

**Statement of the Management Board
on the operations of
the Stalprodukt S. A. Capital Group
for the period
from 01 January 2019 to 31 December 2019**

Bochnia, April 2020.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2019
Statement of the Management Board on the activities of the Capital Group

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Part I. Information on the main areas of operations of Stalprodukt S.A. and its Capital Group.

1. Introduction

Stalprodukt S.A. was established in 1991 in the restructuring process of Tadeusz Sendzimir Steel Works (currently a division of ArcelorMittal Poland S.A.), using the innovative path of privatisation. A year later, after signing with T. Sendzimir Steel Works agreements regarding the lease of land, facilities, equipment and machinery, supply of charge for production and purchase of current assets, Stalprodukt started an independent business activity.

As a result of the efforts of the Company's management in the years 1994-1996, a gradual purchase was being made – under an open public tender procedure - of previously leased fixed assets and the right of perpetual usufruct of land from T. Sendzimir Steel Works for the total net amount of PLN 90 mln.

The purchase of assets from HTS S.A. ended the process of privatisation of Stalprodukt S.A. and enabled the Management Board of the Company to take actions to introduce the Company's shares to public and then stock exchange trading (the first listing of Stalprodukt shares took place on 6 August 1997). This enabled the acquisition of additional financial resources, which were intended for the purchase of a 20-roll "Sendzimir" mill and the extension of the production hall of the Transformer Steels Plant.

In mid-1997, the second phase of transformations was initiated, aimed at establishing a capital group. As a result of this process, new entities were established, mostly limited liability companies with a majority share owned by Stalprodukt.

The company, as the first producer of steel products in Poland, joined in 1997 to build its own distribution network of sections. The main goal of this undertaking was to organise comprehensive sales of steel products from Stalprodukt and other manufacturers in the industry. This project was completed in its principal part in 2000 thanks to the launch of a commercial warehouse in Wrocław. The process of expanding the scope of the distribution network also continued in the following years, thanks to which more commercial warehouses were opened.

In successive years, the company continued its dynamic development, which was based mainly on organic growth, extensive project investments and decisions of strategic importance. The most important ones concerned the withdrawal from the production of dynamo steels, the dynamic growth of the transformer steels segment potential, the increase of production potential and the extension of the cold formed profile and road barrier segment as well as the construction of hot and cold rolled steel service centres.

Acquisitions were also an important element of the development of Stalprodukt.

- In 2005, the Company purchased the Power Engineering Steel Structure Enterprise "ELBUD" in Kraków.
- On 1 October 2008, Stalprodukt acquired - under a new share issue - a controlling share package (51%) in Cynk-Mal S.A. with its registered office in Legnica (1 July 2016, after the purchase of shares held by minority shareholders, Stalprodukt became the sole owner of this company).
- On 7 November 2012, the Company concluded an Agreement with the State Treasury, as a result of which Stalprodukt S.A. acquired 10,961,600 named shares of "Bolesław" Mining and Metallurgical Plant S.A. with its registered office in Bukowno, constituting 86.92% of its share capital.

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- On 15 December 2017, Stalprodukt signed a purchase agreement for 100% of shares in GO Steel Frydek Mistek a.s. with its registered office in Czech Republic from ArcelorMittal S.A. with its registered office in Luxembourg.

Since 2013, Stalprodukt Group has distinguished three basic operating segments as part of its operations:

- a) **Electrical Steels Segment** including the production of electrical transformer steels and toroidal cores;
- b) **Formed Profiles Segment** including production:
 - cold formed sections;
 - protective road barriers;
 - toroidal cores;
 - hot and cold rolled steels - in sheets and strips
- c) **Zinc Segment** - including mining of non-ferrous metal ores, production of zinc and lead, and recycling of zinciferous waste.

Due to non-compliance with the quantitative criteria for classification in a separate operating segment, group sales of goods and other services are shown in "other operations" - to balance the Group's results.

2. Sale of core products, markets. Sources of supply of materials

2.1. Electrical Steels Segment

a) Transformer steels and strips

In 2019, the Group sold 6.7% more transformer sheets in volume terms than in 2018. However, it should be noted that the data for 2018 cover only 10 months, as Stalprodukt took control of GO Steel on 28 February 2018 and therefore this entity has been consolidated since 1 March 2018. Considering the above, the actual difference in sales volumes and values in 2019 compared to the 12 months in 2018 is lower.

The result obtained on the domestic market was 13.8% higher than in the corresponding period in 2018. Domestic sales in 2019 represented 6.5% of total sales of transformer sheets. The Company estimates that such a result translates into approximately 36% share of Stalprodukt in the apparent transformer sheet consumption in Poland.

The implementation of the sales strategy with large corporate customers has brought the results as expected.

The main target countries for export in 2019 were Mexico (18%), Austria (14%), Italy (12%) and Germany (11%).

The import of transformer sheets to Poland in the period of 12 months of 2019 significantly decreased by as much as 35% in comparison to the same period in 2018, and reached a level of just above 9,000 tonnes. The prices of imported material increased slightly by about 3%.

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The main sources of importing transformer steels to Poland (by country of origin) in 2019 are:

- for strips: Italy (61%), Netherlands (11%) and Japan (10%),
- fore wide coils: Japan (74%) and Slovakia (20%).

Table 1. Comparative summary of sales of transformer steels and strips

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	6 410	7 293	13,8%	46 828	56 445	20,5%
Export	117 663	125 048	6,3%	752 705	806 047	7,1%
Total	124 073	132 341	6,7%	799 533	862 492	7,9%

Market situation

According to analysts, the global market for grain oriented electrical steels will continue to grow over the next five years.

Between 2012 and 2016, due to the debt crisis in Europe and the complex economic situation on global markets, the grain oriented electrical sheet industry developed slowly and at a low growth rate. The highest growth was recorded in Asia, especially China and India. The market is forecast to grow at a rate of around 2% between 2020 and 2025, but still mainly in the Asian part of the world. The leading players in the industry will include Baowu Group (China), NSSMC and JFE Steel (Japan), POSCO (Korea) and the rapidly growing NLMK Group (Russia).

The first half of 2019 went smoothly. The failure of the joint venture between Thyssenkrupp and Tata Steel Europe was an important event for the industry. The European Commission blocked the planned merger and as a result both Thyssenkrupp and Tata were forced to reorganise their plans.

Cogent Power, a member of Tata Steel group, experienced serious problems due to the continuous generation of losses. The Canadian Cogent service centre was sold to the Japanese JFE Shoji Trade Corporation, while the Welsh branch of Orb Electrical Steels in Newport and the English Wolverhampton Engineering Steels service centre were closed.

For years, one of the Group's closest competitors in the conventional sheet metal market has been the Russian NLMK, which, despite tariffs are still in place (21.6%), has been reaching many customers in Europe. The EU market continues to be the key market for this company, as evidenced by the recent agreement made with the European transformer and power generation components manufacturer, LTC Group from Italy. Novolipetsk will be supplying its both grain oriented and non-oriented electrical sheets to the Italian customer for the next two years.

a) toroidal cores

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The sales of transformer cores recorded a decrease of 18% in volume and a decrease of 19% in sales value.

This result is the consequence of a much poorer domestic sales.

The sales structure has changed compared to the previous year. 45% (51% in previous year) are domestic sales and 55% (49% in 2018) are export sales.

The decrease in volume and thus in sales value was mainly due to a dramatic reduction and ultimately lack of contracts from a local customer (an Italian company's branch) for rectangular cores/Unicores. This happened due to the Italian government's complete suspension of the contract for Italian railways.

Table 2. Comparative summary of sales of transformer cores

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	571	420	-26,4	7 082	5 021	-29,1
Export	617	551	-10,7	6 715	6 157	-8,3
Total	1 188	971	-18,3	13 797	11 178	-19,0

Market situation

The trends of the previous year have continued with an additional competitive disadvantage, i.e. the possibility for customers to purchase steel sheets from Brazil, which is not affected by the anti-dumping proceeding on transformer sheets. The supply of material from that direction had been limited until GO Steel Frydek Mistek a.s. was sold by ArcelorMittal, which also owns the company in Brazil.

Competition in the transformer core market is increasing and intensifying. Being able to buy non-graded sheet metal or coil ends (from Brazil) at an attractive price, the increasingly easy access to accessories, and the general trend to reduce prime cost mean that as far as long, predictable series are concerned, customers are looking for cheaper cores abroad.

The second continuing trend is classic examples of vertical backward diversification, i.e. customers launching the production of cores (mainly toroidal, but more and more often Unicores).

2.2. Formed Profiles Segment

a) Cold formed sections

In 2019, nearly 184,000 tonnes of sections and pipes were sold. This result means a decrease of 3% in volume and a decrease of 7% in sales value.

In the analysed period, prices fell by about 5% in relation to the prices obtained in 2018.

Based on the data of the Analytical Centre - the Tax Administration Chamber in Warsaw and Polish Steel Association (HIPH), the Company estimates its current share in the apparent consumption of cold formed

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profiles on the domestic market at around 30%. On the other hand, Stalprodukt's share in export of cold formed sections was 44% of total export of this assortment.

The sales results presented above were obtained with the following market conditions (based on information from HIPH in the period January - December 2019):

- **Production of cold-formed sections in Poland decreased by 0.5% to 309,000 tonnes;**
- **Decrease in apparent pipe consumption by almost 14% to 1,076,000 tonnes,** including an 11.5% decrease in the apparent consumption of cold-formed **closed** sections to 448,000 tonnes;
- **Decrease in the import of cold-formed closed sections by 18% (nearly 245,000 tonnes);** for sections with a wall thickness below 2 mm the current main import directions are Ukraine (42%), Belarus (22%) and the Czech Republic (11%); for sections with a wall thickness above 2 mm – Italy (27%) and Ukraine (23%).
- **Increase in export of cold-formed closed sections by nearly 4% (105,000 tonnes).**

Table 3. Comparative summary of sales of cold formed sections

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	132 318	135 625	2,5%	371 530	364 728	-1,8%
Export	55 794	48 144	-13,7%	171 333	140 781	-17,8%
Total	188 112	183 769	-2,3%	542 863	505 509	-6,9%

Market situation (EU steel pipe production)

Production activities in the EU steel pipe industry in the third quarter of 2019 stabilised at the level of the third quarter of the previous year, just as the situation in the first half of the year was quite comparable to that in the first half of 2018. The argument put forward previously is therefore confirmed that the lower share of large pipes in the production product-mix of European manufacturers was replaced by an increase in the share of medium and small pipes, and that the main target markets of pipe producers are predominantly construction, automotive, metal products and mechanical and plant construction. Market conditions remained generally the same in the last quarter of 2019.

Trends in pipe production diverged at the level of individual countries, e.g. Germany, France and the UK saw a decrease in production, while pipe production in Spain and Italy increased compared to the same period in 2018.

As from the beginning of 2019, the pipe market in the EU has been based more on the production of medium and small diameter pipes, the continued growth of the EU construction sector has had a positive impact on the demand for steel pipes and profiles for construction applications. These circumstances have also been favourable for compensating weaker demand conditions in other key sectors, i.e. the automotive, mechanical engineering or metal product industries. At the same time, demand for large welded pipes for pipeline projects has remained weak. Producers in this market segment are currently focusing more on

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other market segments such as onshore and offshore wind energy. This in turn has led to increased internal competition in the EU in an already very competitive market.

The Eurofer forecast for pipes shows that once production stabilises at the previous year's level in 2019, the steel pipe industry in the EU is expected to record only a slight increase in both 2020 and 2021.

The forecasts of demand for the market of medium and smaller diameter pipes show only a slight improvement. Demand growth in the construction industry presumably peaked in 2019 and is expected to decrease in 2020 and 2021, while the business environment in the automotive and engineering sectors may register a slight improvement. Import pressure on EU steel pipe markets will remain high.

Total production of steel pipes in the EU is expected to increase by 0.5% in 2020 and by 0.8% in 2021.

b) Protective road barriers

The result obtained on the sale of road barriers in 2019 was by 25% lower than in 2018 in terms of value and 20% lower in terms of volume as compared to 2018.

2018 was a record year for Stalprodukt in terms of volumes after the barrier parameters, and not only compliance with the national standard, the so-called SP, have become a basic requirement. In 2019, a new phase of road projects in Poland under the new EU budget began. Their implementation will be spread over the next 3 years. In addition, several contracts were terminated by GDDKiA on the Polish market, which resulted in a significant reduction in volumes on the entire market. In the case of exports, the Company recorded a record year in Norway, where barriers for 3 large road and bridge projects were supplied. The decrease in volumes is also related to the continuous "slimming down" the systems by all barrier manufacturers, so in the following years, despite maintaining the volume of kilometres of barriers sold, a decrease in volume in tonnes is to be expected.

Table 4. Comparative summary of sales of road barriers

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	19 741	15 198	-23,0%	98 012	83 526	-14,8%
Export	6 542	5 940	-9,2%	28 298	30 874	9,1%
Total	26 283	21 138	-19,6%	126 310	114 400	-9,4%

Market situation

2019 was an exceptional year, as since the spring, GDDKiA broke several large contracts with contractors, which resulted in a decrease in demand for materials. Eighty percent of the Company's sales of road barriers are sold on the domestic market. The situation on this market has become very complicated in recent months. The termination of several large contracts implemented for GDDKiA, whose execution and completion date was 2019 and, in some cases, 2020, caused an avalanche of events.

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The new deadlines for the road construction completion, as regards the broken contracts, will depend on the dates of new tenders announced by GDDKiA. It is certainly possible to speak of at least one year's postponement from the original dates.

In terms of completed construction of roads in Poland, 2019 was much worse than it had been planned for. Initial plans to supply 520 km for the traffic as early as at the beginning of the year were limited to 475 km. Finally, GDDKiA reported that the construction of 460 km was completed in 2019.

In addition, a large part of the projects underway are delayed.

Rising project costs remain a problem, which can be seen in the bids that exceed Client's budgets. Since the implementation of the National Roads Construction Programme started, 19 tenders have been cancelled, eight of which were launched in 2018. GDDKiA withdrew from nine contracts, mainly with Italian companies. Meanwhile, due to the increase in prices of construction materials and problems with finding employees, construction companies resign from unprofitable contracts more and more often, even during their term. According to the Polish Association of Construction Industry Employers, there may be a shortage of PLN 10-12 billion to implement the full scope of the government's National Roads Construction programme.

c) Steel service centre products

In 2019, just over 13 thousand tonnes of metal sheets were sold for PLN 35 million, which translates both into a decrease in volume and value of sales of 27%, compared to the previous year. This is another year of such strong declines in this product group.

Compared to 2018, imports of both hot-rolled and cold-rolled sheets decreased by 14% and 17%, respectively in 2019. The prices of imported steel sheets remained almost unchanged.

The main sources of import of strips and sheets made of hot rolled steel are: Czech Republic (20%), Germany (16%), Slovakia (12%) and Ukraine (10%). The average price per ton in 2019 is PLN 2 534. The main sources of import of strips and sheets made of cold rolled steel are: Germany (33%), Slovakia (12%), Austria (10%) and Ukraine (10%).

Table 5. Sales of steel service centre products

Specification	Quantity (Mg)			Net Value (PLN '000)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	16 273	12 448	-23,5	42 887	32 587	-24,0
Export	1 915	866	-54,8	5 311	2 541	-52,2
Total	18 188	13 314	-26,8	48 198	35 128	-27,1

Market situation

From January to December 2019, steel production in Poland amounted to 8,996,000 tonnes (the decrease in steel production was 11.5% compared to the previous year).

In the same period, the production of hot-rolled products amounted to 7,859,000 tonnes (a decrease by 11% compared to the same period of the previous year).

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From January to December 2019, the production of flat products amounted to 2,796,000 tonnes (a fall by 21%), and long products – to 5,064,000 tonnes (a fall by 4% compared to the same period of 2018). The production of cold-rolled sheets and strips amounted to 984,000 tonnes after 12 months of 2019 (a fall by 9% compared to the same period of 2018). The production of galvanised sheets and strips amounted to 840,000 tonnes after 12 months of 2019 (a fall by 7% compared to the same period of 2018).

The service centres have continued to invest in their development despite the declines in production, imports and apparent consumption.

2.3 Zinc Segment

The Zinc Segment covers the scope of operations of ZGH "Bolesław" S.A. together with subsidiaries, i.e. the extraction of zinc-lead ores and the production of zinc and lead, as well as related operations.

Sales summaries cover the most important products (zinc, lead, galena flotation, Dore metal) produced by these companies belonging to the Group, whose operations are related to this business segment, i.e. ZGH "Bolesław" S.A., Huta Cynku "Miasteczko Śląskie" S.A. and Gradir Montenegro d.o.o. Other companies included in the Zinc Segment (Boltech Sp. z o.o., Karo Sp. z o.o.) mainly deal with service operations.

The most important products of the Group are zinc (in Z1 and Z5 grades and zinc alloys), lead (lead refined and galena flotation) and silver (Dore metal).

The surfaces are mainly protected against corrosion in electrolytic hot dip galvanizing using Zinc Z1. Zinc alloys are used in continuous casting lines, or high-pressure casting lines, and for applications in the automotive and construction industries, as well as household appliances.

Thanks to its increased lead content, Zinc Z5 is used in the production of brass and bronze, as well as in galvanizing plants as a cheaper substitute or supplement to zinc Z1.

These products are sold in accordance with the currently applicable global standards. The amount of revenues from sales depends mainly on the price quotations of zinc and lead on the London Metal Exchange (LME), silver on the London Bullion Market (LBM), and on the US dollar exchange rate. The above factors are shaped by general circumstances of the world economy.

The Z1 highest grade of ZGH and HCM zinc was registered on the LME. Refined lead of 99.97% Pb purity is also certified by the London Metal Exchange.

a) zinc and zinc alloys

Table 6. Summary of zinc sales

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	97 343	95 531	-1,9	1 096 106	1 074 180	-2,0

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Export	59 008	58 093	-1,6	574 773	524 773	-8,7
Total	156 351	153 624	-1,7	1 670 879	1 598 953	-4,3

** the amounts of revenues given in the above statement are adjusted in order to maintain data consistency with the amounts of revenues given for particular products of the Zinc Segment in the Financial Statements (including adjustments under hedging transactions). The data on sales volumes for 2018 were also adjusted.*

In 2019, the volume of sales of zinc and zinc products was lower than in 2018, including the volume of domestic sales, as it dropped by 1.9%, with export sales falling by 1.6%.

Revenues from sales of these products in 2019 were 2% lower than in the previous year due to a 7.1% drop in PLN zinc prices and a decrease in sales volume.

The situation on the LME/London Metal Exchange/ and the foreign exchange market in 2018.

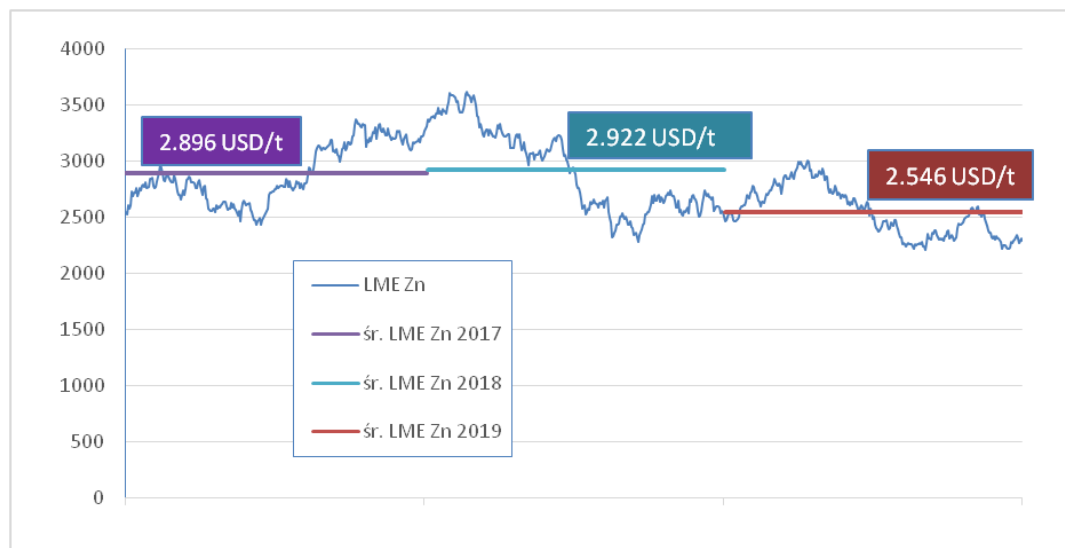
In 2019, the average price of zinc was 12.9% lower than the average price in 2018, while the dollar exchange rate was 6.3% higher. Therefore, the PLN price of zinc in 2019 was 7.1% lower than in 2018.

Table 7. Change in macro parameters 2019/2018

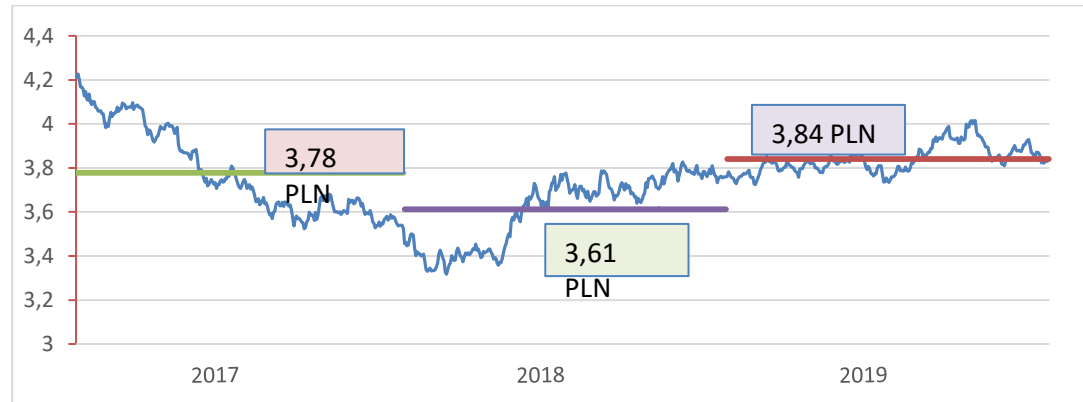
Average prices	unit of measure	Year 2018	Year 2019	change (in %)
LME Zn	USD/t	2 922	2 546	-12,9
LME Pb	USD/t	2 242	2 000	-10,8
LBM Ag	USD/ounce	15,7054	16,2078	3,2
exchange rate	USD/PLN	3,6117	3,8399	6,3
Zn	PLN/t	10 510	9 763	-7,1
Pb	PLN/t	8 073	7 680	-4,9
Ag	PLN/kg	1 824	2 001	9,7

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Zinc prices on the London Metal Exchange in USD/t.



Exchange rate (USD/PLN) according to NBP.



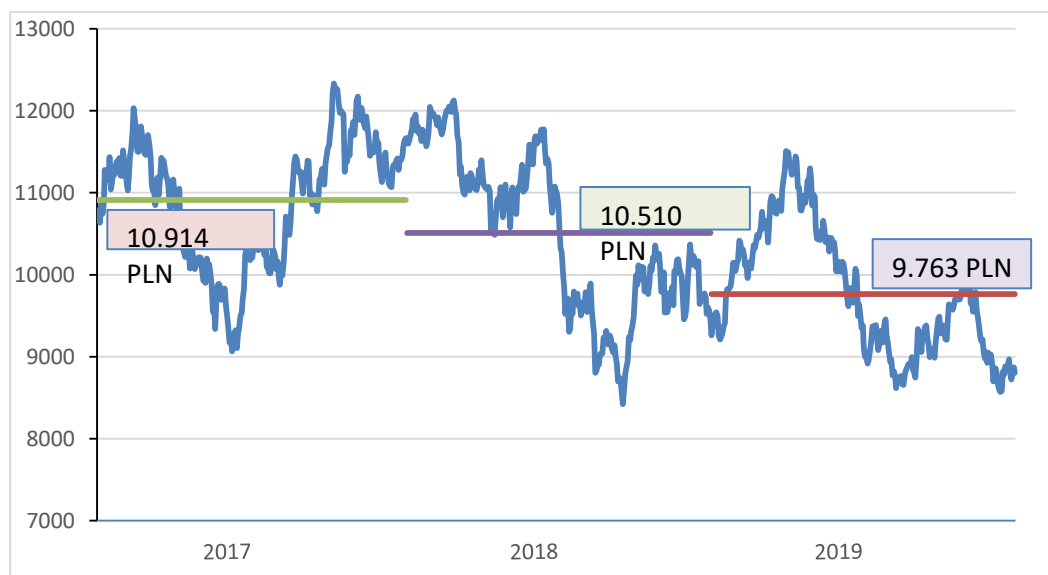
The average LME **zinc** cash settlement in 2019 was 2,546 USD/t and was nearly 13% lower than in 2018, when it reached an average of 2,922 USD/t.

The average LME **lead** cash settlement in 2019 was 2,000 USD/t and was nearly 11% lower than in 2018, when it reached an average of 2,242 USD/t.

The average **silver** prices on the London Bullion Market (LBMA) in 2019 reached 16.20 USD/troz (521.1 USD/kg) – an increase by 3% compared to 2018 (15.70 USD/troz).

The average **USD/PLN exchange rate** (NBP) in 2019 was 3.8399 and was over 6% higher than the average rate in 2018 (3.6117).

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Three main aspects should be considered when describing the zinc market in 2019.

Firstly, the fall in the price – from \$3,000 per tonne as early as in April, to \$2,200 in September, which is as much as 26%! Factors leading to the decline abounded, as both the trade war, China's increasingly restrictive environmental regulations and Europe's deceleration were clearly limiting investors' risk appetite. Comparing the price fluctuation of zinc and other base metals, it is easy to see that the former was, unfortunately, the weakest.

Secondly, a record high backwardation, which in May reached \$160 at a 3-month price. The considerably higher price of metal in spot transactions, as compared to forward transactions, failed to bring metal to stock exchange warehouses, and inventories decreased from 125,000 tonnes in January to 50,000 tonnes in December. The market overestimated the production capacity of the steel mills, as the mining production “flood”, so boisterously announced, was not reflected in the surplus of refined zinc. The steel mill bottleneck, especially numerous downtimes in China due to strict environmental regulations, was particularly noticeable to exporters, who not only sold products at increasingly lower prices, but also struggled to take the decision to secure the price for the future (even \$300 backwardation in a 2-year prospect).

Thirdly, negative swap points. Falling interest rates in the United States shaped the USD/PLN forward rate curve exactly like the zinc curve. As a result, the PLN price of zinc that could be secured did not meet the expectations in terms of the guaranteed margin.

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b) lead

Table 8. Summary of sales of refined lead

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	9 472	11 535	21,8	79 914	93 864	17,5
Export	3 010	1 936	-35,7	25 147	15 526	-38,3
Total	12 482	13 471	7,9	105 061	109 390	4,1

The sales volume of refined lead in 2019 was 7.9% higher as compared to the previous year. The increase in the sales volume cover the 4.9% drop in the zloty prices of lead. Therefore, the sales revenues of this product increased by 4.1% compared to 2018.

Refined lead is mainly used for the production of batteries and traction batteries, as well as for the production of lead oxides, used to produce, among others, paints and varnishes, and to a minimum degree of lead alloys. Refined lead is also a raw material for the production of steels, wires, ammunition and cables.

c) galena flotation

Table 9. Summary of sales of galena flotation

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Country	0	59		9	104	
Export	15 791	28 418	80,0	66 287	120 719	82,1
Total	15 791	28 477	80,3	66 296	120 823	82,2

The galena flotation produced in ZGH "Bolesław" and in "Gradir Montenegro" in Montenegro is a concentrate containing approx. 60% of lead. The production volume depends on ore mining and lead content in ore. In 2019, the volume of galena production in ZGH "Bolesław" increased due to the increase in lead content in ore, especially in the fourth quarter.

The increase in the sales volume of galena covered the drop in lead prices with a surplus in 2019, hence the revenues from sales of galena concentrates increased by 81.8% compared to the previous year.

Virtually all galena is sold for export.

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d) Silver (Dore metal)

Table 10. Summary of sales of Dore metal

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2018	2019	2019/2018 (%)	2018	2019	2019/2018 (%)
Export	21	19	-11,0	39 552	38 830	-1,8

Dore metal produced by HC "Miasteczko Śląskie" is a high-value usable waste generated during lead refining, suitable only for further processing. It is an alloy with a high silver content.

Revenues in 2019 amounted to PLN 38.8 million and were 1.8% lower than in the previous year. The main reason for the decrease in revenues was the decrease in sales volume (-11%), despite the favourable silver price (+3%) and USD/PLN exchange rate (+6%).

