS 24 in the period from 01.01.2022 to 30.06.2022

Transactions with associates (in accordance with IAS 24, point 19 d) - with Stalnet Sp. z o.o. - including: revenues 23 thousand PLN, costs 72 thousand; receivables 15 thousand PLN, liabilities PLN 5 thousand;

Transactions with other related parties (in accordance with IAS 24, point 19 g):

- with STP Investment SA - revenues PLN 5,000, receivables PLN 1,000
- FCASE Sp. z o.o. Sp. k - did not occur
- Arcelor Mittal Sourcing a societe en commandite per actions - did not occur
- Stalprodukt-Profil S.A.: revenues PLN 6 thousand, costs PLN 0 thousand, receivables PLN 3 thou., liabilities: PLN 0 thousand.
- under the contract of mandate, the balance to F&R Finanse Sp. z o.o. is PLN 12,808 thousand.

In the reporting period, there were no transactions with the key management personnel of the entity as defined in IAS 24, point 19 f.

No transactions with related entities listed in IAS 24, point 19 a, b, c and e were identified in the reporting period.

The transactions were market-based.

A detailed list of related entities is provided on page 16 of this report.

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c) Transactions that the parent company performed with subsidiaries in the period from 01.01.2021 to 30.06.2021 - these transactions have been eliminated in the consolidated financial statements - are presented in the tables below:

Items the 1 st half of 2021	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
ZGH "Bolesław" S.A.		11	4	58
Anew Institute sp. z o.o.	15		15	46
Stalprodukt-Wamech sp. z o.o.	316	3 928	1 381	8 178
Stalprodukt-Centrostal sp. z o.o.	55	2 352	247	2 870
Stalprodukt-Zamość sp. z o.o.	2 955	31	6 136	136
Stalprodukt-Ochrona sp. z o.o.	21	835	124	1 919
STP Elbud sp. z o.o.	474	3 867	1 479	10 160
Cynk-Mal S.A.	7 425	1 299	18 463	3 308
GO Steel a.s.	23 654	15 719	107 893	39 432
Hotel Ferreus sp. z o.o.			1	0

d) Transactions with related parties in accordance with IAS 24 in the period from 01.01.2021 to 30.06.2021:

Transactions with associates (in accordance with IAS 24, point 19 d) - with Stalnet Sp. z o.o. - revenues PLN 23 thousand, costs PLN 72 thousand; receivables PLN 15 thousand, liabilities PLN 5 thousand.

Transactions with other related parties (in accordance with IAS 24, point 19 g):

- with STP Investment SA - PLN 5,000 thousand
- FCASE Sp. z o.o. Sp. k. - did not occur
- Arcelor Mittal Sourcing a societe en commandite per actions - did not occur
- Stalprodukt-Profil S.A. : revenues PLN 6 thousand, costs PLN 0 thousand, receivables PLN 0 thou., liabilities: PLN 0 thousand.
- under the contract of mandate, the balance to F&R Finanse Sp. z o.o. is PLN 12 808 thousand.

In the reporting period, there were no transactions with the key management personnel of the entity as defined in IAS 24, point 19 f.

No transactions with related entities listed in IAS 24, point 19 a, b, c and e were identified in the reporting period.

The transactions were market-based.

A detailed list of related entities is provided on page 19 of this report.

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7. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 46,266 thousand. No significant fixed asset components have been disposed of during the reporting period.
8. The General Meeting of Shareholders on 23 June 2022 adopted a resolution on the distribution of the net result for the financial year 2021 as follows:
 - the amount allocated to the dividend payment is PLN 66,963,204.00,
 - the value of the dividend per 1 share is PLN 12.00 gross,
 - the dividend covers 5,580,267 shares of the Company,
 - the date of establishing the right to dividend is 4 July 2022,
 - the dividend payment date is set for 14 July 2022.
9. The General Meeting of ZGH „Bolesław” S.A. Shareholders held on 20 June 2022 adopted a resolution on the dividend disbursement for the fiscal year 2021. The profit-based amount appropriated for the dividend is PLN 6.00 per share. The dividend disbursement date was fixed on 21 July 2022. The dividend amount of PLN 94,619.00 thousand shall be recognized in the Issuer's separate result for the third quarter of 2022.
10. General Meeting of Shareholders of Go Steel a.s. on 28 June, 2022, it adopted a resolution on the payment of a dividend from the result for the financial year 2021. The amount of the profit allocated to the dividend is CZK 250 million (PLN 48 743 thousand), and the dividend payment date was set for 29 July 2022. The amount of the dividend received will be recognized in the Issuer's unit result for the third quarter of 2022.
11. Important proceedings pending before the court are the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Issuer's subsidiary, i.e. ZGH Bolesław S.A., for payment of compensation for mining damage in the amount of PLN 64,015,224.00 (file ref. No. IX GC 99/14).