Sales of other products of the Zinc Segment

Sulphuric acid

The acid is produced in ZGH "Bolesław" and in Huta Cynku "Miasteczko Śląskie" as a by-product of the process of roasting sulphate concentrates. Due to the growing use of cheaper oxide materials in the production of zinc, the production and sale of sulphuric acid decreases. The recipients of the acid are domestic and foreign clients.

Sulphuric acid is very important in various industries. It is used, among others, for the production of other acids, for the production of dyes, artificial fibres, explosives, and fertilisers. It is used for the production of detergents, medicines and is used as electrolyte in lead batteries. It is a frequently used reagent in laboratories.

Dolomite aggregates

Dolomite aggregates are produced in the subsidiary Boltech Sp. z o.o., mainly based on dolomite produced as a by-product in the process of initial enrichment of ore from the "Olkusz-Pomorzany" mine. Due to the end of exploitation of this mine, the "Ujków Stary" dolomite mine was launched in order to be able to continue production of aggregates in a smooth way.

The main recipients of aggregates are road building executive companies, plants producing mineral-bituminous compounds and manufacturers of road accessories.

Utilisation services for zinciferous materials

Utilisation of zinciferous materials is carried out by Huta Cynku "Miasteczko Śląskie" and ZGH "Bolesław". At ZGH, utilisation is carried out in the Waelz process on two waste streams. The first group consists of wastes from zinc hydrometallurgy, while the second basic waste stream is steelmaking dust from the steel production process in electric arc furnaces. The oxide from steelmaking dust is the charge for the production of zinc in ZGH "Bolesław", while the oxide from the processing of sludge is the charge for the production of zinc and lead in HC "Miasteczko Śląskie".

- **ZGH “Bolesław” S.A. takes the decision to discontinue mining operations in the Olkusz-Pomorzany Mine**

On 29 April, the Management Board of ZGH “Bolesław” S.A. informed the Issuer about adopting a resolution, dated on the same day, on discontinuing the extraction of zinc-lead ore from the “Olkusz-Pomorzany” Mine as of 31 December 2020. The discontinuation of the extraction is to be construed as the submission of a statement on 31 December 2020 on the relinquishment of their concessions for extraction of ores from “Pomorzany” and parts of “Olkusz” and “Klucze I” deposits.

The ZGH “Bolesław” Management Board has also decided to launch the process of liquidation of the “Olkusz-Pomorzany” Mine, and to take all necessary steps to discontinue the extraction within the date indicated above.

Bearing in mind the negative social impact of the liquidation of the “Olkusz-Pomorzany” Mine, the ZGH “Bolesław” Management Board will take steps to mitigate these effects to the extent possible.

Carrying out the liquidation of the “Olkusz-Pomorzany” Mine in accordance with the liquidation programme is estimated to cost approximately PLN 140 million, which has been included in the ZGH's balance sheet in the form of a provision (PLN 116.8 million) and funds accumulated in the mine liquidation fund (PLN 19.8 million).

When taking the decision to discontinue the extraction of zinc-lead ore from the “Olkusz-Pomorzany” Mine as of 31 December 2020, the Management Board took into account the condition of resources, i.e. their quantity, quality and distribution in individual mining divisions. The experience we can gain from the liquidated ZGH mines shows unequivocally that fully mining out a deposit is not possible. Leaving only about 2 million tonnes of developed resources as of 31 December 2020 will be a conspicuous success and such a deposit should be considered as a fully mined out deposit. Considering the above, due to the depletion of deposits, the discontinuation of extraction on 31 December 2020 seems fully justified.

The above information about the ZGH's decision to discontinue mining operations was published on the WSE in Current Report No. 6/2020 on 29 April 2020 (confidential information).

We analysed a possible discontinuation of mining at the end of 2021, but the radical changes in the market between December 2019 and April 2020 caused by the outbreak of the coronavirus pandemic have resulted in a drop in metal prices, accelerating the decision to discontinue mining. It would be unprofitable to carry out mining operations in the current conditions. The closure of the mine will not adversely affect the continuation of the Company's operations.

It should be reminded that the above-mentioned deadline for ZGH “Bolesław” S.A. to cease its mining operations is in line with earlier plans. In particular, this date was specified in the development strategy for the Zinc Segment, published in current report no. 33 of 27.10.2016.

2.4 The segment of other operations recorded a 25.4 % decrease in revenues compared to 2018 and an decrease in results by 4.8 %.

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2.5 Revenues and results of individual operating segments of the Stalprodukt S.A. Capital Group

Table 11. Sales of operating segments of the Capital Group

OPERATING SEGMENTS				
Steels Segment		2018	2019	Change (2019/2018)
Segment revenues	<i>thousand x PLN</i>	813 330	873 670	7,4%
Segment result	<i>thousand x PLN</i>	108 403	84 312	-22,2%
Segment margin	%	13,3	9,7	
Profiles Segment				
Segment revenues	<i>thousand x PLN</i>	738 259	655 038	-11,3%
Segment result	<i>thousand x PLN</i>	1 038	-12 662	
Segment margin	%	0,1	-1,9	
Zinc Segment				
Segment revenues	<i>thousand x PLN</i>	2 012 301	1 994 622	-0,9%
Segment result	<i>thousand x PLN</i>	337 816	301 743	-10,7%
Segment margin	%	16,8	15,1	
Segment of other operations of Stalprodukt S.A. Capital Group				
Segment revenues	<i>thousand x PLN</i>	392 798	292 939	-25,4%
Segment result	<i>thousand x PLN</i>	21 567	20 536	-4,8%
Segment margin	%	5,5	7,0	
Operating segments in total				
Segments' revenues	<i>thousand x PLN</i>	3 956 688	3 816 269	-3,5%
Segments' result	<i>thousand x PLN</i>	468 824	393 929	-16,0%
Segments' margin	%	11,8	10,3	

In 2019, revenues of the Electrotechnical Sheet Metal Segment increased by 7.4% compared to the previous year, while revenues of Profiles, Zinc and other activities decreased by 11.3%, 0.9% and 25.4%, respectively.

In terms of the results obtained, the operation segments on the decrease were:

Metal sheets (by 22.2%), Profiles (recorded a loss of PLN 12.7 million), Zinc (by 10.7%) and other activities (by 4.8%).

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2.6. Assortment structure of sales of the Capital Group with division into operating segments

Table 12. Assortment structure of sales of the individual operating segments

Assortment	2018		2019	
	value (thousand x PLN)	share (%)	value (thousand x PLN)	share (%)
Electrical Steels Segment	813 330	20,6%	873 670	22,9%
Formed Profiles Segment	738 259	18,7%	655 038	17,2%
Zinc Segment	2 012 301	50,9%	1 994 622	52,3%
Other operations GK	392 798	9,9%	292 939	7,7%
Total	3 956 688	100,0%	3 816 269	100,0%

In 2019, there was an increase in the share of sales of the Electrical Sheets Segment (from 20.6% to 22.9%) and the Zinc Segment (from 50.9% to 52.3%). However, the share of revenues from sales of the Bent Profiles Segment and other activities decreased from 18.7% to 17.2% and 9.9% to 7.7%, respectively.

Sources of supply of materials for production

Almost 90% of purchases made by Stalprodukt are hot and cold rolled steel coils. Purchases of this material are made directly in steel works. ArcelorMittal Europe - Flat Products has been the largest supplier for the company for several years. These materials are used in the basic production processes implemented in the Company related to the production of: electrical transformer steels, cold formed sections and road barriers. It should be emphasized that materials intended for the production of individual products differ from each other in technical parameters, i.e. chemical composition, steel grade, thickness and width of coils, etc.

Hot and cold rolled steels are also used in the service centres owned by the Company, which perform longitudinally cutting operations (into strips) or transversally ones (into sheets). As part of the adopted specialisation, the service centre for hot rolled steels is located in Bochnia, while the service centre for cold rolled steels is located in Tarnów.

The material in strips is mainly used for internal needs of Stalprodukt, it is the charge for profiling lines for the Company's production departments located in Bochnia (Dept P2), in Kraków (Dept P3) and in Tarnów (Dept P4). In turn, steels in sheets are sold exclusively to Stalprodukt's external customers - both directly and through Stalprodukt's domestic distribution network.

In 2019, the ArcelorMittal Group with a share of 44,8% remained the main supplier of charge material for Stalprodukt, with the value of supplies exceeding 10% of the individual sales revenues.

In the case of the Zinc segment, the main raw materials used in the production processes are zinc-lead ore from its own mines (Pomorzany and Suplja Stijena owned by Gradir Montenegro), zinc concentrates (blende), lead concentrates (galena) and zinc-lead concentrates (blende bulk).

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3. Assessment of the economic and financial situation

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EURO	
	2019	2018	2019	2018
I. Net sales of products, goods and materials	3 816 269	3 956 688	887 133	927 278
II. Operating profit (loss)	203 708	299 847	47 354	70 273
III. Profit (loss) before taxation	200 674	349 004	46 649	81 793
IV. Net profit (loss)	154 488	284 652	35 912	66 712
- attributable to shareholders of the parent company	142 494	270 288	33 124	63 345
- net profit attributed to non-controlling interests	11 994	14 364	2 788	3 367
V. Net cash flow from operating activities	369 994	349 888	86 009	82 001
VI. Net cash flow from investment activities	-235 091	-336 582	-54 649	-78 882
VII. Net cash flow from financial activities	-202 988	-38 755	-47 187	-9 083
VIII. Total net cash flow	-68 085	-25 449	-15 827	-5 964
IX. Total assets	4 345 081	4 357 371	1 020 331	1 013 342
X. Liabilities and provisions for liabilities	1 587 056	1 659 531	372 680	385 937
XI. Long-term liabilities	530 197	497 848	124 503	115 779
XII. Short-term liabilities	620 318	747 289	145 666	173 788
XIII. Shareholders' equity	2 758 026	2 699 840	647 652	627 870
- equity attributable to shareholders of the parent company	2 650 457	2 593 547	622 392	603 151
- equity attributed to non-controlling interests	107 569	106 293	25 260	24 719
XIV. Share capital	11 161	11 161	2 621	2 596
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	27,68	51,01	6,43	11,95
XVII. Book value per share (PLN)	494,95	483,82	116,22	112,52
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	5,00	3,00	1,16	0,70

Basic economic and financial values

In 2019, revenues from sales of products, goods and materials of Stalprodukt Capital Group amounted to PLN 3 816.3 million. This means an decrease of 4% compared to 2018. The generated profit on the level of operating activity amounted to PLN 203.7 million, while the net profit amounted to PLN 154.5 million (in 2018, the operating profit amounted to PLN 299.8 million, and the net profit amounted to PLN 284.6 million).

In the period under review, EBITDA reached PLN 371.5 million (compared to PLN 448.9 million in 2018).

In 2019, the sales profitability at individual levels was as follows (in %):

Specification	2019	2018
Return on sales	6,3	7,9
Operating return	5,3	7,6

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Gross return	5,3	8,8
Net return	4,0	7,2

Return on assets and equity is illustrated by the following values (in %):

Specification	2019	2018
Return on assets	3,6	6,5
Return on equity	5,6	10,5

Financial liquidity in a static approach is presented by the following ratios:

Specification	2019	2018
Acid test ratio	3,1	2,7
Increased liquidity ratio	1,9	1,7

In 2019, cash flows from operating activities amounted to PLN 369.9 million.

Compared to 2018, in the accounting period the assets of Stalprodukt S.A. Capital Group a slight decrease by PLN 12.3 million, i.e. by 0.3%. Fixed assets increased by PLN 96.3 million compared to the previous year and amount to PLN 2 406.9 million.

In the discussed period, the value of current assets decreased by PLN 105.6 million.

In 2019, equity increased from PLN 2 699.8 million (2018) up to PLN 2 758.0 million and accounts for 63% of the balance sheet total.

Non-current liabilities of Stalprodukt S.A. Capital Group as on 31 December 2019 amounted to PLN 530.2 million, of which long-term loans and borrowings constitute PLN 110.9 million.

In comparison to 2018, there was an increase in non-current liabilities by PLN 32.3 million.

In non-current liabilities, the amount of PLN 296.1 million is related to the recognition of the risk related to the acquisition of ZGH "Bolesław" S.A., i.e. costs of liquidation of "Olkusz-Pomorzany" mine, liability for mining damages, possibility of not recovering the funds put into in Gradir Montenegro, severance pay for employees of the mining division, claims related to coal allowance in kind and guarantees and sureties. Short-term loans and borrowings at the end of 2019 amounted to PLN 64.9 million. Net working capital increased from PLN 1 298,5.2 million in 2018 to PLN 1 318.9 million at the end of 2019.

Return on equity in Stalprodukt Capital Group in the analysed period amounted to 5.6%, and the balance of cash as on 31 December 2019 amounted to PLN 404.5 million.

Assessment of the results and financial situation

In terms of results obtained, the year 2019 was worse for Stalprodukt Capital Group than 2018. The Group recorded a decrease in sales revenues by 4%, with the deterioration of both profit on sales (decrease by 20% y/y), operating profit (decrease by 30% y/y) and net profit (decrease by 44% y/y).

The Capital Group has not experienced payment bottlenecks consistently implementing the adopted policy in risk management. The parent company is also not threatened by changing exchange rates due to the

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mainly natural hedging of this risk. On the other hand, ZGH "Bolesław" S.A. and its subsidiaries conduct an active hedging policy. In accordance with the strategy of hedging against the effects of a drop in prices of zinc, lead and silver as well as the dollar exchange rate, subsidiaries identify and assess the impact of the risk related to changes in metals prices and the exchange rate on the financial result, cash flow and balance sheet on an ongoing basis.

In 2019, there were slight changes in the shaping of the assets and sources of its financing. Fixed assets increased by PLN 93.3 million, i.e. 4%, while current assets decreased by PLN 105.6 million, i.e. 5%. In the group of current assets, inventories decreased by 6% and short-term receivables also decreased by 6%.

The Group's assets decreased by PLN 12.3 million, that is by 0.3 %. The decrease in assets was accompanied by a drop in financing sources in the position of provisions and liabilities by 4%.

In the analysed period there was an decrease in non-current liabilities on account of deliveries by 13% (PLN 337.3 million)

Equity accounts for 63% of equity and liabilities, and liabilities - 37%. The book value per one ordinary share increased from PLN 483.82 to PLN 494.25 (by 2%).

Throughout the accounting period, the Parent Company and the majority of companies from the Capital Group maintained good financial liquidity, as evidenced by liquidity ratios and timely performance of all liabilities, both towards employees and suppliers as well as the budget and financial institutions.

The Capital Group is not overly indebted, the use of current loans throughout the period was moderate. In the opinion of the financing banks, the Stalprodukt Group has continuous creditworthiness, and the results achieved as well as the transparent property and ownership situation enable it to obtain financing in various forms.

In the accounting period, the Parent Company and subsidiaries renewed contracts with banks for multi-purpose lines of credit aimed at hedging the Group's financing sources.

The Management Board does not expect deterioration of the Group's financial situation in 2020. In order to maintain good financial situation and liquidity, works on restructuring Group companies and further undertakings are being carried out, in particular in the area of gaining new markets for supply and sales, rational stock and receivables management as well as cost reductions.

The management of financial resources should be considered as correct, as evidenced by the achievement of good economic ratios and maintaining financial liquidity and creditworthiness, as well as timely performance of liabilities.

4. Assessment of factors and unusual events affecting the result of operations for the financial year, with determination of the degree of impact of these factors or unusual events on the result achieved

- The results obtained by the Group in 2019 were adversely affected by a decrease in revenues from the sale of products, goods and materials amounting to PLN 140.4 million, i.e. by 3.5%. They resulted mainly from lower volumes and lower sales value of the Profile Segment's products, i.e. cold-bent sections, road barriers and service centre products. The total decrease in the value of sales of this operating segment in relation to 2018 was PLN 83,221,000, i.e. 11.3%.

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- Despite the 7.4% increase in last year's sales revenues in the Sheet Metal Segment, the margin of this Segment decreased by PLN 24.1 million, i.e. by 22.2%. This decrease (especially in the second half of 2019) in relation to 2018 was caused by a price adjustment and an increase in costs, which consisted of an increase in direct and indirect production costs, including primarily electricity and personnel costs;
- In 2019, sales costs were 10,3% higher, which negatively affected the level of profit on sales. This was partly due to the fact that after the reorganisation of the principles of the distribution network in July 2018 and the inclusion of commercial warehouses in the structures of Stalprodukt S.A., the Company incurred higher costs in 2019 due to its supplying of products to its domestic sales network and to customers;
- The results were positively influenced by other operating revenues, higher by PLN 38.3m, i.e. 136.1%. The most important item among them were revenues from the amortisation of CO₂ emission allowances amounting to PLN 36.7 million.
- On the other hand, the results were adversely affected by the remaining operating costs, including in particular the established provisions, which increased by PLN 33.9 million, i.e. by PLN 71.6 million, compared to 2018.
- The following factors played an important role in the Zinc Segment:
 - Falling prices of zinc and lead on the stock exchange, which lowered sales revenues and caused the need to unfavourable revaluation of finished and semi-finished product inventories,
 - Consequently, the revenues of the Zinc Segment decreased by 1%, i.e. by PLN 17.7 million as compared to 2018. Manufacturing costs of sold production increased by 0.5%, so the result on sales is lower by PLN 30.1 million (i.e. 12%). The increase in costs results from a decrease in mining production, increase in electricity prices, personnel costs and external services;
 - Compared to the same period of the previous year, there was a decrease in the steel mill production of zinc by 305 tonnes,
 - The metallurgical production of refined lead in 2019 was 340 tonnes lower (production volume depends on the current supply of relevant raw materials; part of lead production is used for own needs),
 - Dore silver production was at a comparable level.
- **Situation on the steel market**

According to data published by the World Steel Association, global crude steel production reached 1,869.9 million tonnes in 2019, an increase of 3.4% compared to 2018. Crude steel production decreased in all regions in 2019, except Asia and the Middle East. Asia produced 1,341.6 tonnes of crude steel in 2019, an increase of 5.7% compared to 2018.

Crude steel production in China in 2019 was 996.3 tonnes: 8.3% more than in 2018. China's share of world crude steel production increased from 50.9% in 2018 to 53.3% in 2019.

The European Union produced 159.4 tonnes of crude steel in 2019, a decrease of 4.9% compared to 2018. Germany produced 39.7 tonnes of crude steel in 2019, a decrease of 6.5%.

Steel production also decreased in Poland. Last year's production of 9.1 million tonnes of steel means a decrease of almost 11% compared to 2018. One of the main reasons was the shutdown of the blast furnace in Kraków by ArcelorMittal Poland S.A.

Production operation in 2019 was weakened by the continuing slowdown in international automotive trade, the collapse and weakening of business investment as a result of a significant loss of confidence, due to concerns about trade wars and the uncertainty surrounding Brexit.

In comparison to the above results, the total production operation in the sectors which use steel performed slightly better only in the construction sector, which in contrast to international trade is not exposed to fluctuations and negative dynamics.

Eurofer lowered its 2020 steel consumption forecast to a 1.2% (159 million tonnes) growth compared to the forecast of 1.4% in the fourth quarter of 2019.

- **General economic situation in Poland and the EU**

Economic conditions on the domestic market had a positive impact on the Company's operations in 2019. Although Poland's GDP fell to 4.0% (from 5.1% in 2018), its level can still be considered relatively high, especially in relation to other Western European economies.

By comparison, the EU economy grew by 1.5% in 2019 (2% in 2018).

5. Information on concluded contracts significant for the issuer's operations, including contracts known to the issuer concluded between shareholders (partners), insurance contracts, collaboration or cooperation contracts

On 15 December 2017, a contract was signed for the purchase of the shares of GO Steel Frydek Mistek a.s. with registered office in the Czech Republic from ArcelorMittal S.A. with registered office in Luxembourg. The final remuneration, which consists of cash payment, conditional payment and the value assigned to a signed trade contract, amounted to EUR 40 million. This contract continues to have an impact on the Issuer's operations, as the obligations under the trade agreement also cover 2020, the third year of its term.

Another component of the purchase price is "Earn-out", which means the right of the seller to a 50% share in the result assumed above in the valuation prepared for the purposes of EBITDA transactions over 4 consecutive years (i.e. 2018-2021), subject to the condition that total EBITDA payments may not exceed EUR 3.5 million. This amount is a contingent liability.

6. Organisational and capital links with other entities

Stalprodukt S.A., together with 9 subsidiaries, forms the Capital Group. Stalprodukt holds 100% shares in subsidiaries, with the exception of Zakłady Górniczo-Hutnicze "Bolesław" S.A., in which it holds 94.93 % of shares.

Stalprodukt S.A., as the parent company in the group, sets out the directions of operations and development of subsidiaries established as a part of restructuring process and taken over to expand production, commercial and service operations.

The main objects of operations of the Capital Group companies are:

- production of electrical transformer steels - parent company Stalprodukt S.A., GO Steel Frydek Mistek a.s.,

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- production of cold formed sections, safety road barriers as well as cold rolled and hot rolled steels and cut strips - parent company Stalprodukt S.A.,
- mining of non-ferrous ores and production of zinc and lead – ZGH "Bolesław" S.A. together with subsidiaries:
 - Huta Cynku "Miasteczko Śląskie" S.A. – production of rectified zinc, lead and cadmium,
 - Boltech Sp. z o.o. – energy, laboratory and mechanical-construction services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. – zinc-lead ore mining and concentrate production,
 - Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. - protection of property and persons,
 - PRD Olkusz S.A. – road construction and repairs (subsidiary of Boltech Sp. z o.o.).
- trade operations:
 - Stalprodukt-Centrostal Kraków Sp. z o.o.,
 - Stalprodukt-Zamość Sp. z o.o.
- other production and service operations:
 - production of galvanized lightning hoop irons and wires as well as steel strips - Cynk-Mal S.A.,
 - production of cold rolled steels – GO Steel Frydek Mistek a.s.,
 - production and remanufacturing of spare parts, installation, repairs and maintenance of machinery – Stalprodukt-Wamech Sp. z o.o.,
 - production of steel structures – 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.,
 - construction, maintenance of roads and motorways – Stalprodukt MB Sp. z o.o.,
 - protection of property and people – Stalprodukt-Wamech Sp. z o.o.,
 - designing of equipment related to the use of renewable energy sources – Anew Institute Sp. z o.o.

6.1 Changes in the size of shares held in affiliated companies

- Due to the voluntary redemption of 86,000 own shares, comprising 17.3% of its share capital, Stalprodukt's share in the share capital of this entity increased from 16% to 19.51%. This entity is not consolidated within the Group.
- In December 2019, amendments were made to the Register of Entrepreneurs of the National Court Register of F & R Finanse sp. z o.o., with its registered office in Jawornik, by deleting ZGH "Bolesław" S.A. as its partner from the register. The company was deleted from the register in connection with the redemption of all 12,300 shares held by ZGH "Bolesław" S.A. in F & R Finanse sp. z o.o., with a nominal value of PLN 6,150,000.00, comprising 19.68% of the company's share capital. The redemption took place at the request of ZGH "Bolesław" S.A. (voluntary redemption) out of the net profit, without reducing the share capital, for a total fee of PLN 9,254,766.00, i.e. for a fee of PLN 752.42 per share.

ZGH "Bolesław" S.A. considered it was not advisable to continue the capital involvement in F & R Finanse sp. z o.o. and, as a consequence, considered the capitalisation of the shares in question and the allocation of the funds thus obtained for the purposes related to the company's development to be justified.

7. Transactions concluded by the issuer or its subsidiary with affiliated entities on terms other than market conditions

Transactions with affiliated entities in 2019 concern:

- sales of products and goods to companies within Stalprodukt Capital Group,
- provision of services for Stalprodukt S.A. by subsidiaries.

These are typical and routine transactions, provided on a continuous basis, concluded on market terms within the capital group and resulting from current operating activities. Other significant transactions with affiliated entities did not occur.

8. Information on loan and borrowing contracts concluded or terminated in 2019

Contracts concluded by Stalprodukt S.A.

In 2019, the Company signed annexes to prolong the validity of the following credit agreements:

- Contract on a multi-purpose line of credit for overdrafts, guarantees and letters of credit with BGŻ BNP Paribas S.A. with registered office in Warsaw, with a limit of PLN 50 000 thousand. As part of the loan limit, Stalprodukt-Wamech Sp. z o.o., a company of the capital group, may use a sublimit in the amount of PLN 2 000 thousand. The contract is valid until 30 September 2020.
- Credit limit in Bank Handlowy w Warszawie S.A. for a revolving credit for granting bank guarantees and opening letters of credit with a revolving credit limit up to PLN 65,000,000. The credit concerns the amount of PLN 50,000,000 for an overdraft facility and issuance of guarantees and letters of credit with a deadline of up to 18 months (in this part the agreement is valid until 29 January 2021), and PLN 15,000,000 for long-term guarantees up to 6 years (in this part the agreement is valid until 03 July 2020).
- A multi-purpose credit limit of PLN 150,000,000 with Bank PKO BP S.A., with a registered office in Warsaw, intended for the use of an overdraft (up to PLN 90,000,000) and for opening letters of credit and granting guarantees (up to PLN 40,000,000). Within the credit limit, companies from the STP Elbud Sp. z o.o. capital group and GO Steel Frydek Mistek a.s. may use sublimits of 10,000,000 each. Term of the Agreement: 13 January 2021.
- A credit limit up to a total amount of PLN 100,000,000 with Bank Pekao S.A., with a registered office in Warsaw, intended for the use of an overdraft (up to PLN 72,000,000) and for granting guarantees and opening letters of credit (up to PLN 10,000,000). Within the credit limit, companies from the STP Elbud Sp. z o.o. capital group and Cynk-Mal S.A. may use sublimits of 13,000,000 and 15,000,00, respectively. Term of the Agreement: 30 September 2021
- A multi-purpose credit limit of PLN 15,000,000 with Bank Societe Generale S.A., with a registered office in Warsaw, intended for the use of an overdraft and for opening letters of credit and granting guarantees (up to PLN 5,000,000). Term of the Agreement: 30 April 2020.

On the date of the balance sheet, the following agreements were also in force:

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- An investment credit in the amount of PLN 100,000,000 with Bank PKO BP S.A., with a registered office in Warsaw, intended for refinancing expenses related to the purchase of shares in Go Steel Frydek Mistek a.s. The credit is valid until 30 June 2023.

A list of ZGH "Bolesław" S.A. lines of credit

In the accounting period, ZGH "Bolesław" used the loan limits in open accounts:

- ING Bank Śląski S.A. for USD 10,000 thousand,
- Bank Polska Kasa Opieki S.A. for the amount of PLN 30,000 thousand,
- BNP Paribas Bank Polska S.A. for PLN 15,000 thousand,
- HSBC Bank Polska S.A. for the amount of EUR 1,000 thousand. The currency used is PLN, USD, EUR.

Other loan contracts of ZGH "Bolesław" S.A.

On 2 April 2015, the Company concluded a borrowing contract with National Fund for Environmental Protection and Water Management (NFOŚiGW) in Warsaw for co-financing the implementation of the undertaking entitled "Construction of the Flotation Waste Processing Plant – Processing system in the process of flotation enrichment of flotation waste obtained from the settling ponds of Zakłady Górniczo-Hutnicze" Bolesław "S.A.". A borrowing in the amount of PLN 42,161.8 thousand was granted for the period from 01 February 2015 to 20 December 2022 and has an interest rate of 3.5% per annum. The balance of debt as at 31 December 2019 is PLN 28.1 million.

Due to the fact that ZGH "Bolesław" on 02 January 2018 acquired an organised part of the enterprise, i.e. ZPC Zespół Kotłowni, which includes assets financed with funds from loan contracts with Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW) in Kraków, on 29 January 2018 there were contracts signed to take over the Rights and Obligations resulting from the aforementioned loan contracts:

- Borrowing No. P/114/15/21 for the financing of the task called "Development of a dust collection system from boilers located in Bolesław boiler plant" in the amount of PLN 4 742 900 until 15 December 2022. The debt level as at 31 December 2019 is PLN 2.006 million.
- Borrowing No. P/115/15/21 for the financing of the task called "Development of a dust collection system from boilers located in Dąbrówka boiler plant" in the amount of PLN 890,995.99 until 15 December 2020. The debt level as at 31 December 2019 is PLN 0.178 million.
- Borrowing No. P/116/15/21 for the financing of the task called "Development of a dust collection system from boilers located in Olkusz boiler plant" in the amount of PLN 1,104,900.00 until 15 December 2020. The debt level as at 31 December 2019 is PLN 0.220 million.

On 31 December 2019, the debt of ZGH "Bolesław" S.A. under loans amounts to PLN 2.405 million.

In 2019 Huta Cynku "Miasteczko Śląskie" had open credit lines in the following banks, using three-currency credit lines and transaction limits for treasury transactions.

- Credit Agricole Bank POLSKA PLN 5,000 thousand,
- PKO BP SA. PLN 10,000 thousand,
- Pekao SA. PLN 15,000 thousand,

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- ING Bank Śląski S.A. PLN 30,000 thousand.

Zinc Works "Miasteczko Śląskie" cooperated with BNP Paribas S.A. and mBank S.A. in treasury transactions within the granted transaction limits, while the existing treasury limit in Alior Bank was not extended for 2019.

Huta Cynku "Miasteczko Śląskie" has a loan contract with National Fund for Environmental Protection and Water Management (NFOŚiGW) and with Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW). Debt as at 31 December 2019 due to this is PLN 41.9 million.

9. Information on borrowings, sureties and guarantees granted in 2019

a) borrowings, sureties and guarantees granted by Stalprodukt S.A.

The balance of other loans granted only to affiliated entities was as at the balance sheet date as follows:

- interest-bearing borrowing (WIBOR 1M + margin) in the amount of PLN 12 000 thousand granted on 28 October 2009 to Cynk-Mal S.A. Remaining amount to be paid is PLN 6 000 thousand, according to the annex to the loan contract of 29 October 2018, repayment is due on 31 December 2020;
- interest-bearing borrowing (WIBOR 1M + margin) in the amount of PLN 20 000 thousand granted on 24 May 2010 to Stalprodukt-Profil S.A. Remaining amount to be paid is PLN 8 000 thousand, according to the annex to the loan contract of 23 December 2019, repayment is due on 31 December 2020;
- interest-bearing borrowing (WIBOR 1M + margin) in the amount of PLN 20 000 thousand granted on 24 May 2010 to StalNet Sp. z o.o. Remaining amount to be paid is PLN 10 000 thousand, according to the annex to the loan contract of 23 December 2019, repayment is due on 31 December 2020;
- interest-bearing borrowing (WIBOR 1M + margin) in the amount of PLN 500 thousand granted on 6 December 2018 to the subsidiary Anew Institute Sp. z o. o., according to the annex to the loan contract of 27 December 2019, repayment is due on 31 December 2020.

In addition, as at the balance sheet date, the surety issued by Stalprodukt S.A. of the blank bill of exchange issued by STP Elbud Sp. z o.o. for the bank Pekao S.A. with its registered office in Warsaw in connection with the investment loan of PLN 13 000 thousand taken in 2015. The outstanding loan amount is PLN 2,600 thousand, repayment date is 31 December 2020.

As at the balance sheet date, the company has no contingent liabilities other than due to the aforementioned bill of exchange surety and performance bond regarding the production and assembly of road barriers. As at 31 December 2019, the total amount of unexpired guarantees in this respect is PLN 15,850 thousand.

b) borrowings, sureties and guarantees granted by companies of Stalprodukt S.A. Capital Group

GK ZGH "Bolesław" has contingent liabilities, understood as an obligation to make payments which will occur depending on the occurrence of specific events.

The contingent liabilities of the GK ZGH "Bolesław" include, among others

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- The value of the sureties and guarantees provided, including:
 - securing contracts concluded with the National Center for Research and Development for project co-financing:
 - "Verification based on the trial line of the new technology of ZGH Bolesław S.A. for high purity zinc electrolytic separation in order to increase the share of secondary raw materials in the electrolytic zinc production process to the level that is a breakthrough in the industry", (POIR.01.01.02-00-0159/16-00). The investment project value is PLN 38,873,197. The expiration date of the liability is 30 June 2026.
 - "Demonstration in the operational conditions of the innovative process of producing ZN-Pb-AG flotation concentrate to increase recovery of Ag and Zn from slurries from the extraction process of roasted zinc concentrates being the key to effective management of mining waste after processing of zinc and lead ores (POIR.01.01.02-00-0080/17-00). The investment project value is PLN 4,976,178. The expiration date of the liability is 31 March 2026.
 - "Development of an innovative technology for the recovery of zinc in the rolldown process from metallurgical waste mixtures along with the treatment of post-process slags to the form of poor iron ore substitute" (POIR.01.01.02-00-0206/17-00). The investment project value is PLN 12,000,000. The expiration date of the liability is 31 August 2025.
 - performance bond for the contracts concluded by Huta Cynku "Miasteczko Śląskie" for co-financing of two investment projects for a total amount of PLN 5.6 million,
 - for security on the assets of ZGH "Bolesław" S.A. :
 - Security for the repayment of a loan to the National Fund for Environmental Protection and Water Management in Warsaw taken out to finance the investment project "Construction of the Post-Flotation Waste Processing Plant" up to the amount of PLN 28,181,800,
 - performance bond for repayment of the remaining amount of loans to Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW) in Kraków taken over as a result of the purchase from BOLTECH sp. z o.o. of the Heating Plant - PLN 2,405.5 thousand,
 - bank guarantees granted to suppliers of materials (culm, fuels, electricity, zinc concentrates, coking coal) - PLN 3,875.5 thousand,
 - performance bond for the contract 856/IG/2012 concluded with the State Treasury - Minister of the Environment for the use of geological information on the zinc and lead ore deposit "Pomorzany" for remuneration up to the amount of PLN 10,516.8 thousand,
 - Security in case of adverse effects on the environment and damage to the environment in connection with running a waste storage area other than secured and covered by the amount of PLN 9,132.100. (Marshal of the Małopolska Voivodeship).
 - property security established by HCM S.A. :
 - contractual mortgage on KW GLIT/00094659/8 - PLN 46.2 million,
 - court registered pledge on the collection of purchased or manufactured goods - PLN 46.2 million,
 - court registered pledge on coking coal stock - PLN 1.0 million,
 - assignment of rights from the insurance policy up to the amount of the loan – PLN 37.0

million

- assignment of rights from the insurance policy up to the amount of the debt (Coface Factoring Sp. z o.o.) – PLN 20.0 mln
- transfer of receivables from the term deposit account (collateral for the Voivodeship Fund for Environmental Protection under a loan granted for the construction of the Acid Waste Water Remediation Station) – PLN 20.6 million,
- guarantees and sureties granted to other entities (non-negotiable bill) and 2 blank bills together with an agreement up to the amount of debt – PLN 6.0 million.

10. Information on the use of proceeds from the issue by the issuer

In the period covered by the statement, the Company did not issue any securities.

11. Information on own shares owned by the Company

The issuer did not have own shares during the accounting period.

12. Information on branches owned by the Company

The company has two branches, being production departments of cold formed sections:

- a) Stalprodukt S.A., Formed Profiles Department P3, ul. Nad Drwiną 10, 30-741 Kraków
- b) Stalprodukt S.A., Formed Profiles Department P4, Al. Piaskowa 122, 33-100 Tarnów

13. Explanations of differences between the financial result reported in the annual statement and the previously published forecasts of results for a given year

The Company does not publish forecasts.

14. Assessment of financial resources management

The management of financial resources should be considered as correct, as evidenced by the achievement of good economic ratios and maintaining financial liquidity and creditworthiness, as well as timely performance of liabilities.

15. Information on financial instruments

Detailed information on financial instruments in the scope of:

- a) risks: related to changing prices, loan, major obstructions to cash flow and cash flow loss, to which the entity is exposed,
- b) goals and financial risk management methods adopted by the entity, including hedging methods for crucial types of intended transactions to which hedge accounting is applied

have been included in the Stalprodukt S.A. Financial Statement (Section 7. Financial Instruments and Risk Management Assessment).

16. Assessment of possibility to implement the intended investments

The current, broad investment plan in the organic development of the Company (increase in the production of transformer steels, new lines for the production of sections, equipment for service centres) was implemented entirely from the developed own resources.

The amount of depreciation write-offs and planned financial results indicate that there is no threat in the implementation of further intended investments.

17. Investment operations and R&D works

17.1 Investment operations

a) Stalprodukt S.A.

- Investments in expanding the product range:
 - A welding continuity tester was purchased and installed in the P2 Cold Formed Profiles Plant;
 - The control of another Ipsen furnace in the Transformer Sheets Plant was modernised,
 - A contract was signed for the supply of a machine for the P2 Cold Formed Profiles Plant,
 - A contract was signed for the supply of C-cores production equipment.
- Construction work investments.
 - The construction of a five-star hotel at Kopernika Street in Kraków continued. At present, finishing works and furniture assembly are performed. The scheduled completion of works and obtaining the occupancy permit is expected in mid-2020.
- Projects with an impact on the environment and Health and Safety.
 - A use permit was obtained for a new I-52 solution for lines C1, C2 and C3;
 - The design of three new sludge lagoons together with their infrastructure is being carried out;
 - Works were under way to build an installation to recover softened water from the Transformer Sheets Plant;
 - The works on monitoring the utilities and the Start-Stop system continued.

b) Capital Group

The investment operations were carried out mainly by companies belonging to the Zinc Segment.

In 2019, expenditures on non-financial fixed assets in the Zinc Segment amounted to PLN 177.1 million and were higher than in 2018 (PLN 155.1 million).

The high value of capital expenditures incurred in 2019 results from the implementation of several “large” investment projects in the Group's metallurgical part, including the construction of a new Tank Shop Floor, the construction of the Charge Preparation Shop Floor, and the extension of the Zinciferous Waste Recovery Installation at ZGH “Bolesław” S.A.

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In Zinc Works “Miasteczko Śląskie”, the system for casting SHG zinc blocks and its aluminium alloys, ZAMAK, and the system for direct ozone treatment of flue gases from the process of sintering oxide charges were installed, among other things.

Gradir Montenegro also incurred costs on works related to, among other things, extension of the Durdeve Vode (mining area), construction of a pilot water treatment plant, launching of an additional concentrate filter press, construction of a rod mill together with a water recovery plant, as well as extension of the existing sludge pond.

Below are the most important investment tasks carried out in 2019 in the mining area in ZGH “Bolesław” S.A.:

- The extension of the “Klucze I” mining area,
- The construction of the plant for the production of flotation concentrate Zn-Pb-Ag (task completed),
- Tasks related to the construction and maintenance of sludge ponds.

17.2 Research and development works

a) Stalprodukt S.A.

On 21 November 2019, Stalprodukt, as the leader of the Consortium (which also includes the AGH University of Science and Technology in Kraków as a scientific unit), signed an agreement with the National Centre for Research and Development, the subject of which is to co-finance the research and development project implemented by the Company, entitled “Development of nondestructive online investigation system with software controlling high frequency induction welding machine on the basis of an analysis of linear weld mechanical properties”. The project is implemented as part of the Smart Growth Operational Programme. The amount of co-financing of expenses incurred by the Company is PLN 809,000, while the total value of the project is PLN 4,071,000.

The aim of the project is to develop and implement a comprehensive non-destructive testing system in the production technology, which allows to control the parameters of the process of welding sections with high frequency currents in order to ensure high quality and durability of the welding of sections without the need to conduct random destructive tests.

a) Capital Group

In ZGH “Bolesław” S.A., research and development works are carried out due to complex technological processes, which require continuous and regular optimisation. These works were mainly related to the possibilities of enriching alternative charges, recovering metals from various waste materials, managing sludge and other technological waste, the possibilities of increasing production of zinc and lead from oxide raw materials, reducing emitted pollutants in water and air, and the possibilities of waste heat recovery.

The amount of all expenses of ZGH “Bolesław” S.A. on research and development activity (R&D) in 2019 was PLN 45.6 million (according to the report of GUS-PNT-01).

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In 2019, as part of the research and development works at ZGH "Bolesław" S.A., the following projects, co-financed by the European Regional Development Fund, were implemented:

1. The project "Verification of a new technology of ZGH Bolesław for electrolytic separation of high-purity zinc on the basis of a pilot line in order to increase the share of secondary raw materials in the production process of electrolytic zinc to the level which is a breakthrough in the industry". On 31 December 2019, the total amount of costs incurred for the project was PLN 42.1 million. The amount of the subsidy received is PLN 12.5 million. According to the concluded agreement, the amount of eligible costs of the project is PLN 97.2 million, while the subsidy does not exceed PLN 42.1 million.
2. The project "Demonstration of the innovative Zn-Pb-Ag flotation concentrate production process under operational conditions to increase recovery of Ag and Zn from the sludge from the roasted zinc ore leaching process as the key to effective management of mining waste after processing zinc and lead ores". On 31 December 2019, the amount of costs incurred for the project was PLN 13.8 million. The amount of the subsidy received until 31 December 2019 is PLN 4.3 million. According to the concluded agreement, the amount of eligible costs of the project is PLN 12.4 million, while the subsidy does not exceed PLN 5.0 million. On 23 October 2019, the pilot installation was commissioned for operation and further development work.
3. The project "Development of an innovative technology of zinc recovery in the blasting process from metallurgical waste mixtures together with treatment of process slags to substitute for poor iron ore". According to the concluded agreement, the amount of eligible costs of the project is PLN 30.0 million, while the subsidy does not exceed PLN 12.0 million. In June 2019, the works carried out as part of the project in question were discontinued by decision of the Company's Management Board. This decision was based on the fact that further industrial research would not lead to the expected final results. Due to the decision made, the final notification on the project implementation was submitted to the National Centre for Research and Development.

Huta Cynku "Miasteczko Śląskie" S.A., as an industrial partner of the Institute of Non-Ferrous Metals, participated in the RIGaT project, which aims to recover metals - indium, germanium in metallic form from the steelworks circulation materials.

The mill implemented two research projects under the INNOSTAL programme:

- The first project was aimed at the development of a computer system supporting the process of zinc and lead production adapted to the capabilities and needs of the Zinc Plant in Miasteczko Śląskie,
- The aim of the second project was to develop an innovative technology to generate electricity from metallurgical waste gases while reducing the emission of chlorine ions in waste water.

Moreover, the Łukasiewicz Research Network Institute of Non-Ferrous Metals in Gliwice was commissioned to carry out research work aimed at developing a technology for the production of raw copper and lead-bearing semi-finished product from copper and lead stone.

The amount of HCM expenditures for R&D works in 2019 is PLN 6.8 million.

In total, the ZGH "Bolesław" Capital Group spent PLN 52.4 million on R&D works in 2019, in 2018 it was PLN 27.6 million.

18. Information on employment, remuneration and training

Detailed information on employment, its structure, level of remuneration and training were included in the statement on non-financial information.

19. Information on the adopted development strategy of the issuer and its capital group and activities undertaken as part of its implementation in the period covered by the statement along with a description of the issuer's development prospects at least in the following financial year

The company has been planning to strengthen its position on the transformer steels market for many years. This operating segment is crucial from the point of view of the impact on Stalprodukt's unit results. The issuer already a few years ago signalled the possibility of taking over one of the foreign manufacturers of transformer steels. Such a potential step was assumed, as in the Development Directions of Stalprodukt Capital Group for 2011-2015 announced by the Management Board in May 2011. This scenario of the strategy implementation became possible in 2017, when the purchase contract was signed for 100% shares in GO Steel Frydek Mistek a.s. with its registered office in the Czech Republic, belonging to the ArcelorMittal group. The successful completion of this transaction took place on 28 February 2018, and from 1 March of last year the results of this entity are consolidated within Stalprodukt Group. The consequence of this acquisition is the increase of production capacity of transformer steels from 100 thousand tonnes/year to 150 thousand tonnes/year, as well as expanding the Group's production offer by previously non-manufactured cold rolled steels. Actions were taken to exploit the synergy effects between Stalprodukt S.A. and GO Steel Frydek Mistek a.s. Marketing and price policy within the Group has been unified, and purchases of charge materials for both companies are made jointly with the same supplier (using the economies of scale). In addition, thanks to the transaction, Stalprodukt gained access to cold rolled steels, which are used to produce cold formed sections.

For several years, the company has also been implementing a project to launch the production of high quality transformer steels (so-called HiB). In 2018 regular tests were carried out with charge material with appropriate quality parameters. Thanks to the improvement of the process, a significant increase in the production of HiB material was achieved last year.

The strategy for the Zinc Segment announced in 2016 is being implemented successively. The most important elements of this strategy include:

- a) obtaining a license for the exploitation of Klucze I deposit and extending the operation life of "Olkusz-Pomorzany" mine by 2020;
- b) commissioning a flotation waste processing plant;
- c) merger of ZGH "Bolesław" S.A. and Bolesław-Recycling sp. z o.o.;
- d) construction of a new tub hall

"Klucze I" deposit is a deposit richer in terms of metal content than currently extracted. The exploitation of the ore from this part of the deposit will allow for the extension of the mining part until 2020 (previous plans assumed that operations would cease by 2017).

On 29 April, the Management Board of ZGH "Bolesław" S.A. informed the Issuer about adopting a resolution, dated on the same day, on discontinuing the extraction of zinc-lead ore from the Olkusz-Pomorzany Mine as of 31 December 2020. The discontinuation of the extraction is to be construed as the submission of a statement on 31 December 2020 on the relinquishment of their concessions for extraction of ores from "Pomorzany" and parts of "Olkusz" and "Klucze I" deposits. The ZGH "Bolesław" Management Board has also decided to launch the process of liquidation of the "Olkusz-Pomorzany" Mine, and to take all necessary steps to discontinue the extraction within the date indicated above. The indicated deadline for the discontinuation of mining operation by ZGH "Bolesław" S.A. is therefore consistent with the deadline specified in the strategy of 2016.

In 2016, ZGH "Bolesław" S.A. completed the investment project entitled "Construction of flotation waste processing plant". The new system has started production of blended concentrate since January 2017. In the first year of operation of the system, nearly 10 thousand tonnes of concentrate. The target production volume is about 20 thousand tonnes of concentrate/year). It should be added that technical and economic works are underway on the possibility of producing a selective concentrate from flotation waste (currently the plant produces Zn-Pb concentrate, sold to Huta Cynku "Miasteczko Śląskie"). In 2018, the first tests were carried out, which brought positive results.

According to the plans, as part of the simplification of the organizational structure of the Zinc Segment, on 3 April 2017, the merger of Bolesław-Recycling Sp. z o.o. and ZGH "Bolesław" S.A. in accordance with the Merger Plan, i.e. by transferring all assets of the acquired company Bolesław-Recycling Sp. z o.o. to the acquiring company ZGH "Bolesław" S.A. without creating new shares and increasing the share capital of the acquiring company. In 2019, another merger of companies from the Zinc Segment took place, i.e. "Boltech" Sp. z o. o Przedsiębiorstwo Robót Drogowych w Olkusz Spółka Akcyjna (the acquired company) and "Boltech" Sp. z o.o. (acquiring company).

Since 2017, ZGH "Bolesław" has been implementing a key investment named "Construction of the new Tub Hall", which aims to replace the old, worn out facility with a new facility using the latest technical and technological solutions in the field of zinc production. New Tub Hall will be a fully automated facility, providing a 1.5% lower energy consumption in production and a decisive improvement of working conditions at the "zinc extractor" workstation.

Implementation of this investment will allow for increasing the electrolytic zinc production capacity of the company from 80 thousand to 100 thousand tonnes per year. In addition, it will be possible to increase the share of secondary raw materials in the production of zinc by electrolysis method. The planned completion of the investment: the third quarter 2020.

20. Characteristics of external and internal factors important for the issuer's business development

External factors significant for development of the Company and the Group

- **GDP Level**

The European Commission expects a gradual deceleration in the Polish economy in 2020, followed by stabilisation in 2021. Private consumption will remain the main driver of growth, supported by favourable labour market trends and fiscal stimuli. Investment is expected to grow moderately, with weaker private

sector demand expectations and increasing public sector investment, mainly through EU funds, but at a slower pace than in previous periods.

According to the Commission's forecast, there are signs of a deceleration in 2020. For 2020, GDP is projected to slow down to 3.3%, similarly to 2021. Private consumption growth will remain the main driver, but the exceptionally high levels recorded in 2018 are not to be expected. Further wage growth forms the basis for the forecast of these trends. In addition, the level of taxes and social benefits should increase the resources available to households in late 2019 and early 2020.

- **Inflation**

Food price inflation increased rapidly in the third quarter of 2019. At the same time, service price inflation continued to rise. Inflation is projected to continue to increase gradually in early 2020, reaching a peak of more than 3% in the first quarter, then to decline to around 2.5% and remain at this level until the end of 2021 (the level was actually even higher, at 4.7% in February 2020, being the highest increase since November 2011)

The main factor influencing the increase in inflation is seen as the increase in the prices of services as a consequence of wage increases. Energy prices are also forecast to rise in 2020. Strong competition in the consumer goods and services market, the growing importance of e-commerce and the assumed path of global oil prices should limit inflation growth on the other hand.

- **Level of demand for steel products**

The adverse trend in steel demand is expected to continue in the coming quarters. Due to a further decline in demand for steel in the last quarter of 2019, the apparent consumption of steel in the EU is expected to fall by 3.3% in 2019. A further fall in demand for steel is also expected in the first quarter of 2020 (by about 2%), despite the reduction in stocks. Minor replenishment of stock is expected to continue in the second quarter of 2020 and there should be an increase in apparent year-on-year consumption, although it should be realised that this will be largely due to a low base year. However, the actual steel consumption is not expected to increase before the second half of 2020. Therefore, the relative improvement in apparent steel consumption will, as a rule, be a 'technical reversal', not derived from a real improvement in final steel consumption.

The most important internal factors of the Group's development include:

- the need to achieve a significant increase in the share of production of high grades of transformer steels (HiB). Taking into account the trends on the market, it is a necessary condition for improving the Company's competitive position;
- optimisation and better use of the potential (including in particular production capacities) of the Profiles Segment;
- improving the functioning of the national distribution network after the organisational changes that took place in mid-2018 (taking over off-site warehouses from Stalprodukt Centrostal Kraków and including them in the structure of the Stalprodukt marketing director division);
- better use of the new version of IFS Applications (including in particular the production management module);

21. Description of significant risk factors and threats, including the extent to which the issuer is exposed to them

a) macroeconomic environment

The results of the Capital Group's operations are strongly dependent on the general economic situation on the local market and in the European Union countries, in particular the development of such industries as construction industry and manufacturing.

It should be noted that all forecasts presented by economists so far, concerning the expected rate of development of the economy and the level of consumption of steel products are now, due to the coronavirus epidemic, very erroneous. The actual scale of the economic and social problems caused by the epidemic will depend, on the one hand, on the duration of the epidemic and, on the other hand, on the scale and effectiveness of the aid provided by individual governments. Nevertheless, most analysts agree that the consequences for the global economy, including Europe, are highly adverse. A few percent recession is expected in Germany, our main economic partner, among other things. Thus, it will also affect the Polish economy to a large extent. According to the latest forecasts, Poland's GDP will fall by about 5% in 2020.

For more information on the impact of the COVID-19 corona epidemic on the Issuer's business, see section 22.

- **Demand for steel products in Europe**

According to forecasts published by the EUROFER Association on 30 January 2020, apparent consumption was to reach an increase of 1.2% in 2020 and 2.3% in 2021, supported by an improvement in real demand and the standardisation of goods storage cycles. The combination of the weak foundations of the steel market and the high and increasingly volatile monthly steel imports reaching the EU market is likely to further weaken the business environment for EU steel producers. Therefore, the key issue will be that any improvement in demand for steel in the EU at the beginning of 2020 will mainly benefit imports rather than European steel suppliers (due to the mechanism to carry over unused quarterly quota).

Due to the coronavirus epidemic, it should be assumed with a high degree of probability that due to the reduction of economic activity by many domains, including mainly industry and the automotive industry, the actual level of demand for steel products will be drastically reduced.

b) situation on the market of supply of charge materials and measures to protect the EU market

Introduced measures to protect the EU market against excessive steel imports in the form of quantitative quotas and customs duties imposed after exceeding the admissible import volumes limit the access of the EU processing companies to competitively priced charge materials (mainly hot rolled steels, which are the basic material used for the production of cold rolled steels or products such as pipes and profiles). Consequently, this leads to unfavourable price relations between the costs of purchasing charge materials and the prices of finished products. This causes a drop in margins

and deterioration in the profitability of many processing companies.

Stalprodukt Group has noticed these problems for several years, especially in relation to the Profiles Segment. The situation of service centres, that is, those with a relatively low degree of processing, is particularly difficult. Effective competition on this market, especially with the local steels manufacturer (ArcelorMittal) is very difficult.

At the same time, there are still no effective measures to protect the market for finished products (especially such as pipes and profiles manufactured by the Company). The high level of quotas imposed as a result of the European Commission's protection procedure means that a 25% customs duty can only be a potential obstacle for importers from third countries.

c) The end of the period of protection of the EU market for transformer sheets is coming to an end

Measures to protect the EU market against excessive imports of transformer sheets introduced by the European Commission in 2015 for a period of 5 years will have applied until October 2020. Although their effectiveness has been quite limited, it is expected that their expiry will result in an even greater influx of material, especially from directions such as Russia or China, which is the world's largest producer of metal sheets. Competition in this market will therefore intensify. Consequently, the Company will make attempts to extend the previously applicable protective measures.

d) further increase in production costs, especially electricity.

Due to the nature of technological processes, Stalprodukt is an energy-intensive company. The high prices for CO₂ emissions, which persisted in 2019, have influenced the increase in the price of electricity supplied by energy companies. Further continuation of this trend may adversely affect the Company's profitability and future performance. In 2019, the company obtained compensation in the amount of PLN 11 million for the increase in energy prices, however, as of today, its activity is not classified as an energy-intensive industry and therefore cannot count on permanent compensation for this.

e) risk of an industrial accident

Due to the nature of the business and the risks associated with it, Stalprodukt S.A. is exposed to events that may affect the safety of people and the environment. The plant is currently not classified as an increased or high risk of an industrial accident, as demonstrated by the Analysis of the Plant's Application. Despite this, the Plant declares maintaining a safety management system in which the following functions operate: Accident Prevention Programme and elements of the management system required by the Environmental Protection Act.

In addition, the Company has a document regulating the procedure in the event of a failure - "Manual for the prevention of major industrial accidents at Stalprodukt S.A. in Bochnia". The purpose of the manual is to ensure identification and counteracting potential dangerous incidents that may affect people and the environment, as well as defining post-failure procedures that limit the effects of these potential incidents.

f) risks related to financial instruments

Other risks arising from financial instruments, i.e. credit and contract risk, liquidity risk and market risk are described in detail in the Additional Information and Explanatory Notes to the Financial Statement (Section 7: Financial Instruments and Risk Management Assessment).

g) risks associated with the operations of the Zinc Segment

The market risk related primarily to changes in metal prices and exchange rate fluctuations is naturally entered into the operations of the Zinc Segment. Limiting this risk to a safe level is carried out through active risk management involving the use of derivative instruments and entering into hedging transactions.

Other threats to the further operations of the Zinc Segment include:

- risk of changes in the prices of energy resources,
- risk of changes in the prices of CO₂ emission rights,
- short perspective of own resource base,
- upcoming process of liquidation of "Olkusz-Pomorzany" mine (possibility of submerging),
- price fluctuations of zinc concentrates and the possibility of limited access to raw materials resulting from increased global demand,
- owner consolidation of the zinc industry in the mining and metallurgical area.

An important factor influencing the reduction of zinc production costs is the cost of energy carriers, i.e. electricity, coking coal and gas. For many years, investment companies have been implementing investments that reduce the energy consumption of processes. Such activities in reducing the costs of coking coal, gas and electricity consumption are also planned for the next years. In addition, in the case of electricity prices, a policy of concluding short and medium term contracts based on a fixed purchase price is applied.

22. Wpływ koronawirusa COVID-19 na działalność operacyjną i sytuację finansową Emitenta

In connection with the announcement of the Office of the Polish Financial Supervision Authority of 12 March, 2020 regarding the recommendations of the European Securities and Markets Authority on the impact of the spread of the COVID-19 Coronavirus on the situation of stock exchange issuers, below is information on the impact of this event on the Company's operations and financial results (this information was also provided in the form of stock exchange announcement No. 4/2020 on April 24, 2020).

To date, the impact of the COVID-19 Coronavirus pandemic on the Issuer's operations has been limited. The Company did not have any problems with supplying batch products (mainly hot rolled coils, supplied mainly by a local producer) and other raw materials necessary for conducting production activities.

The production in both basic Steel Product Segments (i.e. Electrical Sheets and Profiles) is ongoing and continuous. The problem is, however, the increased absenteeism associated with childcare and employees sick leave. The Management Board monitors the situation in this respect on an ongoing basis and strives to provide the necessary staff on production lines.

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The above circumstances did not adversely affect the Company's financial liquidity and its ability to pay its liabilities. They did not significantly affect the Q1 financial results of 2020.