On 25.04.2018, the Regional Court of Cracow, 9th Economic Department (cases jointly designated with file No IX GC 543/13) issued judgements in the following cases regarding the subsidiary company, i.e. ZGH „Bolesław” S.A.:

- a. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgement, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The Company shall lodge an appeal against the judgement.
- b. regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgement dismissing the

action. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement.

On 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow of 25.04.2018 to the case with reference number IX GC 543/13, as well as ordered that the ZGH "Bolesław" S.A. shall pay the costs of proceedings at law in the amount of PLN 8,100 for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. Consequently, the ruling of the Regional Court is final and binding.

The above status means that at the moment it has been ruled by a legally-binding decision that ZGH "Boleslaw" S.A. is liable for damages to the Przedsiębiorstwo Wodociągów i Kanalizacji for the consequences in terms of water relations, connected to the future exclusion of the Mine Olkusz Pomorzany drainage and due to this, the discontinuation of water supply to their channels and for possible groundwater pollution.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation appeal against the above judgment. The Supreme Court in Warsaw By a decision of January 27, 2021, refused ZGH "Bolesław" S.A. accepting a cassation appeal for examination. In this state, the case will be reviewed by the District Court, which will determine the amount of compensation.

On September 16, 2021, the Order of the District Court, IX Commercial Division in Kraków, of August 30, 2021, was submitted, obliging PWiK Sp. z o.o. to submit a pleading within one month from the delivery of a copy of this ordinance, and ZGH "Bolesław" S.A. to submit, within one month from the date of delivery of the copy of the pleading from PWiK Sp. z o.o.

On November 15, 2021. ZGH "Bolesław" S.A. issued a letter to the Court with a request to oblige PWiK sp.z o.o. to submit to the Court and the party documents and information related to the technical operation of the water supply network. The District Court, by order dated 10 December 2021, granted the request and obliged PWiK sp.z o.o. to submit such information or submit a letter that he will not submit it. From the substantive point of view, it is important that in the letter referred to above, PWiK sp.z o.o. limited the claim by approx. 10,000 thousand PLN and is currently demanding the amount of PLN 54 839 thousand.

On December 10, 2021, a pleading from PWiK Sp. z o.o. was received. It does not contain the information requested by ZGH "Bolesław" S.A. in a letter of November 15, 2021. In this state, the preparation of the pleading / pleadings containing the current position of ZGH "Bolesław" S.A. is underway.

On February 28, 2022, ZGH Bolesław S.A. submitted their position on the matter. The letter contained a motion to dismiss the claim, as well as formal and evidentiary motions. The basis for submitting a motion to dismiss the claim is the indication that PWiK sp.z o.o. has not suffered any damage in terms of civil law, i.e. there has been no financial loss. Further

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allegations were raised, boiling down to the fact that the possible damage may not be the own expenditure on the investment made, and there is no damage in the scope of the so-called stage II, where no expenses were incurred, and their incurring is not settled and justified. On March 17, 2022, PWiK sp.z o.o. submitted another letter in the case. On April 5, 2022, the District Court in Krakow called on the parties to the dispute to consider mediation in the case.

Moreover, it should be mentioned that the above-mentioned judgment is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). This amount was presented in the balance sheet as at December 31, 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A." As of March 31, 2022, the amount of provisions in the subsidiary and at the level of the consolidated financial statements covers 100% of the amount of the lawsuit.

12. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.
13. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
14. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
 - fluctuations of charge prices and demand for Stalprodukt's products,
 - fluctuations of the LME zinc and lead prices and LBM silver prices ,
 - fluctuations of currency exchange rates
 - prices of electricity and energy raw materials,
 - price formation and gas availability,
 - prices of CO2 emission allowances.
15. During the reporting period and following 30.06.2022 until the preparation of the Abridged Consolidated Report for the 1st half of 2022 no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.
16. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757), the Issuer does not submit its separate the semi-annual standalone report. This Report constitutes a

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supplement to the Abridged Consolidated Report rendered as the „Stalprodukt S.A. Abridged Financial Report for the 1st half of 2022”.

17. No additional information was appended to the Abridged Consolidated Financial Report for the 1st half of 2022 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.
18. This Abridged Consolidated Financial Report for the 1st half of 2022 was approved for publication by parent Company's Management Board on 31.08.2022.

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Łukasz Mentel

Member of the Management Board
– Financial Director

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Piotr Janeczek

President of the Management Board – CEO