The Management Board of the Company emphasizes, however, that the negative impact of the Coronavirus pandemic will become apparent in April and at least in the next two months of the second quarter of this year. This assessment results from a noticeable decrease or withdrawal of orders by the Company's clients, especially in the Profile Segment; this applies to both domestic and foreign sales. This factor will certainly have a negative impact on the level of sales revenues possible to achieve in the near future, which in turn will contribute to a decrease in the Company's financial results. Based on the available information, the Management Board estimates the anticipated decrease in unit sales revenue at 20%, calculated as the ratio of total turnover over the next two months, i.e. March and April this year, compared to the total analogous turnover of 2 calendar months of the previous year. However, the Board is not able to accurately assess the impact of this situation on the forecast results for the second quarter of 2020.

The Management Board of the Issuer also informs that to the best of our knowledge, the Coronavirus pandemic should not have a negative impact on the sales revenues and financial results of the Zinc Segment in the near future.

Due to the desire to limit the negative effects of the pandemic on the future activities of the parent company, and also to ensure the protection of jobs, today, i.e. on 24 April, 2020, the Stalprodukt Board signed an agreement with the trade unions operating in the Company. Pursuant to this agreement, from 1 May 2020, the working time and the remuneration of all employees of the Company will be reduced by 20 %. This agreement was concluded for a period of 3 months.

In connection with the above, and also taking into account the available financial resources resulting from the solutions provided for in the so-called Anti-crisis shield (the Act of 2 March, 2020 on special solutions related to the counteracting, preventing and eradicating of COVID-19, other infectious diseases and crisis situations caused by them and the Act of 31 March, 2020 amending the above Act), the Company will put forward a request to the Provincial Labour Office to support entrepreneurs to protect jobs from the Guaranteed Employee Benefits Fund.

The Management Board of Stalprodukt S.A. also informs that appropriate procedures have already been implemented in the Company in March this year to reduce the risk of Coronavirus infection. They include, among others: compulsory quarantine of employees returning from abroad and those who may have had contact with infected persons, temperature measurement of persons entering the premises of the plant or restrictions on business contacts, personal protective equipment has also been provided. Some employees also took up remote work.

The Company's Management Board, as at the date of publication of this report (i.e. 30.04.2020), is not able to more accurately assess the impact of the spread of the Coronavirus pandemic on the Company's future operations and financial results. In the event of a change in the current situation, the Issuer will update the information contained in this report.

In summary, it should be stated that, in the opinion of the Issuer's Management Board, the above events do not require adjustments to be made to the financial statements for 2019, but are treated as an event after the balance sheet date requiring additional disclosures. As of the date of this report, they do not pose a threat to the Company's continued operations. Although this situation is still changing at the time of preparing this Management Board's report on operations and the financial statements, the Company's Management Board has not noticed any noticeable impact on the Company's sales or supply chain to date. However, this situation will change in Q2 of 2020, The Management Board of Stalprodukt will continue to monitor the potential impact of the coronavirus pandemic and will take all possible steps to mitigate any adverse effects on the Company's operations

23. Changes in the basic principles of managing the issuer's business and its capital group

In order to facilitate the processes of managing the Capital Group, as well as to optimise resources and reduce operating costs, the process of merger of companies within the Issuer's Group was conducted twice in 2019.

- On 9th March 2019 the Extraordinary General Meeting of the companies: Przedsiębiorstwo Robót Drogowych (Highways, Street and Bridge Construction Company) in Olkusz Joint-Stock Company (the acquired company) and 'Boltech' Ltd. (the acquiring company), acting according to Art. 506 cl.1 of the Commercial Companies Code, passed the merger act. The merger took place through an acquisition, without creating new shares or increasing the share capital of the acquiring company and without changing the acquiring company's Articles of the Association (merger through acquisition). The merger was recorded in the Business Register of the National Court Register, for the acquiring company in the District Court in Kraków - Śródmieście, Cracow, 12th Commercial Department of the National Court Register on 1st April, 2019 (day of the merger).
- On 30th May 2019 the boards of the Issuer's three dependent companies, i.e. Stalprodukt-Wamech Ltd., Stalprodukt-Serwis Ltd. and Stalprodukt-MB Ltd. accepted their merger plan and subsequently informed about their intention to merge, providing all the legally-required documentation on their websites on 31st May 2019. The merger of the companies will take place according to art. 492 § 1 point 1) of the Commercial Companies Code, i.e. by transferring all the assets of the companies 'Stalprodukt-Serwis' Ltd. and Stalprodukt-MB Ltd. (the acquired companies) to 'Stalprodukt-Wamech' Ltd. (the acquiring company) for the shares that the acquiring company will hand over to the previous (the only) partner of the acquired companies, increasing simultaneously the share capital of the acquiring company.

Within the framework of the merger the share capital of the acquiring company Stalprodukt-Wamech Ltd. will be raised from the amount of 1,200,000 PLN (read: one million two hundred thousand zlotys) up to the amount of 4,270,000 PLN (read: four million two hundred and seventy thousand zlotys) by issuing 3,070 (read: three thou and seventy) new shares with the face value equal 1,000 PLN (read: one thousand zlotys) each and with the total face value equal 3,070,000 PLN (read: three million seventy thousand zlotys). These new shares shall be covered by the only company's partner, i.e. Stalprodukt Joint-Stock Company in Bochnia, in return for all its shares in the acquired companies.

The Issuer would also like to inform that the National Court Register recorded the merger of 'Stalprodukt-Serwis' Ltd. (on 18th July, 2019) and 'Stalprodukt-MB' (on 31st July, 2019) in the companies' registers. The merger of the abovementioned companies was registered by the National Court Register in the register of the acquiring company (Stalprodukt-Wamech Sp. z o.o.) on 3 September 2019.

The objectives of the planned merger are as follows: streamlining the management of the Stalprodukt Capital Group through consolidation of the auxiliary companies in relation to the Issuer (mainly provision of the so-called after-sales services), optimising the companies' operations resulting from combining their technical, financial and human resource potential, decreasing their operational costs as well as gaining the effects of synergy.

24. All contracts concluded between the issuer and executives, providing for compensation in the event of their resignation or dismissal from their position without a valid cause or when their dismissal proceeds for a reason of merging the issuer by takeover

The benefits due to Members of the Management Board in connection with the termination of their employment relationship are specified in individual employment contracts concluded with the Members of the Management Board.

According to the aforementioned contracts if the Management Board member is removed from office during the term of office, the Company is obliged to pay compensation, depending on the function performed within the Management Board, in the amount of 6- or 12-month average remuneration of the member of the Management Board.

Employment contracts also contain anti-competition clauses after the termination of the employment relationship. According to these provisions, a Member of the Management Board is obliged to refrain from activities competitive to the Company for a period of 12 months from the termination of the employment relationship.

Depending on the function performed within the Management Board, he/she is entitled to 100 percent compensation during this time or 75 percent average salary (for the first 6 months) and 50% average remuneration for the next six months.

25. Value of remuneration, bonuses or benefits paid, due or potentially due, separately for each member of the Management Board and Supervisory Board

1. Value of remuneration of executives (in PLN):

	Basic salary	Performance bonus	Remuneration due to performing functions in the authorities of subordinated entities	Total
Piotr Janeczek	1 306 288	1 334 299	161 000	2 801 587
Józef Ryszka	478 644	522 457	57 341	1 058 442
Łukasz Mentel	478 545	522 457	118 062	1 119 064
Total	2 263 477	2 379 213*	336 403	4 979 093

* The total value of quarterly bonuses for the Management Board for the results of 2019 amounted to PLN 917,336. The rest of the amount shown in the table relates to the performance bonus for 2018, paid in 2019.

2. Value of remuneration of officers (in PLN):

	Allowance	Remuneration due to performing functions in the authorities of subordinated entities	Total
Janusz Bodek	94 505	40 521	135 026

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Sanjay Samaddar	0		0
Magdalena Janeczek	97 207		97 207
Agata Sierpiska-Sawicz	90 071		90 071
Romuald Talarek	89 105		89 105
Total	370 888	40 521	411 409

The above information is consistent with the knowledge available to the Company as at the date of the statement.

26. Information on any liabilities arising from pensions and similar benefits for former executives, officers or former members of administrative bodies and liabilities under these pensions

The issuer does not have any obligations arising from pensions and similar benefits for the executives, officers or former members of the Company's administrative bodies.

27. Total number and nominal value of all stocks (shares) of the issuer and stocks and shares in the affiliated entities of the issuer, in the possession of the executives and officers of the issuer, separately for each person

27.1. Stalprodukt S.A. shares owned by executives and officers

a) executives:

Full name	Number of Issuer's shares	Nominal Value (PLN)
Piotr Janeczek	115 053	230 106
Józef Ryszka	504	1 008
Łukasz Mentel	100	200

b) officers:

Full name	Number of Issuer's shares	Nominal Value (PLN)
Janusz Bodek	61 974	123 948

According to the knowledge held by the Company, other officers did not own Stalprodukt S.A. shares

27.2 Stocks (shares) in affiliated entities of the Issuer, owned by the executives

The table below presents stocks/shares owned by Mr. Piotr Janeczek.

No.	Name of the entity	Quantity of owned	Nominal Value
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		stocks/shares	(PLN)
1.	STP Investment S.A.	9908 000	9 908 000
2.	Stalnet Sp. z o.o.	60	60 000
3.	Stalprodukt Profil S.A.	210 000	210 000

Moreover, indirectly, i.e. through the STP Investment S.A. entity, Mr. Piotr Janeczek owns 50,200 shares in the company F&R Finanse Sp. z o.o., whose nominal value is PLN 25,100,000.00.

Other members of the Management Board and the Supervisory Board did not owe any shares in the Issuer's affiliated entities.

28. Information on contracts known to the issuer (including the ones concluded after the balance sheet date), which can bring in the future changes in the proportions of shares held by the present shareholders

In the accounting period, as well as in the period after the balance sheet date, there were no contracts known to the Company, as a result of which future changes may occur in the proportions of shares owned by the existing shareholders.

29. Indication of significant proceedings pending before the court, competent arbitration tribunal or public administration authority regarding liabilities and receivables of the issuer or its subsidiary

An important proceeding pending before the court is the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o in Olkusz against ZGH "Bolesław" S.A. for payment of compensation for mining damages in the amount of PLN 64,015,224.00 (reference number IX GC 99/14).

On 25 April 2018, the District Court in Kraków, IX Commercial Division (combined cases, ref. No. IX GC 543/13), issued judgements in the following cases regarding ZGH "Bolesław" S.A.:

- a. in the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o in Olkusz against ZGH "Bolesław" S.A. for payment of compensation for mining damages in the amount of PLN 64,015,224.00 (reference number IX GC 99/14) issued a judgement, acknowledging the complaint of PWiK sp. z o.o. in Olkusz as justified as to the principle. The possible amount of compensation will be the subject of further proceeding and can amount to a maximum of PLN 64 million. In connection with the process, ZGH "Bolesław" S.A. created a reserve of PLN 15 million in 2015. The judgement is not final. The company appealed against the judgment;
- b. in the case brought by the company against PWiK sp. z o.o. in Olkusz to determine that the Company is not responsible for the lack of water supply from mine drainage after its liquidation and is not liable for contamination of existing or former water intakes of PWiK sp. z o.o. (ref. No. IX GC 543/13), issued a judgement in which it dismissed the complaint. The judgement is not final. The company appealed against the judgment.

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

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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.

As indicated above, the interlocutory judgement is final, determining the fact of liability. The amount of compensation has not been determined, which shall be the subject of further proceedings. Currently, the Przedsiębiorstwo Wodociągów i Kanalizacji is claiming the sum of PLN 64,604,143.05 and this is the highest amount of the principal liability amount that may be charged to the Company. The amount of compensation, if any, is influenced by the value of expenditures for alternative sources of water supply, which amount to approx. PLN 30 million. Another problem is the issue of Community co-funding, which, in the Company's opinion, shall reduce the amount claimed. At this stage the amount of any damages awarded cannot be currently determined in detail.

ZGH "Boleslaw" S.A. shall consider bringing cassation appeal against the judgement described above, about which it shall inform in a separate notice, having received a written justification from the Court of Appeal.

In addition, it should be noted that the aforementioned judgements are 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. (section 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). Contingent liabilities were defined as resulting from risks identified by the acquiring entity related to, among others, the costs of liquidation of "Olkusz-Pomorzany" mine and liability for mining damage. The total amount resulting from the aforementioned estimates amounted to PLN 296 115 thousand. This amount was presented in the balance sheet as at 31 December 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A."

30. Information on the control system of employee shares schemes

The Company does not operate the employee shares schemes.

31. Information on the selection of an audit firm

Indication:

- a) the date of conclusion of the contract by the issuer with an audit firm to analyse or review the financial statements or consolidated financial statements and the period for which the contract was concluded**

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The contract with the audit firm Polscy Biegli Sp. z o.o. was concluded on 20 July 2018 for a period of two years and includes an annual audit and a review of semi-annual separate and consolidated financial statements of Stalprodukt S.A.

- a) **did the issuer use the services of the selected audit firm, and if so, in what period and what was the scope of these services,**

Until conclusion of the aforementioned contracts for analysis and review of financial statements, the Company did not use other services of the selected audit firm.

- c) **the body that selected the audit firm,**

The choice was made by the Supervisory Board of the Company based on the recommendation of the Audit Committee.

- d) **remuneration of an audit firm paid or due for the financial year and previous financial year, separate analysis of the annual financial statement, other assurance services, including a review of the financial statement, tax advisory services and other services, provided that the obligation is considered fulfilled if the place where this information is included in the financial statement is indicated.**

The remuneration for the audit company was:

- for the review of the semi-annual separate statement – PLN 18,000;
- for the review of the semi-annual consolidated statement – PLN 16,000.

In addition, the price for auditing annual financial statements shall be:

- separate financial statement – PLN 45,000;
- consolidated financial statement – PLN 22,000.

Part II. Declaration on the application of corporate governance principles in the Company

This Declaration on the application of corporate governance by Stalprodukt S.A. in 2019 has been prepared on the basis of Article 49 (2a) of the Act of 29 September 1994 on Accounting (consolidated text Journal of Laws of 2019, item 351) and § 70 (6)(5) of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognising information required by the law of a non-member state as equivalent (i.e. Journal of Laws of 2018, item 757).

a) indication

- **of a set of corporate governance principles to which the issuer adheres and the place where the text of the set of principles is publicly available**

The company is subject to the corporate governance principles contained in the document "Good Practices of Companies Listed on WSE 2016". The content of this document is available on the Company's website (www.stalprodukt.com.pl), in the section "Investor relations" and the tab under the name "Corporate governance".

- **of a set of corporate governance principles that an issuer could choose to use voluntarily, and a place where the text of the collection is publicly available**

The company has not decided to adopt other corporate governance principles to apply than those presented above.

- **of all information about the corporate governance practices applied by the issuer, going beyond the requirements provided for by domestic law together with information on the practices in the area of corporate governance applied by it**

The company does not implement corporate governance practices that go beyond the requirements provided for by domestic law.

- b) to the extent that the issuer has waived the provisions of the set of corporate governance principles referred to in letter and the first and second indents, an indication of these provisions and an explanation of the reasons for this waiver**

The company did not declare the following principles and recommendations:

✓ **Principle I.Z.1.16:**

The company runs a corporate website and publishes, in a legible form and a separate place, in addition to information required by law, information on the planned broadcast of the general meeting - no later than 7 days before the date of the general meeting,

Due to the relatively small participation of shareholders in general meetings of the Company, the broadcast of the general meeting seems pointless, all the more due to the necessary organisational

and technical conditions and the disproportionately high costs of implementing such a solution. In the event of a request to broadcast the general meeting by a larger number of shareholders, the Company will consider changing policy in this respect.

✓ **Principle I.Z.1.20. :**

The company runs a corporate website and publishes, in a legible form and a separate place, in addition to the information required by law, a record of the proceedings of the general meeting, in the form of audio or video.

Due to the non-application of the principle related to the broadcast of the general meeting, the Company does not publish relevant entries either in the form of audio or video.

✓ **Principle III.Z.4.**

The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

At this point, there is no separate internal audit unit within the Company.

✓ **Principle IV.Z.2.**

If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

According to the Management Board, the structure of shareholders does not justify implementing such a solution.

✓ **Principle VI.Z.4.**

In this activity report, the company should report on the remuneration policy.

So far, the Company has not applied this rule. However, in accordance with the new provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, the Management Board will prepare and present the remuneration policy of the Management Board and the Supervisory Board to the General Meeting of Shareholders for approval. Since the aforementioned statutory provisions also provide for the requirement to prepare a remuneration report, once the policy document has been approved by the General Meeting of Shareholders, this principle will be fully applied by the Company.

c) description of the main features of internal control and risk management systems used in the issuer' business with regard to the process of preparation of financial statements and consolidated financial statements

The financial statements are prepared by the Head of Accounting and Tax Department based on financial data from the IFS financial and accounting system, subject to the arrangements specified in the accounting principles (policy) of Stalprodukt S.A.

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From 1 January 2005, Stalprodukt S.A. prepares financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, and to the extent not regulated by the above Standards, in accordance with the requirements of the Polish Accounting Act.

Substantive supervision over the process of preparing financial statements and periodic reports of the Company is performed by the Finance Director who performs preliminary control of the financial statements

and then submits them to the Management Board for final verification.

The Corporate Affairs and Special Projects Office located in the Chief Executive Officer division, is responsible for the organisation of works related to the preparation of annual and semi-annual financial statements.

In addition, the Audit Committee operating within the Supervisory Board monitors the financial accounting process.

Annual and semi-annual financial statements are subject to independent analysis and review by expert who express their opinion on the reliability, correctness and clarity of these statements and the correctness of the accounting books that constitute the basis for their preparation. The expert auditor is selected by the Supervisory Board taking into account the recommendations of the Audit Committee.

d) indication of the shareholders holding, either directly or indirectly, substantial packages of shares, along with the indication of number of shares held by these entities, their percentage share in initial capital, number of votes resulting from them and their percentage share in the overall number of votes at the general meeting,

As at the date of this report, shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders include:

- STP Investment S.A. holding 1 829 319 shares, constituting 32.78% share in the capital and 5 875 691 votes, constituting 48.17% of the total number of votes at the General Meeting of Shareholders.
- Stalprodukt Profil S.A. holding 579 652 shares, representing 10.39% of the share in the capital and 1 095 488 votes, constituting 8.98% of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing and société en commandite par actions holding 1 066 100 shares, constituting 19.10% of share in the capital and 1 066 100 votes, constituting 8.74% of the total number of votes at the General Meeting of Shareholders.

In addition, Piotr Janeczek holds indirectly, i.e. through:

- STP Investment S.A. - 1 829 319 shares, constituting 32.78% share in the capital and 5 875 691 votes, constituting 48.17% of the total number of votes at the General Meeting of Shareholders.
- Stalprodukt Profil S.A. - 579 652 shares, representing 10.39% of the share in the capital and 1 095 488 votes, constituting 8.98% of the total number of votes at the General Meeting of Shareholders,
- F&R FINANSE sp. z o.o. - 43 807 shares, constituting 0.79% of share in the capital and 43 807 votes, constituting 0.36% of the total number of votes at the General Meeting of Shareholders,
- Stalnet sp. z o.o. - 135 564 shares, constituting 2.43% share in the capital and 383 572 votes, constituting 3.14% of the total number of votes at the General Meeting of Shareholders

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i.e. a total of 2 588 342 shares, constituting 46.38% share in the capital and 7 398 558 votes, constituting 60.65% of the total number of votes at the General Meeting of Shareholders.

Taking into account the shares held directly by Mr. Piotr Janeczek, jointly (i.e. directly and indirectly) he holds 2,703,395, shares of Stalprodukt S.A., constituting 48.45% of share in the capital and 7 973 471 votes, constituting 65.36% of votes at the General Meeting of Shareholders.

e) indication of holders of any securities that would give special control rights along with description of these rights,

There are no securities giving special control rights.

f) indication of any restrictions with regard to exercising the voting right, such as restriction in exercising the voting right by holders of a certain part or number of votes, time limitations concerning exercising the voting right or provisions, according to which, in cooperation with the Company, equity rights related to securities are separated from holding securities,

There are currently no restrictions regarding the exercise of voting rights assigned to the Company's shares.

g) indication of any restrictions on the transfer of ownership of the issuer's securities,

The A, B and E series shares issued by the Company are registered preference shares. Pursuant to § 12 (2) and (3) of the Articles of Association of Stalprodukt S.A.:

The management of registered shares requires the prior written consent of the Management Board. The decision of the Management Board regarding the consent or lack of consent should be issued within 7 days from the date of submission of the application in this case by the seller or buyer (§ 12 (2)).

In the event of failure to consent to the seller referred to in the preceding paragraph, the Management Board shall indicate the buyer of the shares within 7 days of receipt of the application (§ 12 (3)).

The remaining shares of the Company - series C, D, F and G - are bearer shares, listed on the Warsaw Stock Exchange. There are no restrictions in trading these shares.

h) description of the principles concerning appointment and dismissal of executives and their rights, in particular the right to make decision on issue or repurchase of shares

The Management Board of the Company operates based on the provisions of the Commercial Companies Code and the Articles of Association. Pursuant to § paragraph 1 of the Articles of Association, the Management Board consists of two to four persons appointed for a three-year period by the Supervisory Board as follows: The President of the Management Board is appointed by the Supervisory Board from among candidates proposed by Members of the Supervisory Board, other members of the Management Board are appointed by the President of the Management Board. The Supervisory Board dismisses members of the Management Board – with the exception of the President of the Management Board.

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The President and members of the Management Board may also be appointed from outside the group of shareholders. A contract of employment with the President and members of the Management Board shall be concluded on behalf of the Company - the Chairman of the Supervisory Board or another representative of the Supervisory Board delegated from among its members.

The Management Board represents the Company outside in relation to the authorities, third parties, in court and outside the court. The President of the Management Board alone or two Members of the Management Board jointly or one Member of the Management Board with one of the persons having joint commercial representation

he Management Board is responsible for conducting current affairs of the Company. The detailed course of action of the Management Board, as well as matters requiring a resolution of the Management Board and matters that may be dealt with on behalf of the Management Board by its individual Members, are defined in the Management Board Regulations (this document is available on the Company's corporate website). These Regulations are adopted by the Management Board itself at the request of the President of the Management Board and are subsequently approved by the Supervisory Board.

According to Article 36 of the Articles of Association of Stalprodukt S.A., reducing or increasing the share capital of the Company is within the competence of the General Meeting.

According to Article 431 of the Commercial Companies Code, the increase of the share capital requires amendment of the Articles of Association and takes place by issuing new shares or increasing the nominal value of the existing shares.

In turn, according to Article 417 § 1 of the Commercial Companies Code, redemption of shares is made at the price quoted on the regulated market, according to the average exchange rate from the last three months before adopting a resolution or when shares are not listed on a regulated market at a price determined by an expert selected by the general meeting.

i) description of the principles of changes in the Articles of Association or the issuer's company deed.

The amendment of the Articles of Association is adopted by the General Meeting. Resolutions of the General Meeting regarding amendments to the statute require a 3/4 majority of votes cast. Amendments to the Articles of Association are made in accordance with the Commercial Companies Code and are in the competence of the general meeting under the Articles of Association.

j) manner of operation of the general meeting and its basic powers as well as the description of the shareholders' rights and the manner of exercising them, in particular principles resulting from the regulations of the general meeting, if such regulations have been adopted, unless the information in this respect stems directly from the law

The General Meeting of Shareholders of the Company operates based on the regulations contained in the Commercial Companies Code and the Articles of Association. The manner of operation of the general meeting and its basic powers are specified in the Regulations of the General Meeting of Shareholders of Stalprodukt S.A. approved by Resolution No. XXVI/16/2010 of the General Meeting of Shareholders of 25 June 2010.

Pursuant to § 2 of the Regulations of the General Meeting of Shareholders:

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1. *The general meeting can be ordinary or extraordinary.*
2. *The Ordinary General Meeting is convened by the Management Board of the Company based on the adopted resolution, the date falling not later than six months after the end of each financial year.*
3. *The extraordinary general meeting is convened by the Management Board on its own initiative, at a request of the shareholder(s) or at representing at least one twentieth of the share capital. The request to convene an extraordinary general meeting, must be submitted by the shareholder or shareholders to the Management Board of the Company in writing or in electronic form to the Company's valid e-mail address: walne.zgromadzenie@stalprodukt.pl. In the case of submitting the request in electronic form, the Management Board of the Company is authorised to take the necessary actions to verify the credibility of the submitted application. If the Management Board of the Company is unsure about the origin of the request, the Shareholder or Shareholders are obliged to provide the Company with declarations or documents confirming the right to submit the request.*
4. *The Supervisory Board may convene an ordinary general meeting if the Management Board of the Company fails to convene it within the time specified in the provisions of the commercial companies code or the articles of association, and an extraordinary general meeting if it considers it necessary to convene it.*
5. *Shareholders may convene an extraordinary general meeting based on authorisation by the Registry Court, if within 2 weeks from the date of submitting the request to the Management Board, the meeting has not been convened. The court calls the Management Board to make a statement and appoints the chairman and date of the meeting.*
6. *Shareholders representing at least half of the share capital or at least half of all votes in the company can convene an extraordinary general meeting. Shareholders appoint the chairman of such meeting.*

Pursuant to § 3 of the Regulations of the General Meeting of Shareholders:

1. *The general meeting may adopt resolutions only in matters included in the agenda.*
2. *The detailed agenda is set by the Management Board of the Company and specified in the notification.*
3. *A shareholder or shareholders who represent at least one twentieth of the Company's share capital may request that specific matters are placed in the agenda of the general meeting. The request should be submitted to the management board no later than twenty one days before the set date of the meeting. The request should contain the justification or draft resolution concerning the suggested item in the agenda. The request may be submitted in electronic form.*
4. *A shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the general meeting, propose the company in writing or by electronic means, draft resolutions concerning matters placed in the agenda of the general meeting or matters which are to be put in the agenda. The Company shall promptly publish the draft resolutions on its website.*
5. *In cases not covered by the agenda - the resolution cannot be adopted, unless the whole share capital is represented at the general meeting and none of the present persons reported objection concerning adoption of the resolution.*
6. *Each shareholder may submit draft resolutions during the general meeting concerning matters introduced to the agenda of the general meeting.*
7. *The requests for convening an extraordinary general meeting and requests of regulations nature may be adopted even if they have not been included in the agenda.*

In turn, pursuant to § 31 of the Articles of Association:

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1. *The General Meeting may adopt resolutions only in matters included in the agenda.*
2. *The Management Board of the Company adopts the agenda.*
3. *A shareholder or shareholders who represent at least one twentieth of the Company's share capital may request that specific matters are placed in the agenda of the General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the meeting. The request should contain the justification or draft resolution concerning the suggested item in the agenda. The request may be submitted in electronic form.*
4. *A shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the General Meeting, propose the company in writing or by electronic means, draft resolutions concerning matters placed in the agenda of the General Meeting or matters which are to be put in the agenda. The Company shall promptly publish the draft resolutions on its website.*
5. *Each shareholder may submit draft resolutions during the General Meeting concerning matters introduced to the agenda.*

Competences of the General Meeting include (§ 36 of the Articles of Association):

1. *Dismissal of the President of the Management Board.*
 2. *Consideration and approval of the annual financial statements of the Company, the annual statement of the Management Board on the operations of the Company, as well as the consolidated financial statements of the Capital Group.*
 3. *Deciding on the distribution of profits or on the method of covering losses.*
 4. *Acknowledgement of the fulfilment of duties by authorities of the Company.*
 5. *Amendment of the Articles of Association.*
 6. *Increase or decrease of the share capital of the Company.*
 7. *Change in the subject of the Company's business.*
 8. *Merger or transformation of the Company.*
 9. *Liquidation of the Company, selection of liquidators and determination of the division of the Company's assets after liquidation.*
 10. *Issuance of bonds.*
 11. *Provisions concerning claims for compensation for damage caused when establishing the Company and managing or supervising.*
 12. *Deciding on the use of supplementary capital and deciding on the creation and allocation of reserve capitals.*
 13. *Other competencies under the Commercial Companies Code to the sole properties of the meeting of shareholders, except for consent to the purchase and sale of real estate, perpetual usufruct or a share in real estate, which has been delegated to the competence of the Supervisory Board*
- k) **description of the issuer's management, supervisory or administrative bodies and their committees, together with an indication of the composition of these bodies and the changes that have occurred in them during the last financial year, including. l**

Management Board

The Management Board of the Company operates based on the provisions of the Commercial Companies Code, the Articles of Association and the Regulations of the Management Board approved by the Resolution of the Supervisory Board No. 17/X/2016 of 16 December 2016. According to

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§ 16 of the Articles of Association, the Management Board of the Company consists of two to four persons appointed for a three-year term by the Supervisory Board.

In the current term of office, the Management Board of Stalprodukt S.A. operates in a three-member team:

- Mr Piotr Janeczek - President of the Management Board-Chief Executive Officer
- Mr Józef Ryszka - Member of the Board-Chief Marketing Officer
- Mr Łukasz Mentel - Member of the Board - Chief Financial Officer

In 2019, there were no changes to the Management Board, but on 28 April 2020, Mr Józef Ryszka resigned from his function as a Member of the Management Board of the Company, effective as of 29 April 2020. He also stated that the reason for his resignation was his reaching the retirement age and becoming entitled to retirement.

The detailed course of action of the Management Board, as well as matters requiring a resolution of the Management Board and matters that may be dealt with on behalf of the Management Board by its individual Members, are defined in the Management Board Regulations.

Supervisory Board

The supervisory body of the issuer is the Supervisory Board, which may be composed of 5 to 7 people (in the current term of office, the Supervisory Board consists of 5 people).

The Supervisory Board in 2019 included:

- Janusz Bodek - Chairman
- Sanjay Samaddar - Vice Chairman of the Supervisory Board
- Magdalena Janeczek - Secretary of the Supervisory Board
- Agata Sierpińska-Sawicz - Member of the Supervisory Board
- Romuald Talarek - Member of the Supervisory Board

In 2019, there were no changes in the composition of the Supervisory Board.

The Supervisory Board meets once a quarter or more often at the invitation of the Chairman. In addition, the meeting of the Supervisory Board must be convened at the written request of three members of the Supervisory Board, submitted to the Chairman or at the request of the Management Board.

The specific duties of the Supervisory Board include:

- 1) *Election of the President and Members of the Management Board. Dismissal of Members of the Management Board, with the exception of the President of the Management Board.*
- 2) *Assessment of the financial statement, the statement of the Management Board on the Company's operations and the requests of the Management Board as to the distribution of profit or covering the loss for the previous financial year.*
- 3) *Consideration of balance sheets covering quarterly periods with the right to make comments with requests for explanations from the Management Board, checking commercial books and the Company's cash at any time at its own discretion.*

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- 4) *Submission of a statement on the performance of duties to the General Meeting of Shareholders during the financial year.*
- 5) *Suspension in activities for important reasons of the President and members of the Management Board.*
- 6) *Delegating own members to temporarily perform the duties of members of the Management Board who can not perform their functions.*
- 7) *Approving the Regulations of the Management Board of the Company and the organisational regulations of the Company's business.*
- 8) *Expressing consent for the Company to acquire shares in another company as well as for the sale of those stocks or shares.*
- 9) *Expressing consent to contribute a part of the Company's assets as a contribution in kind to another company.*
- 10) *Expressing consent to the conclusion of a long-term contract by the Company that obliges the Company to provide a benefit in excess of 10% of equity.*
- 11) *Expressing consent for the disposal of fixed assets by the Company, the value of which exceeds 1% of equity and for donations exceeding PLN 50,000.*
- 12) *Adoption of the plans of the Company's business at the request of the Management Board.*
- 13) *Selection of an expert auditor to analyse the financial statement of the Company.*
- 14) *Adoption of the "Regulations of allowances and remuneration of the Management Board".*
- 15) *Permission to buy or sale a real estate, right of perpetual usufruct or share in real estate.*
- 16) *Appointment of the Audit Committee (if such an obligation results from generally applicable legislation). In such a case, the Supervisory Board adopts the regulations of the Audit Committee, in which it specifies the detailed principles of its functioning.*

The Audit Committee operates within the Supervisory Board. It is composed by:

- 1) Ms Agata Sierpińska-Sawicz - Chairwoman
- 2) Mr. Romuald Talarek - Vice Chairman
- 3) Ms Magdalena Janeczek - Member of the Committee

I) as regards the audit committee or, where appropriate, the supervisory board or other supervisory or control body where that body exercises the duties of the audit committee, an indication of:

-people who meet the statutory independence criteria

The statutory independence criteria are met by 2 members of the Audit Committee, i.e.:

- Pani Agata Sierpińska-Sawicz;
- Pan Romuald Talarek.

- people with knowledge and skills in the field of accounting or analysing of financial statements, with an indication of the way of acquiring them

The person with knowledge and skills in the field of accounting or analysing of financial statements is Ms Agata Sierpińska-Sawicz, who holds a PhD in economics. She acquired this knowledge during her master's studies at the University of Economics, and then doctoral studies at SGH Warsaw School of Economics.

The research issues she dealt with during her studies included such issues as: financial analysis of a business, controlling, financial management of businesses, economics of a business, financial analysis. In turn, her didactic activity includes financial analysis and controlling.

- people with knowledge and skills in the industry in which the issuer operates, with an indication of the way of acquiring them

The knowledge and skills in the field of metallurgy, in which Stalprodukt S.A. operates, are possessed by Mr Romuald Talarek, holding PhD in technical sciences. He gained his knowledge during Master's studies at the University of Silesia (faculty of physics, specialisation - solid state physics), and then doctoral studies (metallurgy specialisation) at the Silesian University of Technology. He also completed post-graduate studies (specialisation: metal physics and metal science) at the AGH University of Science and Technology in Kraków. He has documented training and courses in the management and organisation of production, technology and quality control, information systems, modern technologies in metallurgy.

He acquired his skills while working in companies in the steel industry (Huta Batory in Chorzów and Batorex Sp. z o.o.). Mr R. Talarek was also a long-term president of Polish Steel Association in Katowice.

During his professional career he was also a member of several teams and programme councils at various ministries and he acted in international committees and industry steel organisations (e.g. EUROFER and ESTA).

- whether there were services provided to the issuer by an audit firm analysing its financial statement being non-audit services and therefore whether the independence of the audit firm was assessed and consent to the provision of such services was given

The audit firm Polscy Biegli Sp. z o.o., which analysed the financial statement of Stalprodukt S.A., did not provide other non-audit services to the Company.

- main assumptions of the policy developed for the selection of an audit firm to carry out the analysis and the policy of the audit firm conducting the analysis by affiliated entities to this audit firm and by a member of the audit firm's network of permitted non-audit services

The most important assumptions of the policy of selecting an audit firm:

- in accordance with the regulations applicable to the Company, the entity authorised to conduct the audit is selected by the Supervisory Board, acting on the recommendation of the Audit Committee;
- it is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an entity authorised to carry out analysis from among a specified category or list of entities authorised to carry out analysis;
- The Supervisory Board when making the final selection, and the Audit Committee at the stage of preparing recommendations, is guided by the following guidelines regarding the entity authorised to carry out the analysis:
 - price proposed by the entity authorised to carry out the analysis;
 - ability to provide a full range of services specified by Stalprodukt S.A. (analysis of unit statements, analysis of consolidated statements, inspections, etc.);

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- previous experience of the entity in the analysis of statements of units with a business profile similar to the Stalprodukt S.A. Group;
- entity's previous experience in examining the statements of public interest units;
- professional qualifications and experience of persons directly involved in the conducted analysis;
- availability of qualified experts in the field of specific issues in financial statements, such as the valuation of actuarial provisions, valuation of derivative instruments, analysis of tax issues,
- ensuring that the analysis is conducted in accordance with the International Standards on Auditing and Assurance Services and compliance with the International Standard on Quality Control 1;
- confirmation of the independence of the entity authorised to carry out the analysis as early as at the stage of the selection procedure, this confirmation should apply to Stalprodukt S.A. Group

The most important Policy assumptions in the scope of providing additional services by the audit firm, an affiliated entity to the audit firm or a member of its network.

An expert auditor or an audit firm that performs statutory analysis of Stalprodukt S.A. or any member of the network to which the expert auditor or audit firm belongs must not provide directly or indirectly to the analysed entity, its parent company or its entities controlled by it, any prohibited services that are non-audit services of financial statements in the following periods:

- (a) during the period from the start of the period analysed to the issuance of the analysis statement;
and
- b) in the financial year immediately preceding the period referred to in letter a);

Prohibited services should be understood as defined in Article 5 of the REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (EU) NO. 537/2014 of 16 April 2014 on detailed requirements regarding joint analysis of financial statements of public-interest units, repealing Commission Decision 2005/909/W in connection with Article 136 of the Act of 11 May 2017 on expert auditors.

Provision of additional, non-prohibited services referred to in Article 136 (2) of the Act of 11 May 2017 on expert auditors, is possible after obtaining the approval of the Audit Committee, based on its assessment of threats and safeguards of independence. The Audit Committee may issue guidelines regarding the use of these services.

- **whether the recommendation regarding the selection of an audit firm to conduct the analysis met the applicable conditions, and whether the selection of the audit firm did not concern the extension of the contract for analysis of the financial statement - whether this recommendation was drawn up following the selection procedure organised by the issuer that met the applicable criteria**

The recommendation regarding the selection of an audit firm to conduct the analysis met the applicable conditions. In addition, the recommendation was prepared following a procedure organised by the issuer that met the applicable criteria.

- number of meetings of the audit committee or meetings of the supervisory board or other supervisory or controlling body dedicated to performing the duties of the audit committee**

In 2019, the Audit Committee held five meetings.

- in the event of performing the duties of the audit committee by the supervisory board or another supervisory or controlling body - which of the statutory conditions giving the opportunity to exercise this option have been met, together with the relevant data**

Not applicable. In the case of Stalprodukt, these duties were performed by the Audit Committee.

m) a description of the diversity policy applied to the administrative, management and supervisory bodies of the issuer

In accordance with the IZ1.15. principle included in the document "Good Practices of Companies Listed on the WSE 2016", the Management Board of Stalprodukt S.A. adopted last year "Diversity policy in relation to the company's governing bodies and its key managers".

In accordance with the above-mentioned document, the purpose of diversity management at Stalprodukt S.A. is "to create a work environment in which every employed person feels respected and appreciated, and in which they can fully realize their potential, which contributes to the company's success." In addition, it should be emphasized that the Company creates equal opportunities for employees in terms of access to professional development and promotion regardless of skin colour, religion, sex, age, nationality, sexual orientation, citizenship, marital status, the number of children, political views, disability or other status protected by law.

Pursuant to the "Diversity policy" at Stalprodukt S.A., decisions regarding the employment of employees as well as the selection of members of the Management Board and the Supervisory Board are made on the basis of objective criteria. The company strives to ensure versatility and diversity of the Company's bodies, especially in the area of sex, education, age and professional experience, with the main selection criteria being high qualifications, professionalism and competence of the candidate to perform a particular function.

Part III. Declaration on non-financial information

While preparing this Declaration, Stalprodukt mainly used the Non-Financial Information Standard developed by the Reporting Standards Foundation, however the final form of the report and the scope of information disclosed therein was adjusted to the specific nature of the Capital Group's operations and significant diversification of its individual operating segments.

1. Management area

1.1. Description of the business model and strategic development directions

Since starting its operations, Stalprodukt S.A. bases its economic strategy on two basic elements, i.e. organic growth and acquisitions. The constantly changing micro- and macroeconomic environment forces continuous optimization and restructuring activities in the Company itself, as in the whole Capital Group. Thanks to this, the Company could focus on its core operations – production (in two main product groups, i.e. transformer sheets and cores, as well as road profiles and barriers), while auxiliary and service activities were taken over by subsidiaries. Such a strategy allows the optimization of operating costs while taking advantage of the synergy effects between companies operating within the Group.

Stalprodukt S.A. faces in its core activity (steel industry) a significant risk that is related to the cyclical nature of this industry. This risk results from fluctuations in the prices of raw materials, energy mediums, as well as formal and legal business conditions, such as, recent and frequent application of market protection measures (customs and quotas), which significantly disturb healthy competition.

This risk was partially diversified through the purchase of shares of ZGH "Bolesław" S.A. (and indirectly of its subsidiaries) involved in the mining of metal ores (zinc and lead) and the production of zinc, lead and silver, as well as the recycling of the above-mentioned metals. The demand for risk diversification is currently reflected in the three main operational segments of the Group – Electronic Steels, Profiles and Zinc, which currently account for over 90%. Group's revenues and its financial result.

The strategy of ZGH "Bolesław" S.A. consists in building the value of the Capital Group through implementing the strategy of sustainable development and corporate social responsibility. The main pillars of this strategy include ensuring the sustainable profitability of zinc works, the optimisation of the use of natural resources of zinc-lead ores, the maximisation of the use of recycled materials in the production process, the conscious and responsible use of the environment, as well as good communication with the community. ZGH "Bolesław" S.A. strives to strengthen its leading position in Central Europe in terms of the volume of zinc production, production quality and professional management.

The Management Board of the parent company sets the development directions of the Capital Group, coordinates the strategy of individual companies. It also initiates and supervises optimization activities that streamline the Group's operations. The effect of such activities are, among others, mergers of companies that have taken place in the last few years. As part of the implemented optimisation measures, in 2019 Stalprodukt-Serwis merged with Stalprodukt-Wamech.

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The better use of production capacity, and thus the increase in sales revenues, is one of the most effective ways of combating the growing trend of costs and other charges of the company. In order to achieve it, it is necessary not only to improve the productivity of the production factors used, but also to gain increasingly greater shares in the markets where the Company's products may be placed and thus generate higher revenue.

A conservative approach to the methods of financing its operations (fixed assets are fully financed with equity) is also the basis of the Company's strategy. As a result, a strong capital base and financial independence is achieved thanks to a safe level of debt.

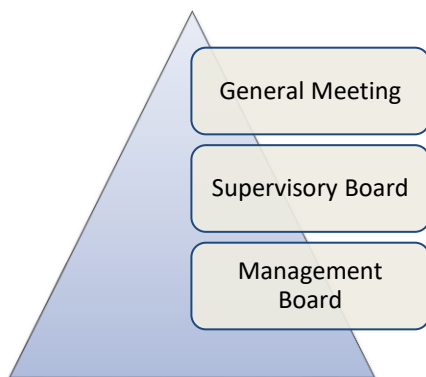
The company has been planning to strengthen its position on the transformer sheet market for many years. This operating segment is crucial from the point of view of the impact on Stalprodukt's unit results. This scenario of strategy implementation became possible in 2017, when a contract was signed for the purchase of 100% shares of GO Steel Frydek Mistek a.s. with its registered office in the Czech Republic. The consequence of this acquisition is the increase of production capacity of transformer sheets to the level of 150 thousand tonnes/year, as well as expanding the Group's production offer by non-manufactured cold rolled sheets.

1.2. Managerial governance

- Stalprodukt S.A.

Stalprodukt S.A. operates pursuant to the provisions of the Commercial Companies Code and the Company's Articles of Association. The company is subject to the corporate governance principles contained in the document "Good Practices of Companies Listed on the WSE 2016".

The structure of the corporate governance in the Stalprodukt S.A. is as follows:



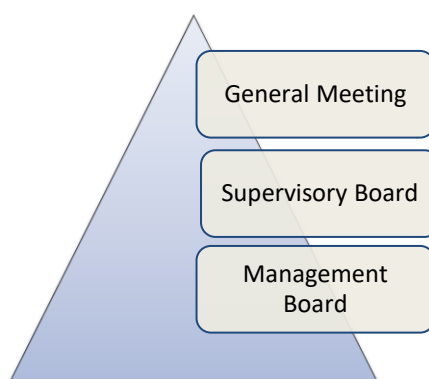
The General Meeting, the Supervisory Board and the Management Board of the Company operate on the basis of relevant Regulations.

The Company's Management Board consists of three persons, whereas the Supervisory Board consists of five persons.

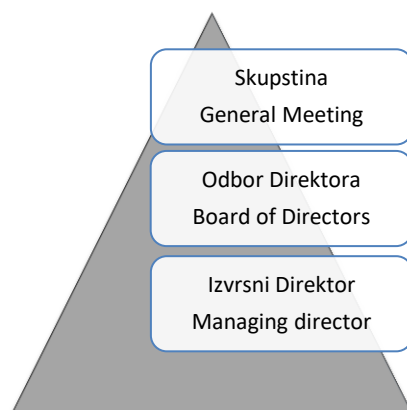
- ZGH "Bolesław" Group

The companies of the ZGH "Bolesław" Group operate on the basis of the provisions of the Code of Commercial Companies (Act of September 15, 2000, Journal of Laws of 2000, No. 94, item 1037, as amended) and the Statutes of the Companies.

The corporate governance structure in the domestic companies of the ZGH "Bolesław" Group is as follows:



Corporate governance structure in Gradir Montenegro d.o.o. looks like this:



The management boards of the Companies consist of one to three persons, whereas the Supervisory Board consists of three to five persons. The Agency for the Protection of Persons and Property has not appointed a Supervisory Board due to the size of the company.

The rules of operation and organisation of work, as well as the rights, duties and responsibilities of the personnel are defined in the Organisational Rules of individual companies.

- Other companies of the Stalprodukt Capital Group

The remaining subsidiaries of Stalprodukt Capital Group operate based on the provisions of the Code of Commercial Companies (the Act of 15 September 2000, Journal of Laws of 2000, No. 94, item 1037, as amended) as well as their respective Articles of Associations and Company Deeds.

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The structure of corporate governance in the domestic companies of Stalprodukt Capital Group is similar to that of the parent company.

The Management Boards of the Companies are composed of 1 to 2 members, while the Supervisory Boards are composed of 3 persons. Stalprodukt-Ochrona Sp. z o.o. and Stalprodukt-Wamech Sp. z o.o. have not appointed supervisory bodies due to the sizes of the companies.

GO Steel Frydek Mistek operates in the Czech Republic, where the Act No. 90/2012 on Commercial Companies and Cooperatives (*Zákon o obchodních společnostech a družstvech*), also known as the Commercial Corporations Act (UKH), applies.

The act provides for two systems of the joint stock company's internal structure:

1. A system with a management board and a supervisory board, referred to as the two-tier system (known under the Polish law),
2. A system with a statutory director and a managing board, also referred to as the one-tier system, where the said statutory director performs the role of the aforementioned Management Board, and the managing board – that of the aforementioned Supervisory Board.

GO Steel Frydek Mistek operation is based on the latter system. The Statutory Director is represented by one person and the Managing Board consist of two persons.

A joint stock company bodies operating in the one-tier system include:

- Shareholders' meeting,
- Statutory director,
- Managing board.

1.3 Key non-financial effectiveness indicators

The Management Board of Stalprodukt S.A. identified key non-financial effectiveness indicators, which were defined as follows:

- effectiveness of operations, i.e. revenue per 1 employee,
- effectiveness of energy consumption, i.e. energy consumption per unit of revenue.

In 2018-2019, the above-mentioned indicators for the parent company and for the entire Capital Group were as follows:

Indicator	Stalprodukt S.A.		Capital Group	
	2018	2019	2018	2019
Revenue per employee (thousand x PLN)	977,7	992,5	612,3	589,4
Energy consumption per unit of revenue (GJ/PLN 1 thousand)	1,04	1,10	2,81	3,00

The ratio regarding income per employee for the Capital Group from 2018 has been adjusted.

1.4. Social and environmental risk management

- Stalprodukt S.A.

Due to the nature of the business and the risks associated with it, Stalprodukt S.A. is exposed to events that may affect the safety of people and the environment. The plant is currently not classified as an increased or high risk of an industrial accident, as demonstrated by the *Analysis of the Plant's Application*. Despite this, the Plant declares maintaining a safety management system in which the following functions operate: Accident Prevention Programme and elements of the management system required by the Environmental Protection Act.

In addition, the Company has a document regulating the procedure in the event of an accident entitled "Manual for the prevention of major industrial accidents at Stalprodukt S.A. in Bochnia". The purpose of the manual is to ensure identification and counteracting potential dangerous incidents that may affect people and the environment, as well as defining post-failure procedures that limit the effects of these potential incidents.

- ZGH „Bolesław” Group

ZGH „Bolesław” Group defines the risk as uncertainty, which is an integral part of its operations and which may result in opportunities as well as threats to the achievement of business objectives.

In the ZGH "Bolesław" Group, two companies - ZGH "Bolesław" and HC "Miasteczko Śląskie" - were classified as plants with an increased or high risk of a serious industrial accident in accordance with the provisions of the Environmental Protection Act and based on the provisions of the Regulation of the Minister of Development of 29 January 2016 on the types and quantities of hazardous substances present in the plant.

In ZGH "Bolesław" every substance used in the production of electrolytic zinc has a current safety data sheet. Pursuant to the manufacturer's recommendations, substances are transported, used and stored in accordance with the recommendations indicated in the sheets.

In implementing the liabilities included in the regulations, the company has developed:

- Programme for Preventing Major Accidents (PZA),
- Report on Safety (RoB),
- Internal Operational and Rescue Plan (WPOR),
- Procedure to be adopted by residents when facing an accident and chemical hazard,
- Information on security measures and procedure to be adopted when facing an industrial accident at ZGH "Bolesław" S.A.

As a result of a detailed analysis of the hazards to the installations and facilities of the Company made for the purposes of the Report on Safety, potential and representative emergency scenarios were identified. The risk analysis carried out showed no significant impact of failures on the area outside the plant.

Huta Cynku "Miasteczko Śląskie", due to the storage and processing of substances within the grounds of the plant, which are toxic for aquatic organisms, in quantities exceeding the threshold values specified in the Regulation of the Minister of Development of 29 January 2016, the plant was determined to pose a high risk of a serious industrial accident.

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The plant has the following documents required by the Environmental Protection Law:

- Notification of High Risk Plant,
- Programme for Preventing Accidents (PZA),
- Report on Safety (RoB),
- Internal Operational and Rescue Plan (WPOR),

The above-mentioned documents, pursuant to the requirements of the Act, were submitted to the Silesian Voivodeship Commandant of the State Fire Service and the Silesian Voivodeship Inspector for Environmental Protection.

- Other companies of Stalprodukt Capital Group

Due to the scale and extent of its operations, there are no significant hazards to other subsidiaries of the Capital Group that would pose a significant risk to the environment. The companies operate on the basis of internal provisions regulating the safety of people and the environment.

In Cynk-Mal S.A., there is a chemical rescue group. The group includes employees of the Zakład Wyrobów Cynkowych. Members of the chemical rescue group regularly participate in the exercises in the scope of major industrial accidents, the purpose of which is to check resources, equipment and personnel in terms of readiness to eliminate the potential consequences of an accident and to combat potential environmental threats. The Zakład Wyrobów Cynkowych is qualified for the "Other Potential Perpetrators of Major Industrial Accidents".

In 2019, Frydek-Mistek fulfilled all its obligations, including the limits set by the integrated environmental permit regarding air emission and the quality of water discharged to the Ostravice River.

The companies of the Capital Group have assessed the environmental aspects in order to eliminate or possibly reduce the negative effects of their operations on the environment.

1.5. Ethics management

The companies of the Stalprodukt Capital Group base their activities on the principles of integrity, reliability and transparency of activities undertaken by its employees.

All Stalprodukt S.A. Capital Group companies are required to observe the "Code of Ethics", which is complemented by the "**Anti-corruption and Whistle-blower Protection Policy**". These documents contain a set of standards, rules and guidelines which determine the ethical conduct in the course of conducting business by the companies of the Capital Group. The values and regulations included in these documents apply to all employees as well as other persons working at or on behalf of particular companies.

The regulations contained in the above documents simultaneously meet the requirements and recommendations regarding the scope of non-financial reporting, principles resulting from the document "Good practices in public companies 2016", as well as guidelines on corruption policy and whistle-blower protection included in the document "Recommended standards for compliance management system in the field of counteracting corruption and protection system for whistle-blowers

in companies listed on the markets organized by the Warsaw Stock Exchange S.A.", developed from the initiative of the Compliance Committee of the WSE.

In addition, Rules of Labour are applicable in all companies of the Capital Group, which include regulations resulting from the Labour Code.

2. The environmental area

In the context of operating activities, the enterprises forming the Capital Group are autonomous. Due to the varied profile and specificity of the activities of the companies forming the Capital Group, solutions based on certified management systems implemented in individual subsidiaries are the basis for the management of the environmental areas.

All elements of the companies' activities that may have an impact on the environment have been identified. Taking into consideration the specificity of the industries belonging to the Capital Group, we are particularly aware of their significant impact on the environment. The impact of environmental aspects identified in the Capital Group's entities is constantly monitored and the activities aimed at limiting harmful impact on the environment are performed.

The closed circuit economy model is increasingly more important for the future of the economy and the state of the natural environment. The ZGH "Bolesław" Group is an example of building a closed circuit in the zinc industry, which perfectly fits into the European Union's policy. This policy is assumed to prefer an economy where resources are used in a more sustainable way, i.e. rationalizing land resources and increasing the proportion of recyclable materials.

The report includes data on the main segments of the Group's operations, the influence of which has a significant impact on the environment. In the case of the companies whose impact on the environment is marginal, they have been omitted in this part of the report, whereas all entities operate on the basis of regulations related to environmental protection and are subject to monitoring.

- Stalprodukt S.A.

Stalprodukt S.A. is a leading company in the field of production and sale of highly processed steel products. The Company's Quality Policy is implemented through the management of the quality level of products using, as a certified tool, a Quality Management System that meets the requirements of ISO 9001. The Integrated Quality and Environment Management System operating at Stalprodukt S.A. includes processes related to the production and sale of electrical sheets and strips, sheets and strips of unalloyed steel, cold rolled steel sections, safety road and bridge barriers, wound and step lap cores, laminations, sheets cut from hot and cold rolled steel, as well as energy, water and waste water, and waste management related to production and social-living processes.

The Quality Management System of Stalprodukt S.A. leads to improvement of the system, manufacturing and management processes, as well as manufactured products and is implemented by constant optimization of cooperation with customers and suppliers based on the results of monitoring and analysis of their needs, their expectations and satisfaction with cooperation with our company, continuous modernization of manufacturing and management processes and their results, i.e. manufactured products, by undertaking organizational and investment activities, meeting legal and other requirements, systematic training of the company's personnel to increase its competence and ensure high qualifications resulting

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from increasingly more perfect manufacturing and management processes, continuous improvement of the work environment so that it is perceived by the employees as friendly and enabling optimal implementation of the objectives of the Quality Policy, continuing modernization and internal development of IT systems that determine the proper flow of information.

The Environmental Management System used in Stalprodukt S.A. in the production and sale of highly processed steel products is compliant with the international ISO 14001 standard and sets out the most important elements of mutual interactions between the company and the environment and the direction of continuous improvement in the areas of design, production and supply of our products to a customer, as well as the utilization of waste and defective products.

Planning and implementing activities of Stalprodukt S.A. for the benefit of the natural environment concern

in particular the use of technologies compatible with the best available techniques - BAT, limiting the consumption of raw materials, materials and energy, reducing emissions to the environment, minimizing the amount of waste generated and making their management proper, meeting legal requirements and other that concern environmental aspects, raising employees' awareness regarding the impact of their work on the natural environment and the potential consequences of non-compliance with applicable rules of conduct.

Individual installations that are in possession of Stalprodukt S.A. operate on the basis of permits issued by the authorities competent to issue these decisions. Two installations are covered by the CO₂ emissions trading scheme.

Administrative decisions held by Stalprodukt S.A. in 2019:

- Integrated permit for a landfill in Borek,
- Permit required by Water Law Act for special use of water through drainage of treated rainwater and snow water, drainage water from the plant site and post-cooling water to the surface water - the Raba river,
- Permit required by Water Law Act for special use of water through surface water intake,
- Permit for generating waste in the Dept P3,
- Integrated permit for the installation of the Transformer Steels Department,
- Permit for generating waste in the Dept P4,
- Permit for waste processing in the recovery process,
- An integrated permit for running the installation for treatment of industrial waste water,
- Authorisation for emission of greenhouse gases from the boiler room of the plant,
- Permit for discharging gases and dust into the air from the installation of the Dept P2 and the boiler room of the plant,
- Permit for generating waste for the Dept P2 and for the installation for processing waste emulsions,
- Permit for emission of greenhouse gases from the installation of the Transformer Steels Department,
- Permit required by Water Law Act for Dept P4,
- Permit required by Water Law Act for the landfill in Borek,
- Approval for instructions for running the Stalprodukt S.A. landfill in Borek.

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In the company, the registers of legal acts and environmental aspects are updated on an on-going basis. Measurements of gas and dust emissions are carried out in accordance with applicable standards, as well as measurements of noise input into the environment and monitoring of consumption of energy mediums and consumption of fuel. Stalprodukt S.A. operates the landfill site, monitored in accordance with applicable regulations, for its own use. Record of waste generated and stored is kept. In accordance with the Act on Waste, a remediation service fund is maintained for the landfill.

The obligation to recover and recycle packaging waste is carried out through a recovery organization and an agreement.

Within the statutory deadline, statements are submitted to the offices in the field of waste management, packaging management, water and waste water management, gas and dust emission, as well as in the scope of pollutant release and transfer (PRTR). The statements of accrued and paid fees for using the environment are also forwarded to Marshals' Offices.

In 2019, the following administrative decisions regarding the use of the environment were obtained:

- Decision - change of the decision granting the integrated permit for the waste disposal installations in Borek,
- Decision – changing the decision to permit waste processing in the recovery process at the waste emulsions processing plant.

- ZGH „Bolesław” Group

Dzięki sukcesywnie wdrażanym nowym rozwiązaniom, pracom modernizacyjnym oraz innowacyjnym technologiom, poziom techniczny i technologiczny poszczególnych procesów produkcyjnych dorównuje poziomowi czołowych zakładów europejskich i światowych. Działania te doprowadziły do wyposażenia poszczególnych działów w Grupie ZGH „Bolesław” w instalacje o niskiej awaryjności i objęcia ich systemem sterowania, nadzoru i wizualizacji komputerowej. Dzięki temu minimalizowane są uciążliwości związane z działalnością gospodarczą, a przez to ograniczane jest negatywne oddziaływanie Spółki na środowisko naturalne.

W zakresie zagadnień środowiskowych największy wpływ na poszczególne komponenty środowiskowe mają ZGH „Bolesław” S.A. i Huta Cynku „Miasteczko Śląskie”.

ZGH "Bolesław" S.A. and Huta Cynku "Miasteczko Śląskie" S.A. are one of the largest enterprises in the Olkusz and Tarnogóra region. During their operations, the companies care for the natural environment by promoting themselves as socially responsible companies. Such long-term pro-ecological and pro-social policy shaping of the companies strengthens the image and creates added value for both companies and the local community.

The extraction and processing of the ore, as well as subsequent manufacturing processes during zinc production, using both the electrolysis and the pyrometallurgical (ISP) methods, result in a significant environmental impact.

Both companies comply with environmental standards resulting from increasingly more strict law by systematically modernizing the installations built in the past as well as building new low-emission ones.

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The currently used technologies meet international standards. What confirms this state of affairs is the fact that ZGH Bolesław S.A. is the holder of ISO: 9001: 2015 and 14001: 2015 certificates, and HC "Miasteczko Śląskie" is the holder of ISO: 9001:2015 certificates

ZGH "Bolesław" S.A. has a regulated formal and legal status regarding the use of the environment in all its components.

Integrated permits of ZGH "Bolesław" S.A. for:

- the installation for the production of electrolytic zinc and its alloys, valid for an indefinite period,
- the installation of deep dechlorination, defluoridation and leaching of raw zinc oxide, valid for an indefinite period,
- the installation for flotation enrichment and filtration of wastes from zinc hydrometallurgy, valid for an indefinite period,
- the installation of IPPC rotary furnace for the production of zinc concentrate from waste zinciferous materials in the Waelz process, valid for an indefinite period

and sectoral environmental decisions:

- Permit for generating waste for the Mining and Processing Part of the ZGH Bolesław S.A., valid until January 2025,
- Permit for waste generation for the Bolesław Boiler House, valid until September 2028,
- The decision authorizing the operation of the mining waste disposal facility, valid until April 2022,
- Permit for the production of mining waste obtained from the mining waste disposal facility, valid until June 2027,
- Permit for waste treatment in the recovery process in the Olkusz-Pomorzany Mechanical Treatment Department, valid until January 2025,
- Permit for waste treatment in the recovery process at the mining waste disposal facility – settling ponds, valid until January 2025,
- Mining waste management programme approved by decision of 30 November 2017,
- Permit for generating waste including processing in the process of recovery by flotation enrichment of waste falling within code 01 03 81 obtained (extracted) from the mining waste disposal facility – settling ponds for flotation waste at the ZGH "Bolesław" S.A. Flotation Waste Processing Plant, valid until July 2027,
- Permission for extraction of mining waste obtained from the eastern part of ZGH Bolesław S.A. mining waste neutralization facility granted for an indefinite period.
- Permit for discharging the following amounts of gases and dusts into the atmosphere through the boiler room installation:
 - "Dąbrówka" and "Olkusz" - valid until December 2025
 - "Bolesław" - valid until December 2029.
- Decision – Integrated permit for industrial waste water treatment plant (OSP), valid for an indefinite period
- Decisions on drainage of the mining plant, collection and discharge of water and waste water through the canals: Dąbrówka and Southern, valid until December 2019, decision on drainage of the mining plant in the liquidated Mieczysław shaft, the process of obtaining new water permits under the Water Law in Polish Waters is underway.

The production of zinc and lead in Huta Cynku "Miasteczko Śląskie" conducted via the pyrometallurgical method (ISP) is included in the BAT list.

Integrated permits of HC "Miasteczko Śląskie" S.A. for:

- Integrated permit for installations for the production of non-ferrous metals from metal ores, concentrates or recovered products as a result of metallurgical and chemical processes of 28 March 2012 – decision of the Marshal of the Silesian Voivodeship No. 726/OS/2012 amended by decisions No. 1723/OS/2013 of 5 August 2013, No. 2706/OS/2014 of 24 November 2014 and No. 1296/OS/2015 of 25 June 2015,
- Integrated permit for the hazardous waste landfill of 4 November 2014 – decision of the Marshal of the Silesian Voivodeship No. 2240/OS/2014 amended by decision No. 2382/OS/2014 of 4 December 2014,
- Permit required by Water Law Act of 29 March 2013 - decision of the Marshal of the Silesian Voivodeship No. 780/OS/2013,
- Permit for greenhouse gas emissions from 4 October 2018 - decision of the Marshal of the Silesian Voivodeship No. 03078/OS/18 (replacing the authorisation No. 00322/OS/17 of 1 February 2017).

• Other companies of Stalprodukt Capital Group

Only the companies whose environmental impact can be considered significant are taken into account. This applies in particular to Stalprodukt-Zamość sp. z o. o., STP Elbud sp. z o. o., Cynk-Mal S.A. and a company operating in the Czech Republic GO Steel Frydek Mistek. Considering the type and scale of operations of other entities of the Capital Group, their impact on the environment is negligible, and as a result they have been omitted in the environmental area. It should be noted that all subsidiaries located in Bochnia in the area of Stalprodukt S.A. are covered by the supervisory system in force in the parent company. In addition, all outsourced processes are supervised. This supervision is ensured by contracts containing all legal and quality requirements.

Stalprodukt Zamość sp. z o.o.

Stalprodukt Zamość sp. z o.o. is a producer of steel doors, aluminium joinery and sectional doors. It also conducts trade operations pertaining steel products.

The Company holds the following permits and decisions issued by relevant authorities for its operations:

- Permit to discharge gases or dust into the air,
- Decision – permit for generating waste,
- Decision - permit required by Water Law Act for special use of water in the scope of its collection from own intake.

STP Elbud sp. z o.o.

STP Elbud sp. z o.o. is a producer of hot-dip galvanised steel structures for the needs of energy, telecommunications, construction and road engineering. The company's quality policy is implemented through quality management of products using as a certified tool - the Integrated Management System that meets the requirements of ISO 9001, ISO 14001, EN 1090-1, EN 1090-2 and ISO 3834-2. The Integrated Management System operating in the STP Elbud sp. z o.o. covers processes related to the production and hot-dip galvanizing of steel structures.

The Company's Integrated Management System leads to the improvement of manufacturing and management processes, as well as the manufactured products, and is implemented through the continuous

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optimisation of cooperation with customers and suppliers based on the results of monitoring and analysing their needs, expectations and satisfaction levels, undertaking organisational and investment measures, meeting the requirements of legal and other regulations, regular training of the company's personnel in order to increase their competence and ensure high qualifications resulting from the improvement of the manufacturing and management processes, as well as the continuous improvement of the working environment, so that it is perceived by the personnel as friendly and conducive to the optimal implementation of the objectives of the Integrated Management System Policy.

Planned and implemented activities of STP Elbud sp. z o.o. for the benefit of the natural environment concern in particular the use of technologies compatible with the best available techniques - BAT, limiting the consumption of raw materials, materials and energy, reducing emissions to the environment, minimizing the amount of waste generated and making their management proper, meeting legal requirements and other that concern environmental aspects, raising employees' awareness regarding the impact of their work on the natural environment and the potential consequences of non-compliance with applicable rules of conduct.

Individual plants owned by "STP ELBUD" Sp. z o.o. operate on the basis of the permits issued by relevant authorities competent to issue such decisions.

The following are the administrative decisions currently held by "STP ELBUD" sp. z o.o.:

- Permit for generating waste for the installations for production of steel structures on the premises of the Steel Structures Department in Kraków,
- Permit for discharge of gases and dust into the air from the installation for production of steel structures on the premises of the Steel Structures Department in Kraków,
- Integrated permit for the installation for hot-dip galvanizing on the premises of the Product Galvanizing Department in Bukowno,
- Permit for discharge of gases and dust into the air for the installation for painting steel structures in the Product Galvanizing Department in Bukowno,
- Permit for generating waste for the installation for painting steel structures in the Product Galvanizing Department in Bukowno.

Cynk-Mal S.A.

The core operations of the Cynk-Mal S.A. production plant with its registered office in Legnica is production and sale of hot-dip galvanized steel products and provision of hot-dip galvanizing services. The plant has an innovative production technology, a line for continuous galvanizing of steel strips, which allows to provide services in the field of anti-corrosion protection.

The installations that are in possession of Cynk-Mal S.A. operate on the basis of permits issued by the authorities competent to issue these decisions. Administrative decisions held by Cynk-Mal S.A.:

- Decision integrated permit, Reg. No. DM.S.IV.7650-2858/08/10, L.dz.IV/LS/7660-46/352-III/09/10, Decision No. PZ 184/2010. of 20 August 2010,
- Modification of the decision, integrated permit, DOW-S-IV.7222.108.2014.LS, L.dz. 690/12/2014, Decision No. PZ 184.1/2014 of 4.12.2014,
- Decision on the production of waste (sector permit), Ref. No. DM-SV7654-2859/08/10 L.dz.V/KB/7654-69/353-III/0, Decision No. P 48/2010 of 20 August 2010,

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- Decision on the production of waste (sector permit), Ref. No. DOW-S-V.7221.62.2012.RSt, L.dz.1818/11/687-III/12, Decision No. P 48.1/2012 of 09.11.2012,
- Permit required by Water Law Act for discharge of rainwater purified by the sand separator from the plant to the drainage ditch, Ref. No. ER.6210/14-1/99 of 19.07.1999,
- Permit required by Water Law Act for special use of water, i.e. water intake from the underground water inlet (drilled well No. 1), Ref. No. OŚR.6210/8/2005 of 22.07.2005.

GO Steel Frydek Mistek

GO Steel Frydek Mistek A.S. is a producer of cold rolled steel strips and sheets. The main range offered consists of steel strips and sheets for anisotropic electrical engineering and, on a smaller scale, steel strips and sheets for isotropic electrical engineering and strips as well as sheets of alloy and non-alloy steel.

The scope of the operational activity corresponds to the activities included in the integrated permit issued by the Regional Office of the Moravian-Silesian Region in Ostrava, which has been in force since 13.07.2009, and which has been updated 13 times. The integrated operating permit is classified in category 2.6 - i.e. devices for surface treatment of metals and plastics using electrolytic or chemical processes, if the Spa content is greater than 30 m³.

The plant operates on the basis of secondary legislation resulting from the regulations regarding Environmental Protection applicable in the Czech Republic (V – register - duties used in EMS).

In all listed companies building the Capital Group, the consumption of energy mediums and fuel consumption is monitored. The obligation to recover and recycle packaging waste is carried out through a recovery organization.

Within the statutory deadline, statements are submitted to the offices in the field of waste management, packaging management, water and waste water management, gas and dust emission. The statements of accrued and paid fees for using the environment are also forwarded to Marshals' Offices.

2.1 Consumption of raw materials and other materials

Below is a table summarising consumption of the most important materials used in production processes.

Organisational unit	Type of material	Unit	Consumption	
			2019	2018
Stalprodukt S.A.	Hot rolled steel	thousand x Mg	294.9	336.7
	Cold rolled steel	thousand x Mg	19.3	19.9
	Galvanized steel	thousand x Mg	4.8	3.7
	<i>The cost of used materials in relation to net revenue from the sale of products</i>	%	68.5	75.8
ZGH „Bolesław”	Ore mined from the "Olkusz-Pomorzany" mine	thousand x Mg (wet weight)	1 586	1 674

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Group	Ore mined from the Gradir Montenegro mine	thousand x Mg (wet weight)	594	593
	Ore purchased	thousand x Mg (wet weight)	34	51
	Sulphide concentrates from import	thousand x Mg (Zn)	4.4	4.2
	Concentrates from flotation waste ⁽¹⁾	thousand x Mg (Zn)	32.0	29.2
	Own oxides from steelmaking dusts ⁽¹⁾	thousand x Mg (Zn)	44.0	41.9
	Oxides from import ⁽¹⁾	thousand x Mg (Zn)	6.5	5.6
	Concentrates from sludge	thousand x Mg (Zn)	14.8	15.3
	Dusts and other zinciferous waste ⁽¹⁾	thousand x Mg (Zn)	41	39
	<i>Value of external raw materials used as % of income</i>	%	90 360	96 529
Other companies of the Capital Group	Hot rolled steel sheets	Mg	29 712	33 043
	Steel	Mg	2 829	3 258
	Zinc	Mg	135	153
	Paints	Mg	182	208
	Hydrochloric acid	Mg	1 168 269	1 401 081
	Pickling acids	l	1 401 081	572 959

¹ – from recycling

Stalprodukt S.A.

Over 90% of charge materials used by Stalprodukt S.A. are coils of hot and cold rolled steel. These materials are used in the basic production processes implemented in the Company related to the production of: electrical transformer steels, cold formed sections and road barriers. It should be emphasized that materials intended for the production of individual products differ from each other in technical parameters, i.e. chemical composition, steel grade, thickness and width of coils, etc.

Hot and cold rolled steels are also used in the service centres owned by the Company, which perform longitudinally cutting operations (into strips) or transversally ones (into sheets). As part of the adopted specialisation, the service centre for hot rolled steels is located in Bochnia, while the service centre for cold rolled steels is located in Tarnów.

The material in strips is mainly used for internal needs of Stalprodukt, it is the charge for profiling lines for the Company's production departments located in Bochnia (Dept P2), in Kraków (Dept P3) and in Tarnów (Dept P4). In turn, steels in sheets are sold exclusively to Stalprodukt's external customers - both directly and through Stalprodukt's domestic distribution network.

ZGH „Bolesław” Group

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The main raw materials on which the zinc production technology is based are ZnS mine concentrates and concentrates produced from zinciferous waste. These are owned and purchased raw materials.

ZGH "Bolesław" S.A. possesses the last active zinc mine in Poland, "Olkusz-Pomorzany", producing concentrates for the needs of both Huta Bolesław and HC "Miasteczko Śląskie". In the face of shrinking zinc and lead ore deposits, the Company directed a raw materials policy to improve production technologies based on secondary raw materials. This approach allows to reduce the amount of waste and limit the consumption of primary raw materials. Therefore, the second charge for the production of zinc, besides its own ZnS mine concentrate, is the ZnO concentrate - zinc oxide from the processing of steelmaking dust. Steelmaking dust is a waste material originating from the production of steel in electric steelworks. Zinc concentrate is made from waste containing more than a dozen percent of zinc by the Waelz process.

Another element in building a closed cycle in the zinc industry is the use of sedimentary waste from flotation ore enrichment stored on the settling ponds. In 2017, a new Flotation Waste Processing Plant was launched, recovering zinc and lead minerals in the form of a certified concentrate. This concentrate is the charge for the production of zinc and lead in Huta Cynku "Miasteczko Śląskie" S.A.

The Capital Group buys the missing amount of charge mainly from imports - from Australia, Mexico, the Balkans region, Germany and Sweden. These are: primary sulphide concentrates, zinc oxides, steelmaking dusts, ores and other zinciferous materials.

Due to the fact that the production of zinc in the Capital Group is conducted on the basis of very close technological links between production companies - products of one company are a charge for another company.

Other companies of Stalprodukt Capital Group

The type and amount of raw materials and materials consumption in other companies of the Capital Group depends on the profile of the company's operations.

Stalprodukt Zamość sp. z o.o. is a producer of steel doors, aluminium joinery and sectional doors. As a production charge, it mainly uses steel.

STP Elbud sp. z o.o. is a producer of hot-dip galvanized steel structures for the needs of energy, telecommunications, construction and road engineering. In the production, it uses steel for making steel constructions, zinc and hydrochloric acid for galvanizing structures and paints for painting ready-made constructions.

Cynk-Mal S.A. is a producer of hot galvanized steel products. For the production of products, it mainly uses steel, zinc, pickling acids.

GO Steel Frydek Mistek AS as a producer of transformer steel sheet and cold rolled steel for production uses hot rolled steel as the main charge, additionally sulphuric acid and other auxiliary materials.

2.2. Fuel and energy consumption

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Below is a table summarising energy consumption according to their main types.

Organisational unit	Type of fuels and energy	Unit	Consumption	
			2019	2018
Stalprodukt S.A.	Electricity	GJ	657 575	659 011
	Natural gas, propane and butane	GJ	640 271	647 712
	Bituminous coal	GJ	361 914	336 152
	Fuels	GJ	4 400	4 583
	Heating oil	GJ	1 849	2 325
ZGH „Bolesław” Group	Electricity ⁽¹⁾	GJ	2 274 126	2 294 831
	Coking coal and coke breeze ⁽²⁾	GJ	4 438 112	4 242 494
	Natural gas	GJ	1 193 699	1 133 145
	Bituminous coal	GJ	873 654	757 697
	Thermal energy	GJ	512 780	490 232
	Heating oil	GJ	3 844	19 016
Other companies of the Capital Group	Electricity	GJ	116 686	123 992
	Natural gas, propane and butane	GJ	379 265	398 968
	Thermal energy	GJ	7 427	7 898
	Fuels	GJ	1 919	4 730

¹ - use mainly by ZGH "Bolesław" S.A.

² - use mainly by HC "Miasteczko Śląskie" S.A.

Stalprodukt S.A.

The highest energy consumption is generated by the Electrical Steels Segment as a result of thermal treatment of steel.

The Company's activities are aimed at reducing the consumption of energy mediums. These activities include:

- installing meters for heat, electricity, drinking water, processing water reception
- charging the costs to individual organizational units,
- assembling and modernising industrial automation systems.

ZGH „Bolesław” Group

At ZGH "Bolesław" S.A., electricity is the basic carrier of energy – a crucial component from the perspective of both production and plant safety. At HC "Miasteczko Śląskie" S.A., coke and gas are the basic carriers of energy. The technology of zinc production using the ISP method relies on these fuels.

Due to the nature of its operations, ZGH is an energy-intensive plant. High consumption of energy affects zinc production costs, hence, for many years now, the Group has been pursuing a responsible energy and fuel use policy, covering the following:

- reducing energy consumption by investing in modern machines, devices and technologies,
- development of network infrastructure improving energy security,
- organizational and legal activities:
- creating actively free electricity market through the management of the Chamber of Industrial Energetics and Energy Customers, establishment and management of the operations of the

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Forum of Electricity and Gas Customers, cooperation with the Energy Regulatory Office and the Ministries for Economy and the Environment,

- establishment of the Electricity Management Department,
- works on the recovery of processing heat from the Waelz process,
- works on high-efficiency cogeneration.

Other companies of Stalprodukt Capital Group

The highest energy consumption is generated by GO Steel Frydek Mistek and Cynk-Mal S.A., which are responsible for the consumption of over 85% of the total energy consumed by the remaining companies of the Capital Group.

2.3 Water consumption

The table below presents a summary of water consumption according to the main sources of its acquisition together with their purpose.

Organisational unit	Water characteristics and origin	Unit	Consumption	
			2019	2018
Stalprodukt S.A.	Water supply network	m ³	33 116	33 377
	Surface water intake	m ³	737 120	679 511
	Water consumption for social and living purposes	%	4.3	4.7
	Processing water consumption	%	95.7	95.3
ZGH „Bolesław” Group	Water supply network	m ³	9 685	24 675
	Underground water	m ³	11 262 779	12 865 963
	Water consumption for social and living purposes	%	2.6	2.5
	Processing water consumption	%	97.4	97.5
Other companies of the Capital Group	Water supply network	m ³	19 959	22 173
	Surface water intake	m ³	2 357 728	2 816 524
	Water consumption for social and living purposes	%	5.2	5.1
	Processing water consumption	%	94.8	94.9

Stalprodukt S.A.

The main source of water for Stalprodukt SA is its own intake from the Raba river and, in addition, water from the water supply network. The plant collects water from its own surface intake in accordance with the conditions specified in the permit required by Water Law Act.

Consumption of drinking and processing water is metered. In addition, in the context of monitoring, cyclical environmental monitoring is carried out for water and waste water testing in accordance with the required permits and applicable regulations.

It should be noted that water is reused in a closed circuit, which is presented in the table below.

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	Unit	2019	2018
Water collected from the Raba river	m ³	737 120	679 511
Reused water	m ³	267 124	269 713
% of water reuse	%	36	39

ZGH „Bolesław” Group

Water is one of the most valuable natural resources. This issue is particularly important in ZGH "Bolesław", because the characteristic feature of the Zn-Pb ore deposits of the Olkusz-Bolesław region is their very high water accumulation. Total underground water inflow to mine workings, currently reaching approx. 220 m³/min (historically max. up to 370 m³/min).

In ZGH Bolesław S.A., all water from the mine drainage is used for all processes. Excess water is discharged into the White Przemsza river in accordance with the permits required by Water Law Act.

ZGH Bolesław S.A. regularly monitors the quality of the underground water in the vicinity of its plants and the parameters of discharged waste water to ensure that the Company's activities meet environmental standards.

In the case of the Mechanical Processing Department of "Olkusz-Pomorzany" and the Flotation Waste Processing Plant, the water from the drainage circulates between the ore enrichment plant and the waste recovery plant, and the waste disposal facility - settling ponds for flotation waste.

The idea of using water from drainage of the mining plant in ZGH Bolesław S.A. is as follows:

MINE	DEPARTMENT FOR MECHANICAL TREATMENT OF Zn-Pb ORES FLOTATION WASTE PROCESSING PLANT	WASTE SETTLING POND	DEPARTMENT FOR MECHANICAL TREATMENT OF Zn-Pb ORES FLOTATION WASTE PROCESSING PLANT
MINE	STEELWORKS TECHNOLOGICAL PRODUCTION PROCESS	INDUSTRIAL SEWAGE TREATMENT PLANT	

Other companies of Stalprodukt Capital Group

The highest energy consumption is generated by GO Steel Frydek Mistek, which uses water for industrial purposes in over 95%. Water is taken from the surface watercourse (Ostravice river) on the basis of an integrated permit.

The highest amount of water from the water supply network is consumed by Cynk-Mal SA and STP Elbud sp. z o.o.

2.4. Biodiversity protection

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The operations of all companies of the Capital Group do not directly cover areas protected by law. None of the companies operates in the immediate, impactful vicinity to the areas of national parks, complexes and health resorts, areas included in the "World Heritage" list and areas covered by the Natura 2000 programme. However, in the vicinity of ZGH "Bolesław" there is the border of Jurassic Landscape Parks and the ecological area of Natura 2000, i.e. Błędów Desert (PLH 120014).

Regular monitoring of the environment is carried out through water and waste water tests, emissions and noise measurements, as well as monitoring of the landfill in accordance with the permits obtained.

2.5 Emissions into the atmosphere

The table below presents the amount of emissions of harmful substances into the atmosphere.

Organisational unit	Emissions type	Unit	Emissions	
			2019	2018
Stalprodukt S.A.	CO ₂	Mg	67 864	70 438
	CO	Mg	127	101
	Dusts	Mg	3.2	2.1
	SO ₂	Mg	104	97
	NO _x	Mg	57	48
	Aromatic hydrocarbons and aliphatic hydrocarbons	Mg	0.88	0.90
	Hydrofluorocarbons	Mg	0.055	0.097
	Sulphuric acid	Mg	0.2	0.2
ZGH „Bolesław” Group	CO ₂	Mg	605 078	578 986
	CO	Mg	4 281	3 773
	Dusts	Mg	38	46
	SO ₂	Mg	1 088	1 148
	NO _x	Mg	229	249
	Zinc	Mg	4.7	4.1
	Lead	Mg	1.1	1.1
Other companies of the Capital Group	CO ₂	Mg	1 879	1 800
	CO	Mg	26.72	44,67
	Dusts	Mg	0,84	0.85
	NO _x	Mg	10.92	12.56
	Chlorine	Mg	0.42	2.22
	Zinc	Mg	0.04	0.04
	Ammonia	Mg	0.15	0.15

Stalprodukt S.A.

The emission sources in Stalprodukt S.A. are the following:

- decarburization annealing furnaces, dryers, stress relief annealing furnaces and a normalizing annealing furnace,
- blasting processes,
- sulphuric acid digestion processes,
- cold rolling of steels processes,

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- hydrogen production,
- installations for the production of cold-formed steel sections and sheet metal.

Additional sources of emissions in the Company are also:

- coal-fired boiler house and gas boiler house in Bochnia
- gas and oil heating appliances - for heating halls and buildings and for social purposes.

The following methods are used to reduce atmospheric emissions:

- dust emission sources are equipped with dust extraction systems such as multicyclone or batteries cyclone and bag filters,
- the sulphuric acid emission source is equipped with a two-compartment absorption vessels.

Monitoring of gas and dust emissions is carried out in accordance with the binding regulation on the requirements for the measurement of emissions and the obligations imposed by administrative decisions.

The measurements did not show any emission excesses, and the measurement reports were submitted to the Marshal's Office and the Voivodeship Inspectorate for Environmental Protection.

Emissions into the air do not under any circumstances threaten the applicable air quality standards, and in residential areas they represent a small fraction of the limit values. The annual measurements of emissions are carried out in accordance with the reference methodology and demonstrate that the air quality standards are met.

ZGH „Bolesław” Group

The extraction of Zn-Pb ore and then its processing and production of zinc are inextricably linked to the environmental impact. The Capital Group implements a programme of systematic reduction of process emissions to the environment in all its components. The result of these activities is the achievement of emission parameters in accordance with the European Union legislation and national law. Industrial installations meet stringent emission standards, and the condition of atmosphere protection equipment and the impact of activities on the environment is systematically controlled by state environmental protection services. The high level of environmental protection is confirmed by obtaining and maintaining sector decisions and integrated permits.

In the future, the Group intends to continuously follow the adopted strategy focusing on implementing the idea of sustainable development at each stage of the production process and thus reduce its negative impact on the environment.

Both ZGH Bolesław S.A. and Huta Cynku "Miasteczko Śląskie" take part in the system of trade in greenhouse gas emissions.

Other companies of Stalprodukt Capital Group

GO Steel Frydek Mistek, Cynk-Mal S.A. and STP Elbud sp. z o.o. are responsible for the largest amounts of emissions. The largest CO₂ emitter is STP Elbud, in case of CO emissions it is mainly GO Steel Frydek Mistek.

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The companies own installations consisting of a number of devices and emitters which emit pollutants into the air.

The plants are obliged to measure the amount of emission into air from the emitters located in their areas. The measurements carried out did not show any emission excesses.

Emissions into the air do not under any circumstances threaten the applicable air quality standards, and in residential areas they represent a small fraction of the limit values.

2.6 Waste management

The amount of waste produced is shown in the table below.

Organisational unit	Waste type	Unit	Amount	
			2019	2018
Stalprodukt S.A.	Hazardous waste	Mg	1 876	2 214
	Waste other than hazardous	Mg	34 293	34 059
	<i>Total waste</i>	<i>Mg</i>	<i>36 169</i>	<i>36 273</i>
	Stored waste	Mg	708	858
	Waste recovered	Mg	1 214	1 426
	Waste sent to recovery organisations	Mg	34 247	33 989
ZGH „Bolesław” Group	Hazardous waste	thousand x Mg	150.7	136.8
	Waste other than hazardous	thousand x Mg	1 245.8	1 282.9
	<i>Total waste</i>	<i>thousand x Mg</i>	<i>1 396.2</i>	<i>1 419.7</i>
	Stored waste	thousand x Mg	57.0	62.4
	Waste recovered	thousand x Mg	1 338.7	1 357.3
Other companies of the Capital Group	Hazardous waste	Mg	2 079	2 084
	Waste other than hazardous	Mg	16 733	17 031
	<i>Total waste</i>	<i>Mg</i>	<i>18 812</i>	<i>19 115</i>

Stalprodukt S.A.

In the administrative decisions obtained by Stalprodukt S.A., the types and amount of waste allowed to be generated during the year were determined.

Generated waste inventory record is kept. Monitoring of the landfill site is carried out in accordance with applicable regulations and administrative decisions. The company also keeps inventory record of waste stored and waste sent to other entities holding a permit for waste management.

All waste storage areas shall be marked and adequately protected against unauthorised entry. The Plant has developed and updated the Industrial Waste and Packaging Management Instruction in Stalprodukt S.A. Waste is collected selectively, in designated areas which do not pose a threat to the environment. The waste is sent to entities holding appropriate permits for the management of individual waste.

With respect to waste management, the following activities are carried out in order to prevent the generation of waste or to reduce the amount of waste and its negative impact on the environment:

- proper storage of waste and raw materials,

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- continuous monitoring of the installation,
- observance of proper operation of facilities, machines and equipment,
- maintenance of equipment in good technical condition, ongoing inspections and repairs of installations,
- maintaining order and compliance with waste management procedures,
- training the team in the correct handling of the generated waste,
- reasonable and economical management of materials and raw materials.

Industrial wastewater is treated in our own wastewater treatment plant. The treated wastewater is largely reused in the production process and partly discharged into the river in line with the integrated environmental permit.

According to the permit, the following measurements are carried out:

- Continuous measurement of the volume of discharged wastewater,
- Analyses of the condition and composition of the wastewater discharged to water bodies, periodic measurements of wastewater quality after particular treatment stages,
- Periodic inspections of the technical condition of constructions, equipment and networks.

ZGH „Bolesław” Group

The general objective of the Group's policy on rational waste management is to continue using its own waste from technological lines at each stage of production and foreign waste (from outside) in order to maximise the recovery of Zn without affecting the natural environment.

In the area of own waste, the construction and technical and technological start-up of the Flotation Waste Processing Plant is an evidence of such activity at ZGH "Bolesław". This unique technology - not only in the scale of ZGH Bolesław S.A., but also in the scale of the country and the world - makes it possible to produce zinc concentrates on the basis of post-flotation waste deposited at settling ponds. They constitute an additional charge for the production of metallic zinc in the steelworks of ZGH Bolesław S.A. Capital Group. This action is a credible confirmation not only of the business, but also of the eco-effective use of available waste (raw material) in accordance with the principle of sustainable development.

In the zinc works section of ZGH "Bolesław", drainage wastewater is treated as process effluents at the on-site industrial wastewater treatment plant prior to being discharged to the receiving surface water. The quality parameters of mine and process wastewaters discharged to the Baba and Biała rivers, as well as the Warwas watercourse, belonging to the Biała Przemsza River drainage basin, do not cause significant physical, chemical or biological changes which would prevent proper functioning of the water ecosystems.

All process wastewater (combined with rainwater) in Huta Cynku "Miasteczko Śląskie" S.A. is treated at the final mechanical and chemical wastewater treatment plant before being discharged to surface water. Acidic wastewater is pre-treated at the remediation and thallium removal plant. Generated waste is subject to recovery processes, as only 1.0% of the waste is stored on the on-site hazardous waste dump. According to the initial report, the ground surface pollution is of pre-existing nature.

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Other companies of Stalprodukt Capital Group

In administrative decisions for individual companies, the types and amount of waste allowed to be generated during the year were determined. The inventory record of waste generated and waste sent to other entities holding a permit for waste management is kept.

Waste is collected selectively, in designated areas which do not pose a threat to the environment. All waste storage areas shall be marked and adequately protected against unauthorised entry.

With respect to waste management, the following activities are carried out in order to prevent the generation of waste or to reduce the amount of waste:

- proper storage of waste and raw materials,
- continuous monitoring of the installation,
- observance of proper operation of facilities, machines and equipment,
- maintenance of equipment in good technical condition, ongoing inspections and repairs of installations,
- maintaining order and compliance with waste management procedures,
- training the team in the correct handling of the generated waste,
- reasonable and economical management of materials and raw materials.

The amount of waste water produced is shown in the table below.

Organisational unit	Waste water	Unit	Amount	
			2019	2018
Stalprodukt S.A.	Total amount of water and waste water	thousand of m ³	1 502	1 303
	Discharged	thousand of m ³	453	459
	Treated	thousand of m ³	1 049	844
ZGH „Bolesław” Group	Total amount of water and waste water	thousand of m ³	114 523	120 399
	Discharged <i>including mine water</i>	thousand of m ³	110 915 110 915	116 655 116 213
	Treated	thousand of m ³	3 608	3 744

Stalprodukt S.A.

Industrial waste water is treated in our own waste water treatment plant. The treated waste water is largely reused in the process and partly discharged into the river on the basis of an integrated permit.

In accordance with the holding permit, the following measurements are carried out:

- continuous measurement of the amount of waste water discharged,
- analyses of the condition and composition of waste water discharged into waters, periodical measurements of waste water quality after individual stages of treatment,
- periodic reviews of the technical condition of buildings, equipment and networks.

ZGH „Bolesław” Group

In the metallurgical part of ZGH "Bolesław" the used water from dewatering, as process waste water, before being discharged to the surface receiver, is treated in the company's industrial waste water treatment plant.

The quality parameters of mine and technological waters introduced into the Baba and Biała rivers and the Warwas River, belonging to the Biała Przemsza catchment area, do not cause significant physical, chemical and biological changes that would prevent proper functioning of water ecosystems.

In Huta Cynku "Miasteczko Śląskie" all technological waste water (combined with rainwater) is treated in the final mechanical and chemical treatment plant before being discharged to surface waters. Acid waste water is pre-treated in a neutralisation and desalination plant. The generated waste is subject to recovery processes, only 2.3% of the waste is stored at its own hazardous waste landfill. The pollution of the earth's surface according to the initial report is of a historical nature.

Other companies of Stalprodukt Capital Group

On the premises of GO Steel Frydek Mistek there is a company waste water treatment plant, where industrial waste water generated on the premises of the plant as well as technological waters and rainwater are discharged.

The majority of other companies using water from water supply networks discharge their waste water to municipal treatment plants. In the case of Cynk-Mal, waste water in the form of acidic solutions is treated as waste and is sent to entities holding appropriate permits for the management of this waste.

2.7 Other environmental aspects

In order to ensure proper emergency response procedures and to prevent or limit the negative impact of emergency situations on the environment, materials, processes and activities that may cause such situations, rules of conduct in the event of such situations, forces and measures available, as well as organisational rules applicable to dealing with the consequences of failures have been defined. Additionally, actions to be undertaken in order to prevent the occurrence of failures have been defined.

In the accounting period there were no administrative proceedings related to the infringement of environmental regulations by the Capital Group companies. There were no accidents with environmental effect and no infringement of environmental regulations.

Apart from the areas of environmental impact described above, the operating activities of the companies' entities do not generate any other special factors affecting the surrounding environment.

2.8 Enhanced environmental responsibility

- Stalprodukt S.A.

The development of the company with simultaneous reduction of the impact on the natural environment is one of the elements of the strategy of Stalprodukt S.A.

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The environmental management system applied in accordance with the international standard ISO 14001 enables us to identify the most important elements of the interaction between the company and the environment and to take constructive actions in the areas of design, production, product delivery and waste disposal. The environmental management system is integrated into the overall management system of the company.

Environmental activities are planned and implemented, which mainly concern:

- the use of materials and technologies which, to the best of the available knowledge, are considered to be the least harmful,
- reduction of the emission of pollutants into the atmosphere,
- proper waste management,
- prevention of major industrial accidents,
- comply with legal and other requirements that relate to the identified aspects,
- raising employees' awareness of the impact of their work on the natural environment and the potential consequences of non-compliance with the applicable rules of conduct.
- taking account of economic conditions when determining activities,

The effects of the actions are evaluated. The environmental policy is implemented taking into account local conditions, aims at continuous improvement of environmental protection and is accepted by the highest management of the Company. Environmental policy and information on actions taken to implement it shall be made available to suppliers, customers and other interested parties.

When setting environmental objectives and targets, legal and other requirements, technological and financial options, operational requirements arising from the conduct of the business, as well as from the point of view of the interested parties, shall be taken into account. The objectives and targets are consistent with the established environmental policy. The top management of Stalprodukt S.A. performs regular reviews of Integrated Quality and Environment Management System (ZSZJiŚ). The aim of the review is to assess the usefulness, adequacy and effectiveness of the functioning ZSZJiŚ, implementation of the established quality and environmental policy and objectives, opportunities for improvement as well as the necessity to introduce changes in the system.

In order to ensure that the employees know the requirements of ZSZJiŚ, trainings are conducted for individual professional groups on the principles and documents of the system and methods of performing activities.

The Company has planned and implemented appropriate monitoring and measurement processes, as well as analysis and improvement for:

- demonstrating compliance with the requirements concerning the product,
- ensuring compliance of ZSZJiŚ with specific requirements,
- continuous improvement of ZSZJiŚ.

In the documents of ZSZJiŚ the methods of monitoring and measurement as well as conducting analyses have been specified, and appropriate techniques for quality improvement have been selected. Statistical methods are used to monitor the stability of specific machines, processes and the quality of manufactured products. Statistical methods are also used to analyse data, complaints, corrective actions and audit results.

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The processes necessary for continuous improvement of ZSZJiZŚ are planned and managed. Continuous improvement is achieved through the application of quality and environmental policies.

During internal audits and data analysis, opportunities for system improvement are identified. Implementation of corrective and preventive actions allows to restore the effectiveness of ZSZJiZŚ and reduces the probability of problems in the future. Strategic actions for continuous improvement are taken during the management review.

- ZGH „Bolesław” Group

ZGH “Bolesław” S.A., as one of the largest companies in the zinc processing industry in Poland, cannot and does not deviate from responsibility for the state of the surrounding environment. The extraction of Zn-Pb ore and its subsequent processing at all stages of production is inextricably linked with its environmental impact. The Company implements a programme of systematic reduction of process emissions to the environment in all its components. The result of these activities is the achievement of emission parameters in accordance with the European Union legislation and national law. Industrial installations meet stringent emission standards, and the condition of atmosphere protection equipment and the impact of activities on the environment is systematically controlled by state environmental protection services. The high level of environmental protection is confirmed by obtaining and maintaining sector decisions and integrated permits.

The Company intends to continue and pursue in the following years of its operation in accordance with the adopted strategy focused on the implementation of the concept of sustainable development at each stage of the production process. ZGH “Bolesław” S.A. carries out the processing process on its own, starting from the stage of extraction, production, marketing and sales of final products (zinc and zinc alloys, concentrates, sulphuric acid) and ending with responsible waste management in order to obtain maximum zinc recovery in its own installations (or installations operating within the ZGH "Bolesław" Group), thus limiting its negative impact on the environment.

A very important feature of zinc is its high recyclability. Without loss of any chemical or physical properties, zinc may be repeatedly recovered from secondary sources and re-marketed as a product with exactly the same parameters as the primary material. According to current data, approximately 20% of the zinc produced is recycled from various types of zinc-bearing materials.

It is worth noting that this cycle, with a properly conducted industrial economy, can be a closed cycle by returning recycled zinc to the steel works industry or directly to the consumers of zinc.

ZGH is an example of building the so-called closed circuit in the zinc industry, which fits perfectly into the European Union's policy of preferring an economy where resources are used in a more sustainable way, i.e. by using land resources and increasing the share of recyclable materials.

Protection of the natural environment and minimization of nuisances connected with functioning is the priority of the Company. Thanks to the applied environmental policy, ZGH “Bolesław” S.A. meets the applicable ecological standards.

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Gradir Montenegro based in Montenegro

In Montenegro, the broadly understood concept of environmental protection is based on the guidelines specified in the Act on the Natural Environment ("*Zakon o životnojsredini*" *Službeni list CrneGore*", br. 052/16 since 09.08.2016, 073/19 since 27.12.2019, 073/19 since 27.12.2019), which is the main document regulating measures undertaken in this respect. In addition, this legal act is supplemented by other acts, decisions and regulations providing detailed information on particular segments related to the above concept.

The Company's production activity, both in terms of the extraction of zinc and lead ores, as well as the production of concentrates, is based on the Business Licence (*Upotrebnadozvola*). It is the most important document required to run mining and production operations. In order to be able to obtain this document, the Company was required to meet all applicable environmental, as well as health and safety requirements.

What is more, in order to ensure full compliance with all statutory environmental protection requirements and guidelines in terms of investments and production activities, the Company commissioned the preparation of comprehensive studies on the environmental impact of the "ŠupljaStjena" mine (2010), on the environmental impact of the construction of the settling pond at the "ŠupljaStjena" mine (2014), on the environmental impact of zinc and lead ore mining at the "Zapadana Struktura and Stara Jama" deposit, as well as on the environmental impact of the construction of phase III settling pond, and the closure of the phase I settling pond at the "ŠupljaStjena" mine (2017). The main mining design regarding zinc and lead extraction at the "ŠUPLJA STIJENA" deposit of October 2018 is the most recent document the Company holds, which specifies, among other things, issues related to natural environment protection and the reclamation of post-mining areas.

No major accidents causing environmental impact have occurred at Gradir Montenegro, nor have there been any violations of the applicable environment protection laws, which would cause administrative proceedings to be instigated. Late in 2019, the surface water flowing through the mine premises, which is a tributary of the Čehotina River, was silted up, which led to initiating proceedings in a minor offence case against the Executive Director. Gradir has filed a complaint against the above mentioned proceedings – the case is pending.

In 2019, the Company was not fined for any violations of the environmental conditions.

The objective of the Gradir's environmental policy is to adapt the company's operations to the increasingly strict requirements regarding environment protection, which result from legal regulations aiming at harmonizing standards in this area with the EU requirements. These actions are necessary due to the opening of subsequent pre-accession treaties.

In the nearest future, the Company plans to improve its water management on the plant premises by launching a water treatment plant to enable better use of water resources and more effective management of water availability. Currently, the operation of the pilot water treatment plant is being monitored; the monitoring will be the basis for preparing a final concept of the industrial plant, and will provide information necessary for making the decision on the construction of such a plant.

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- Other companies of Stalprodukt Capital Group

Stalprodukt Zamość sp. z o.o.

Environmental activities are planned and implemented, which mainly concern:

- the use of materials and technologies which, to the best of the available knowledge, are considered to be the least harmful,
- proper waste management,
- raising employees' awareness of the impact of their work on the natural environment and the potential consequences of non-compliance with the applicable rules of conduct.

STP Elbud sp. z o.o.

The development of the company with simultaneous reduction of the impact on the natural environment is one of the elements of the strategy of STP Elbud sp. z o.o. The environmental management system applied in accordance with the international standard ISO 14001 enables us to identify the most important elements of the interaction between the company and the environment and to take constructive actions in the areas of design, production, product delivery and waste disposal. The environmental management system is integrated into the overall management system of the company.

Environmental activities are planned and implemented, which mainly concern:

- the use of materials and technologies which, to the best of the available knowledge, are considered to be the least harmful,
- reduction of the emission of pollutants into the atmosphere,
- proper waste management,
- prevention of major industrial accidents,
- comply with legal and other requirements that relate to the identified aspects,
- raising employees' awareness of the impact of their work on the natural environment and the potential consequences of non-compliance with the applicable rules of conduct.

The effects of the actions are evaluated. The environmental policy is implemented taking into account local conditions, aims at continuous improvement of environmental protection and is accepted by the highest management of the Company. When setting environmental objectives and targets, legal and other requirements, technological and financial options, operational requirements arising from the conduct of the business, as well as from the point of view of the interested parties, shall be taken into account. The objectives and targets are consistent with the established environmental policy. The Management of STP Elbud sp. z o.o. regularly reviews the Integrated Management System. The aim of the review is to assess the usefulness, adequacy and effectiveness of the functioning the integrated system. In the documents the methods of monitoring and measurement as well as conducting analyses have been specified, and appropriate techniques for quality improvement have been selected. The processes necessary for continuous improvement are planned and managed. Continuous improvement is achieved through the application of quality and environmental policies.

Cynk-Mal S.A.

The impact of the plant, including both installations, on the environment is within the limits set by law. This applies to all components of the environment (air, noise, water, waste, etc.). Applied technical and technological solutions guarantee a high level of protection of the environment as a whole:

- application of production technology in accordance with the principles of the Best Available Technique (BAT),
- adherence to the technological regime, the use of automatic regulation and control of the technological process parameters,
- Minimising water consumption through:
 - monitoring water consumption by means of water meters installed at the supply point for each plant,
 - sequencing process tanks in such a manner as to eliminate unnecessary rinsing,
 - the use of three pickling tanks in a cascade (overflow) configuration to reduce rinse water consumption,
 - the use of cascade rinsing,
 - the use of post-rinsing water and the water from the acid vapour absorber to prepare a new hydrochloric acid bath,
- The protection of the soil and water environment through:
 - conducting the manufacturing process in sealed process tanks,
 - positioning plants and storage locations for chemicals in rooms equipped with sealed and properly shaped floors (slopes, thresholds),
 - positioning process tanks containing solutions which are particularly dangerous for the environment (acid pickling), as well as storage tanks for acid and acidic solution (post pickling) in sealed, undrained sumps equipped with pumps to enable pumping of spilled liquids to tanks designed to collect waste acids,
- The reduction of the amount of substances emitted to the atmosphere through:
 - the addition of substances (inhibitors) limiting the evaporation of hydrogen chloride (at the narrow strip galvanising line),
 - the air-tight sealing of the process at the wire and wide strip galvanising line,
 - pickling in closed tanks equipped with extraction systems at the narrow strip galvanising line, fluxing is done in a tank equipped with a lid, galvanising in a covered tank equipped with an extraction system (lids opened for loading and unloading),
 - chrome plating with the use of rollers (without dipping in tanks) – the emission of chromium compounds is reduced to a minimum,
 - the use of sheet heating in a nitrogen and hydrogen atmosphere in a continuous induction furnace,
 - the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 25 mg/m³ in chlorine equivalent) for purifying the air from the narrow strip pickling tanks, wire pickling tanks, as well as hydrochloric acid tanks,
 - the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 10 mg/m³ in chlorine equivalent) for purifying the air from the wide strip pickling tanks,
 - the purification of the air from above the narrow strip galvanising tank and the wire galvanising tank with a shared fabric filter,
 - fitting the grit-blasting machine used for cleaning sheet surface with a fabric filter,
- Minimising the amount of generated waste through:
 - the sound management of materials and raw materials,
 - maximising the pickling properties of acids by extending the pickling time and reducing the acid concentration level,
 - the absence of raw material treatment processes (e.g. degreasing in solvents, chromium+6 passivation), which are the source of deleterious hazardous waste,

- the use of additives (inhibitors) extending the service life of the process solutions (pickling acids and flux),
- the use of waste rinse water and waste water from the acid vapour absorber in the process of preparing the pickling solutions,
- transferring the generated waste first to recovery and only then for disposal – only to recipients with appropriate waste management licences.

GO Steel Frydek Mistek

With environment protection being one of the main priorities for the company, GO Steel FrydekMístek is very active in this respect. Apart from meeting legal and statutory obligations, the company engages in additional activities aimed at taking care of its immediate surroundings. It primarily involves adherence to noise limits and meeting all statutory obligations relating to the management of chemicals and mixtures, as well as ensuring compliance with REACH and CLP. What is more, the company complies with ADR and RID regulations. The obligations resulting from the Packaging Act are fulfilled within the framework of the EKO-KOM association.

3. Social and employee area

3.1. Using public aid and public sector contracts

- Stalprodukt S.A.

In 2019 (for the time of preparing this statement), Stalprodukt S.A. was a beneficiary of a public aid grant in the amount of PLN 1,174,971 (acc. to nominal value). In 2018, in relation to the relief granted for green certificates (RES), which was not recognised for 2018 until September 2019, the Company received a subsidy of PLN 1,373,079 (acc. to nominal value).

- ZGH "Bolesław" Group

Public aid (acc. to nominal value) granted to the companies of ZGH "Bolesław" Group in 2019 amounted to PLN 4.5 million, as compared to PLN 31.2 million in 2018. It should be noted here that the previous year's report indicates the amount of PLN 12.0 million (subsidy from the National Centre for Research and Development for research and development projects), because no compensation from the Energy Regulatory Office for industrial consumers related to the reduction of costs of green certificates in the amount of PLN 19.2 million was included. The said compensation pertains to electricity costs in 2017.

In 2019, public contracts for the Capital Group were performed by Boltech (due to the merger with Przedsiębiorstwo Robót Drogowych S.A.) for the amount of PLN 9.1 million; in 2018, the value of public contracts in this company amounted to PLN 11.5 million.

- Other companies of the Stalprodukt Capital Group

Public aid granted to other companies of the Capital Group (acc. to its nominal value) in 2019 amounted to PLN 275,843 (de minimis aid), and PLN 194,382 mainly as reimbursement, i.e. aid in the form of subsidising wages for the recruitment of disabled employees. In 2018, the aid amounted to PLN 255,845. This consisted predominantly in reimbursement, i.e. aid in the form of subsidising wages for the recruitment of disabled employees. Moreover, one of the companies received de minimis aid in the nominal value of PLN 247,724.

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3.2. Level of employment and level of remuneration

The employment structure by positions

	Type of position	year 2019						year 2018					
		women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil law contracts
Stalprodukt S.A.	Management staff	3	51	0	1	53		3	49	0	0	52	0
	White-collar	67	180	0	15	232		72	189	1	27	233	2
	Blue-collar	34	1185	0	92	1127		39	1273	1	198	1113	4
	total	104	1416	0	108	1412	5	114	1511	2	225	1398	6
Grupa ZGH Bolesław	Management staff	15	109	0	6	118	5	16	104	0	2	118	4
	White-collar	183	394	5	61	512	19	148	377	3	36	486	20
	Blue-collar	122	2705	38	481	2307	87	149	2601	39	386	2325	91
	total	320	3208	43	548	2937	111	313	3082	42	424	2929	115
Other companies of STP Capital Group	Management staff	23	33	0	2	54	2	20	38	0	3	55	0
	White-collar	105	166	2	32	222	34	105	158	1	22	240	31
	Blue-collar	22	1078	16	141	959	70	24	1097	29	186	906	104
	total	150	1277	18	175	1235	106	149	1293	30	211	1201	135

Employment structure by gender

	Employees by gender	2019				2018			
		Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	women	0	13	91	2	1	22	91	1
	men	0	95	1321	3	1	203	1307	5
	total	0	108	1412	5	2	225	1398	6
ZGH „Bolesław” Group	women	7	40	273	14	4	36	273	15
	men	36	508	2664	97	38	388	2656	113
	total	43	548	2937	111	42	424	2929	128
Other companies of STP Capital Group	women	14	29	120	13	1	31	121	17
	men	3	147	1115	93	29	180	1080	118
	total	17	176	1235	106	30	211	1201	135

As far as the payroll structure for the entire Stalprodukt Capital Group is concerned, the majority of employees are male. At Stalprodukt S.A., they represent 93% of all employees, at ZGH "Bolesław" Group – 91%, and in the remaining companies – 89%. The employees are mainly employed as blue collar workers. The above payroll structure results from the subject and the nature of operations of Stalprodukt S.A. Capital Group.

The most popular form of employment in the whole Capital Group is the contract for an indefinite period. Their share both for Stalprodukt S.A. amounts to 93% of all contracts, in the ZGH "Bolesław" Group

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amounts to 83% of all contracts, and for the remaining companies the share of this form of employment is 87%.

As compared to the previous year, there has been a decrease in the number of employees at Stalprodukt S.A. of over 6%. By contrast, the number of employees at ZGH "Bolesław" Group has increased by approximately 4%. In other Companies, employment has decreased by 1% as compared to 2018.

Employment structure by age

		2019				2018			
	Division by age	women	men	Blue-collar positions	White-collar positions	women	men	Blue-collar positions	White-collar positions
Stalprodukt S.A.	up to 30 years	9	170	164	15	9	255	244	20
	31-50 years	52	810	684	178	55	820	687	188
	>51 years	43	436	371	108	50	436	381	105
ZGH „Bolesław” Group	up to 30 years	35	467	452	50	33	466	456	43
	31-50 years	152	1738	1517	373	148	1690	1492	346
	>51 years	133	1003	858	278	133	925	806	252
Other companies of STP Capital Group	up to 30 years	14	154	140	28	14	168	153	22
	31-50 years	88	554	444	198	84	562	484	171
	>51 years	49	568	380	237	51	563	483	129

In the employment structure by age, the highest number of employees is in the 31-50 age group (similar to last year).

Newly employed employees by age and gender

		2019			2018		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	1	1	2	3	12	15
	31-50 years	1	1	2	4	31	35
	>51 years	0	0	0	1	21	22
ZGH „Bolesław” Group	up to 30 years	8	104	112	12	96	108
	31-50 years	19	175	194	6	104	110
	>51 years	8	112	120	3	58	61
Other companies of STP Capital Group	up to 30 years	5	36	41	5	56	61
	31-50 years	11	42	53	11	59	70
	>51 years	7	21	28	6	30	36

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Dismissed employees by age and gender

	Division by age	2019			2018		
		women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	0	33	33	2	37	39
	31-50 years	2	29	31	0	30	30
	>51 years	10	32	42	9	33	42
ZGH „Bolesław” Group	up to 30 years	1	34	35	4	46	50
	31-50 years	5	91	96	1	101	102
	>51 lat	14	105	119	9	110	119
Other companies of STP Capital Group	up to 30 years	3	33	36	3	39	42
	31-50 years	7	36	43	11	73	84
	>51 lat	8	36	44	13	50	63

530 and 479 employees were made redundant in the entire Capital Group in 2018 and 2019, respectively. The employees made redundant represented 7% of the entire payroll at both Stalprodukt and ZGH "Bolesław" Group.

Employment of people with disabilities

	2019		2018	
	Number of people with disabilities	Employment share [%]	Number of people with disabilities	Employment share [%]
Stalprodukt S.A.	4	0,26	5	0,31
ZGH „Bolesław” Group	36	1,02	32	0,94
Other companies of STP Capital Group	44	3,06	51	3,51

Due to the nature of the Capital Group's operations and difficult working conditions, there were 88 people with disabilities employed in 2019 were 84 people, in 2018 there were 88 people.

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Average remuneration (PLN)

	2019		2018	
Stalprodukt S.A.	Average remuneration regardless of gender	5 575	Average remuneration regardless of gender	5 358
ZGH „Bolesław” Group	Average remuneration regardless of gender	6 542	Average remuneration regardless of gender	6 341
Other companies of STP Capital Group	Average remuneration regardless of gender	5 197	Average remuneration regardless of gender	4 779

In Stalprodukt S.A., the average annual remuneration in comparison to 2018 increased by about 4%, in the ZGH "Bolesław" Group by 3%, while in the other companies by 8%.

The amount of contributions to the State Fund for Rehabilitation of Disabled Persons - PFRON (in PLN '000)

	2019	2018
Stalprodukt S.A.	1 881	1 803
ZGH „Bolesław” Group	3 748	3 492
Other companies of STP Capital Group	1 212	1 227

The total amount of contributions to PFRON throughout the Group in 2019 amounted to PLN 6 841 thousand compared to PLN 6 522 thousand in 2018.

3.3. Relations with the employees and freedom of association

- Stalprodukt S.A.

There are two trade unions in Stalprodukt S.A.: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A. s and MOZ NSZZ "Solidarność". In 2019, the ratio of employees belonging to trade unions was about 18%, and in 2018 it was about 19%.

In the Company, no collective dispute was initiated in 2019.

Social activities

Social activity in Stalprodukt S.A. is carried out in accordance with the Act on Employee Benefit Fund (ZFŚS) and with the "ZFŚS Management Regulations" in force in Stalprodukt S.A., which provides various forms of aid for employees and their families, namely:

- non-returnable financial and material or material aid in the form of hardship benefits (aid to persons who have been affected by individual random events, long-term (chronic) illness or death of the closest family members);
- aid in the form of repayable loans for home, flat renovation, house construction; change (from a smaller to a larger one) of a cooperative or temporary type of flat,
- co-financing for leisure organized in the form of colonies, camps, winter camps, holidays,

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- co-financing for individual leisure, the so-called "wczasy pod gruszą",
- co-financing for cultural and educational activities (e.g. admission tickets for cultural and educational events, to the cinema, stage performances, concerts),
- co-financing for sports and recreation activities (rallies, trips, sports events for children).

- ZGH „Bolesław” Group

Depending on the company, the ZGH "Bolesław" Group has from 1 to 7 trade union organizations. The unionisation rate in 2019 was around 54%, and in 2018 it was around 56%.

In 2019 there were no strike actions.

Social activities:

- non-returnable material and financial aid in the form of benefits,
- borrowing for housing purposes,
- co-financing for leisure of an employee and his/her children,
- co-financing for sports and recreation activities in the form of co-financing tickets for the swimming pool, sports cards,
- additional payment for family trips organized by the employer in winter (holidays),
- additional payment for tourist services as well as cultural and sports events organized by the employer,
- Christmas benefits (vouchers, cards, gifts) as well as events for children of employees.

- Other companies of Stalprodukt Capital Group

In the other companies of Stalprodukt Capital Group, there are five trade unions: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A., MOZ NSZZ "Solidarność", Komisja Zakładowa NSZZ Solidarność 80, NSZZ Solidarność and OS Kovo. The share of employees belonging to unions in 2019 and in 2018 was about 36%.

Social activities

Social activities in the other companies of the Capital Group are conducted in accordance with the Act on ZFŚS and provides various forms of aid (in individual companies they are varied) for employees and their families, including:

- additional medical care,
- non-returnable material and financial or material aid in the form of hardship benefits,
- aid in the form of returnable loans for home, flat renovation or house construction,
- co-financing for leisure organized in the form of colonies, camps, winter camps, holidays,
- co-financing for individual leisure, the so-called "wczasy pod gruszą",
- co-financing for cultural and educational activities,
- co-financing for sport and recreational activities,
- gifts for children on St. Nicholas' Day and for women employees on Women's Day,
- supplementary retirement insurance.

3.4 Occupational health and safety (OHS)

Due to a diverse nature of the operations of the main entities forming the Capital Group, and hence various threats and regulations resulting from them, the approach to the area related to the OHS and applied solutions are tailored to the needs and requirements of the individual companies.

The ambition of the Capital Group is to provide employees with a safe, healthy and friendly work environment. The companies of the Capital Group apply the best available practices to minimize threats to the health and safety of the team and to build awareness and motivation for safe behaviour.

- Stalprodukt S.A.

There is an Occupational Health and Safety Policy in Stalprodukt S.A. According to its provisions, the priority of the Company's management is to ensure occupational health and safety for employees, contractors, subcontractors and representatives of other institutions present on the premises. This policy is implemented through:

- pursuit of constant improvement in occupational health and safety,
- maintaining a high standard of working conditions and respecting the applicable law,
- continuous improvement of employees' qualifications,
- familiarizing employees with all aspects of work, with particular emphasis on the necessity of its safe performance,
- promoting attitudes and actions that increase employee engagement to improve working conditions,
- supervising employees' compliance with health and safety principles,
- continuous improvement of occupational health and safety.

The company declares taking all actions aimed at:

- eliminating harmful and onerous factors that may occur at work stations,
- prevention of accidents, occupational diseases and near misses.

Knowledge and skills in the field of occupational health and safety are acquired by the employees in the course of the Company's training system. During job instructions they are informed about occupational risk occurring at individual positions, including onerous, harmful and dangerous factors and the results of their measurements.

Stalprodukt S.A. performs cyclic measurements for the presence of dust and chemical agents at the work stations.

On the premises of Stalprodukt S.A. there is a Social Labour Inspectorate, whose representatives, in addition to the implementation of other tasks, participate in meetings of the Occupational Health and Safety Commission organised at least quarterly and in the review of working conditions. The OHS Service conducts on-going inspections of working conditions and prepares, at least once a year, regular OHS analyses.

In Stalprodukt S.A., accidents at work occur most often during handling of objects and during contact with sharp edges of steel sheets. A relatively small number of accidents occur when machines are operated.

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Human causes are the most frequent causes of accidents at work in 2018-2019. Examples include above all incorrect employee behaviour (in particular due to surprise reaction when facing an unexpected event, insufficient focus on the performed activity, neglecting a hazard) and improper arbitrary employee behaviour, that is performing activities without removing the hazard.

Specification	2019	2018
Total number of accidents at work	16	18
Accident frequency indicator (number of accidents/number of people employed x 1000)	10,54	11,06
Number of heavy accidents	0	0
Number of fatalities	0	0
Total number of days of inability to work among employees due to accidents	908	1220
Accident severity indicator (number of days of inability/1 accident)	56,75	67,78
Number of cases of occupational diseases reported.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	256	278*
Number of work stations at which the level of assessed occupational risk is unacceptably high (i.e. actions are necessary to reduce the risk level)	0	0

*have been adjusted against the data presented in the 2018 report,

- ZGH „Bolesław” Group

It is the goal of ZGH "Bolesław" Group to create a safe, healthy and friendly work environment for its employees. The company applies the best available practices in order to minimise risks to health and safety of its personnel, to build awareness and promote safe conduct.

Such activities include, among others:

- additional OHS and fire training (weekly, monthly),
- technical inspection of equipment, compliance with technical tests and approvals,
- OHS competitions;
- reporting near misses,
- use during training of a number of didactic aids (alco-goggles, dummies, training AED),
- agreeing with the team on introducing new protection measures through their earlier testing;
- monitoring the state of exposure of employees to lead content,
- equipping critical parts of the plant with Automatic External Defibrillators (AED),
- aiding people who participated in dangerous accidents,
- preventive care (proper maintenance of sanitary and hygienic rooms, washing work clothing, personal care products, extended preventive care, health monitoring of exposed people also by facultative examinations, vitamin C, prophylactic meals and drinks, vitamin programme, reimbursement of dietary supplements and medicines, and organizational improvements in the use of medical care as part of the preventive care)

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In the Companies, in accordance with the regulations, Social Labour Inspectors are appointed at the level of the main organizational entities who closely cooperate with OHS services, caring for the protection of employee rights specified in the OHS regulations. The irregularities found are removed on a regular basis.

Low accident rate constitutes a confirmation of a well-implemented policy in this area.

The most common cause of accidents are the activities performed by the injured at the time of the accident: gas cutting, working with an oxygen lance, work with a non-mechanised hand tool, descending from a truck, climbing the ladder, transportation by a manually operated crane, falling from a height, injury, bruises, burns, fractures .

In the mine, the most frequent cause of accidents is the collapse of rocks from the working edge.

Specification	2019	2018
Total number of accidents at work	19	24
Accident frequency indicator (number of accidents/number of employees x 1000)	5,4	7,1
Number of heavy accidents	0	2
Number of fatalities	0	0
The total number of days of inability to work due to accidents	1519	1545
Accident severity rate (number of days of incapacity/1 accident)	80	64
Number of diagnosed cases of occupational diseases.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	490	609
Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary)	0	0

- Other companies of Stalprodukt Capital Group

Specification	2019	2018
Total number of accidents at work	13	22
Accident frequency rate (number of accidents/number of employees x 1000)	10,0	20,0
Number of severe accidents	0	0
Number of fatal accidents	0	0
Total number of days of incapacity for work for employees caused by accidents	690	678
Accident severity rate (number of days of incapacity/1 accident)	53,08	30,82
Number of diagnosed cases of occupational diseases.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	295	301
Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary)	0	0

3.5 Development of education

In order to ensure satisfaction from work, the Capital Group invests in professional development of its employees and good atmosphere in the workplace. The Group companies create friendly conditions for their employees to gain knowledge, improve their qualifications and benefit from various forms of education. Continuous updating of knowledge and skills and upgrading of qualifications is in line with the company's strategy. The acquired qualifications are used by the employees on the occupied position or will be used in the future. Facilitating the improvement of qualifications in the Company creates a positive assessment for the learning employees. Continuous improvement of professional qualifications becomes a necessity. The need for continuous learning is linked to technological and organisational change and to a sufficiently high level of safety, and knowledge needs to be continuously updated and updated.

- Stalprodukt S.A.

Stalprodukt S.A. helps in the professional development of its employees in various ways. Eg. employees who, on their own initiative, undertake post-graduate studies or training in specialist courses, in accordance with the scope of their official activities, the company concludes agreements to improve their qualifications, giving a maximum subsidy of 50% of the price or studies. The Company undertakes at the same time to grant training leave and to reimburse travel expenses if the training or studies take place in another location.

Training in Stalprodukt is conducted on the basis of an annual training plan. The training plan covers all organisational units of the Company. In 2019, 141 training courses were conducted with the participation of employees of various professional levels. The scope of training includes the following thematic blocks: management, personnel management, quality and environmental management, sales and marketing, finance, professional, technical, etc.

Some of the employees participated in courses and exams aimed at improving their professional qualifications, which guaranteed obtaining state qualifications (UDT, SEP).

The training courses are attended by the Company's Management Board, directors, managers, specialists, masters, engineering, technical, administrative and office employees and employees employed in production positions. Certificates are issued from participation in training courses. Each employee fills in a questionnaire evaluating the way the training is conducted, the quality of training materials, the level of social conditions during the training and the selection of topics to meet current needs. After three months of participation in the training, the superior submits to the Employment Office an Assessment of the effectiveness of employee training.

The table below presents the number of trainings conducted in the Company.

	2019	2018
Number of persons trained	802	840

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• ZGH „Bolesław” Group

In order to ensure contentment and satisfaction of its employees, ZGH "Bolesław" Group invests in the professional development of its personnel and good atmosphere at the workplace. The companies create favourable conditions for their employees to facilitate new knowledge acquisition, professional development and the use of various forms of education.

The companies organise:

- thematic trainings dedicated to particular professional groups, aimed at further development, specialisation and improvement in the work performed,
- skills improvement courses (metallurgist technician, automation technician);
- language courses (English, German, Serbian) at the workplace;
- Professional courses (specialised mining courses, industrial automation, diagnostics and equipment maintenance, overhead crane operation, forklift trucks, cargo and passenger lifts operation, welding, Polish Electricians Association license, Office of Technical Inspection licenses),
- co-financing of individual employees' skills improvement (higher education, postgraduate studies at state universities).

Continuous learning and acquiring new skills, as well as the professional development are in line with the Group's strategy. Employees put their newly acquired qualifications into practice on their current positions or will do so in the future. It has become a must to continuously improve one's professional qualifications. The need for continuous learning is linked to technological and organisational changes, as it also helps ensure a sufficiently high level of safety, and therefore knowledge must be constantly updated and expanded. The most important item in the training budget is the expenditure on obligatory training and examinations regarding H&S, mine rescue, energy production, as well as vocational training and courses related to the nature of the industry.

	2019	2018
Number of persons trained	4 147	3 767

The companies of the ZGH "Bolesław" Group constantly encourage their employees to broaden and deepen their knowledge, facilitating their adaptation to technical, technological and organizational changes. Identifying talents and building their individual development paths, tailored to the capabilities and needs of the organization, is the key to the further development of ZGH.

In the Capital Group in 2019, 81 employees improved their professional qualifications by participating in various forms of further education, and in 2018, 60 employees.

Innovation is one of the most important elements of the ZGH strategy, as the success of the Capital Group also depends on the involvement and cooperation of employees with diverse knowledge and experience. Work on innovative solutions is conducted at various levels of the enterprise, using both cooperation with independent entities (universities, research institutes Central Mining Institutes), as well as appreciating the potential and ingenuity of their own staff. Employees know their specific needs best and are able to identify areas and solutions that will translate into better results and greater security. Therefore, in 2019 the original Employee Suggestion Programme was implemented. As a result, the commitment to change and innovation has become a daily practice for every employee.

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Employee Suggestion Programme	ZGH “Bolesław”	
	2019	2018
Number of suggestions made	61	62
Suggestions made by 1 employee	0,02	0,03

3.6 Managing diversity

To ensure the highest standards in creating a working environment in which every employee feels respected and appreciated and in which they can fully realize their potential, the Diversity Policy was adopted in the Stalprodukt S.A. Group in 2018.

The Capital Group companies implement the policy of diversity in the recruitment process, the principle of equal access to remuneration, development and training and promotion regardless of skin colour, religion, sex, age, nationality, sexual orientation, citizenship, marital status, having children, political views, disability or any other legally protected status.

Decisions concerning the employment of employees and the election of members of the Management Board and Supervisory Board are made on the basis of objective criteria. Stalprodukt S.A. and other companies of the Capital Group strive to ensure the versatility and diversity of company bodies, especially in the area of gender, education, age and professional experience, while the main selection criteria are high qualifications, professionalism and competencies of the candidate to perform a specific function.

3.7 Human rights

There has never been a case of human rights violations in the Stalprodukt S.A. Group.

The Capital Group companies did not include a clause in their agreements with main contractors obliging the subcontractor to respect human rights and does not reserve the right to audit and terminate the agreement in the event of its breach.

The companies of Stalprodukt S.A. Capital Group comply with the Anti-Mobbing Policy.

In 2019, two alleged mobbing cases were reported in Stalprodukt S.A. Upon investigating the reported cases, the committee decided that no mobbing took place. There were no cases of discrimination, mobbing or sexual harassment in other companies of the Capital Group.

3.8 Child and forced labour

No company of the Capital Group employs children or uses forced or compulsory labour.

3.9 Local communities and social engagement

- Stalprodukt S.A.

The Management Board of Stalprodukt S.A. is fully aware of the fact that the outlays allocated for supporting local development are a long-term investment which benefits both parties. The satisfaction of customers, employees and the respect of the local community are equal objectives, no less important than high profits.

Responsible business is also a management strategy that minimizes risk and maximizes the chance of success in the long run. It is also the ability to run a business in such a way as to increase its positive contribution to the development of society and, at the same time, minimise the negative effects of economic activity. Responsible business also means the way in which the company treats market participants on a daily basis: customers and business partners, employees and the entire local community.

The high position of Stalprodukt, appreciated in rankings, is the result of such an understanding of corporate social responsibility.

Stalprodukt S.A. is one of the largest companies operating in Małopolska region and a large employer, employing at the end of 2019 1520 employees. Therefore, the Management Board of the Company, being aware of its responsibility, treats CSR issues, and above all good relations with the local community (in addition to increasing the value of the company), as a priority.

The company has been active in this area for many years, sponsoring many social initiatives and undertakings, mainly from the town and commune of Bochnia. Stalprodukt regularly provides financial support to local schools, parishes and orphanages. It also finances the activities of various foundations and associations, organizing sports, cultural and entertainment events and charity concerts. It also finances the activities of various foundations and associations, the organization of sports, cultural and entertainment events and charity concerts. The Company also financially supported the publication of various types of book publications (e.g. "Bochnia and Bochnia Oblast in the years 1863-1864. On the 150th anniversary of the January Uprising" - by Janina Kęsek, published by the Association of Bochnia Residents and Lovers of the Bochnia Land).

The most important projects in the area of corporate social responsibility supported financially by the Company in 2019 include:

- a donation to Caritas at the parish of St. Nicholas in Bochnia for hot meals for people in need of help, including the homeless;
- donations to the Polish Association of the Blind Poviats Circle in Bochnia;
- sponsorship of the annual "Bochnia Days";
- support for charity events organised by the Auxilium Foundation in Bohemia, which provides assistance to the disabled;
- support for the Occupational Therapy Workshop in Proszówki (charity action "Christmas Card").

The total amount of expenses related to the area of corporate social responsibility in 2019 amounted to PLN 148 thousand.

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The Management Board of Stalprodukt also understands corporate social responsibility as caring for one's own employees, their families, timely payment of all contributions, including social and health insurance, as well as timely payment of all due taxes in the place where most of the employees work and live.

The efforts of the Stalprodukt management to satisfy the needs and expectations of the local community have already been appreciated by the city authorities several times. In 2008 Stalprodukt was the first to receive the title of **"Bochniae Bene Meritus". (Well-accomplished for Bochnia)**. According to the intention of the city authorities, this award is to be granted to institutions and companies whose activities positively influence the local labour market and the economic condition of the city.

And in 2016 (on the occasion of the 763 anniversary of the location of Bochnia), President of the Management Board of Stalprodukt S.A. Mr. Piotr Janeczek received the statuette Boleslaus Dux Founder - Bolesław Prince Founder. It is awarded by the Mayor of Bochnia to people who in their activities and life attitude show constant care for the good name and existence of Bochnia (a distinction awarded for the second time since its establishment).

To sum up, it should be emphasized that the activities of Stalprodukt S.A. in the CSR area are aimed at achieving the following objectives: maintaining a positive image of the Company, gaining social acceptance and support for the activities undertaken by the Company and its management, strengthening the Company's image as a significant and reliable employer on the local labour market, a company important for local authorities, environmentally friendly, meeting the quality standards, environmental protection, taking care of the safety of employees and observing the principles of corporate governance.

- ZGH „Bolesław” Group

For years, the ZGH "Bolesław" Group has been implementing the Strategy of Sustainable Development and Social Responsibility through rational management of natural resources of zinc-lead ores, constant increase in the use of recycled materials, modernization of technologies to ensure environmental protection. Good communication with our stakeholders, in particular with the local community, strengthens the modern image of the company and strengthens the leading position of the zinc producer in Central Europe.

The ZGH "Bolesław" carries out the Strategy of Sustainable Development and Social Responsibility of ZGH "Bolesław". This strategy distinguishes the following leading directions of action:

- Responsible business
- Social partnership
- Caring for traditions

The Company as a socially conscious entity, whose main task is not only to ensure current operations in accordance with the applicable law, also has a positive impact on the raw material economy by implementing the idea of a closed-loop economy.

In addition, the Company conducts activities aimed at supporting the local community, protecting and improving the natural environment, supporting the development of local self-government and building civil society.

The motto of the strategy is: "Business only with the inhabitants and tradition"

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In order to promote and preserve the knowledge about the history and traditions of lead and zinc mining in the region of Bukowno for future generations, ZGH "Bolesław" S.A. created an interactive exhibition "Zinc Knowledge Mine" at its plants. In the Company's opinion, this history and knowledge of traditions should be saved from oblivion, especially as the mining industry in the Bukowno region may soon disappear due to the extraction of deposits.

In 2019, the Company established Zakłady Górniczo-Hutnicze "Bolesław" Foundation. The aim of the Foundation is to work for the benefit of the local community, living in the area covered by the activity conducted by the ZGH "Bolesław" S.A, including:

- Supporting the development of local self-government and building civil society,
- Charitable activities,
- Maintaining and disseminating national tradition, cultivating Polish identity and developing national, civic and cultural awareness,
- Social help, including families and persons in difficult life situation and equal opportunities for these families and persons
- Protection and promotion of health,
- Rescue and civil protection,
- Activities supporting economic development, including the development of entrepreneurship,
- Science, higher education, education and upbringing,
- Activities for children and youth, including recreation of children and youth,
- Supporting and promoting physical culture and sport,
- Ecology, environmental and animal protection and protection of natural heritage,
- Tourism and sightseeing,
- Culture, art, protection of cultural heritage and national heritage,
- Promoting the history of Polish mining and non-ferrous metallurgy.

Huta Cynku "Miasteczko Śląskie" S.A. is a well established company operating on the non-ferrous metals market for fifty years. The Company has become a permanent part of the history and landscape of its region. Throughout all these years, it has been changing and transforming, developing its potential and adapting to new market conditions. It is a depository of knowledge on the non-ferrous metals industry and a witness to its transformation. The Company's mission links business objectives with the respect for the principles of corporate responsibility: By combining many years of experience of the European leader in our sector with a modern approach to business, and with common welfare, safety and protection of the environment in mind, we transform natural resources and recycled raw materials into high-quality products for customers around the world.

The values we follow in our activities are:

- People
- Safety
- Development
- Responsibility
- Transparency

Zinc Works "Miasteczko Śląskie" has adopted the "Corporate Social Responsibility Strategy" for the 2017-2020. Under this strategy, the Company is particularly focused on the following four areas:

1. Environmental protection:

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- Mitigation of the environmental impact of the plant,
 - Responsible CO₂ emissions policy,
 - Reduced use of natural resources,
 - Creating environmental sensitivity in employees and members of the local community.
2. Social involvement and local community development:
- Supporting local economic and social development,
 - Ensuring safety and health of the residents of Miasteczko Śląskie,
 - Developing the dialogue with the local community.
3. Corporate governance:
- Promoting Company's values in relations with the stakeholders,
 - Developing effective communication of the Company.
4. Public relations:
- Strengthening the positive corporate image of the company,
 - Creating an image of a modern and innovative company.

The Company's ambitions and aspirations are reflected in its vision: *To strengthen our position of an experienced and professional business partner and a key actor in the economic development of our region by introducing innovative solutions and technologies.*

In 2018, an agreement was signed between Huta Cynku "Miasteczko Śląskie" SA and the Foundation for Children "Miasteczko Śląskie" and the Medical Center Eko-Prof-Med. The subject of the agreement is the implementation in 2017-2020 of the Scientific Project entitled "Evaluation of the equalization of mineral economy in children exposed to environmental lead" carried out within the project "Mechanisms of toxic influence of lead on human organism". The aim of the project is to determine the basic parameters of blood and macroelements such as iron, calcium, magnesium and vitamin D in children and to supplement the deficiency of these elements in case of their occurrence. This will allow us to answer the question of to what extent supplementing the deficiency of macro- and microelements and vitamin D in children will allow to lower the concentration of lead in blood and reduce the effects of its toxicity.

The cost of execution of the planned project will amount to approximately PLN 152 thousand. The entire task is financed from Huta Cynku "Miasteczko Śląskie" S.A.

In addition, in Huta Cynku "Miasteczko Śląskie" SA in 2019, the following activities were undertaken in the field of cooperation with the local community:

- cooperation with local companies conducting business activity in the areas adjacent to the Company (Feniks Tartak, Euromebel, PPHU Koral),
- cooperation with Stalprodukt S.A. in the scope of construction of a new generation wind power plant on the Company's premises together with construction of an access road to the above-mentioned power plant,
- establishing a dialogue with the local community in the scope of reported problems concerning the impact of the Company on the life of the residents of Miasteczko Śląskie,
- supporting initiatives of the local community and society living in Tarnogóra district by making financial or in-kind grants and donations for the activity.

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Donations and sponsorship are measurable contributions to the local community. In 2019, the Capital Group companies supported various forms of social involvement (health care, education, promotion of sports, local initiatives) with the amount of over PLN 838.0 thousand.

- Other companies of Stalprodukt Capital Group

Social involvement and assistance to local communities is carried out by the main and dominant entities of the Capital Group, i.e. Stalprodukt S.A. and ZGH "Bolesław" S.A. Other companies of the Capital Group conduct activities in this area on a much smaller scale. Assistance to local communities includes primarily donations and sponsorship to local associations and societies, community centres, museums, etc.

3.10 Counteracting corruption

To ensure the highest standards of transparency and economic openness, the Anti-Corruption and Signal Protection Policy was adopted in 2018. This document contains the objective and assumptions of the introduced anti-corruption policy and detailed rules concerning, inter alia:

- prohibit the creation of mechanisms to finance property and personal benefits, including the use of company assets,
- anti-corruption clauses used in contracts,
- giving and receiving gifts,
- sponsorship and donation,
- the activities of Corporate Signals (including reporting rules, ensuring the protection of submitters).

The Anti-Corruption and Signal Protection Policy was adopted at the level of the parent company, and the remaining companies of the Capital Group were obliged to implement it.

- Stalprodukt S.A.

Apart from the document Anti-Corruption Policy and Protection of Signals, Stalprodukt has solutions in the form of internal procedures, which significantly limit the possibility of occurrence of corruption-related activities. This includes, in particular, instructions on how to make and settle purchases.

The principles contained in it include, inter alia:

- approval of orders by persons authorized to incur liabilities, in accordance with the Company's Articles of Association,
- detailed control of the compliance of materials with demand,
- appointing teams to negotiate the terms of agreements and setting goals to be achieved (when purchasing materials exceeding the amount of PLN 60 000),
- obtaining several price offers for ordered materials,
- multi-stage acceptance of purchase invoices in the IT system (including by two members of the Management Board or a member of the Management Board and a proxy).

It is also worth noting that the purchasing department is subordinated directly to the President of the Management Board - the CEO, who participates in negotiations of key agreements - in the organizational structure of the Company.

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- ZGH „Bolesław” Group

In the ZGH "Bolesław" Group, all commercial contracts are subject to confidentiality, so that information on both the commercial terms and conditions and the contractor's data is only communicated to the interested parties.

The companies conduct their trade policy on the basis of purchase/sale contracts, causing that the cooperation with customers takes place on clearly defined terms, hindering the possibility of unfair trade practices. Commercial terms are negotiated on the basis of current market determinants (the so-called Benchmarks) and coefficients calculated on the basis of production balances. During the negotiations, the quantities of goods, their quality and delivery conditions, which influence the price and value of the contract, are also taken into account. When selecting contractors, companies are guided by openness and transparency of activities, preventing any attempts at illegal or unethical activities.

As part of a long-term strategy assuming, among other things, strengthening the market position and counteracting corruption, ZGH "Bolesław" introduced in previous years the Purchase Policy of ZGH Bolesław Capital Group covering purchases of materials, goods and services. The purpose of this policy is as follows:

- standardization of procedures and purchase contracts in the Capital Group,
- ensuring transparency of the process of making purchase decisions,
- improvement of the effectiveness of investment and renovation expenditures,
- reduction of expenditure on services and materials,
- rationalisation of the use of human resources,
- full monitoring of purchasing expenses thanks to the use of electronic purchasing tool,
- continuous expansion of the market of Suppliers of goods and services and their diversification,
- building partnership relations with Suppliers based on market principles,
- building proper relations with Internal Customers (organisational units).

In Huta Cynka "Miasteczko Śląskie" suppliers of technical materials and services are to a large extent obtained by organising written contests of offers with information placed on the website of the Works and the purchasing platform. Some topics, where advanced technical knowledge is required, are addressed to the Selection Board.

Moreover, pursuant to the Act of 1 March 2018 on counteracting money laundering and terrorist financing (Journal of Laws of 2018. Item ZGH "Bolesław" introduced a procedure and an internal instruction on counteracting money laundering and terrorist financing.

- Other companies of Stalprodukt Capital Group

All the companies of the Capital Group have been obliged to implement the Anti-Corruption Policy and Protection of Signals adopted by the parent company.

3.11 Product and consumer safety

- Stalprodukt S.A.

As part of its commitment to customer safety, the Company complies with all recommendations and requirements under applicable laws.

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A document adopted by the parent company "Stalprodukt's task" contains the most important values that the Company's employees are guided by in their activities. These include: quality of products and processes, meeting customer expectations, increasing shareholder value, timely fulfilment of commitments, excellent cooperation with suppliers, environmental protection, ethics and culture.

Construction products manufactured by Stalprodukt S.A. are manufactured on the basis of harmonised technical specifications included in the standards:

- PN-EN 1317-5+A2:2012 Road restraint systems -- Part 5: Product requirements and evaluation of conformity for vehicle restraint systems,
- PN-EN 10219-1:2007 Seamless hollow sections made of non-alloy and fine structural steel - Part 1: Technical delivery conditions,
- Steel sections made of cold, open, structural steel in grades S235, S275, S355, JR, J0, J2 according to PN-EN 10025-2:2007 and S420M according to PN-EN 10025-4:2007, made according to PN-EN 10162:2005,
- PN-EN 10025-1:2007 Hot-rolled products of structural steel - Part 1: General technical delivery conditions.

The rules of marketing or making construction products available on the domestic market, the rules of controlling construction products marketed or made available on the market and the jurisdiction of the authorities to perform administrative tasks and obligations resulting from Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011 are specified in the Act of 16 April 2004 on construction products (consolidated text Journal of Laws of 2016, item 1570).

Other products manufactured by Stalprodukt S.A., in particular metal sheets, are manufactured on the basis of standards:

- PN-EN 10107:2014 Electrotechnical steel sheets and strips with grain oriented delivery. in the fully processed state,
- CEI IEC 60404-8-7 Ed 4.0 2017 Magnetic materials - Part 8-7,
- A 876-17:2017 Standard Specification for Flat-Rolled, Grain-Oriented, Silicon-Iron, Electrical Steel, Fully Processed Types.

• ZGH „Bolesław” Group

Zinc and lead are important bulk commodities whose trade has a long tradition and is quite well organised. There are internationally recognized trade rules for both zinc and metal concentrates. There are global exchanges of these metals, a network of warehouses, ports and other infrastructure components to trade zinc and lead in both processed and crude forms.

The sales offer of the ZGH "Bolesław" Group includes the following products:

- Zinc grade Z1 (SHG) with a minimum zinc content of 99.995%. Zinc produced in ZGH Bolesław in the form of tiles weighing 27 and 34 kg packed in packages with a weight of 900-1000 kg and blocks weighing about 700 kg, 900 kg Eurojumbo blocks of 1,000 kg. Zinc produced by HC "Miasteczko Śląskie" is cast in plates weighing about 25 kg and dimensions 480 x 240 x 40 mm, then formed into packages of 44 pieces weighing about 1,000 kg and in jumbo blocks 2,000 kg and blocks 1440 mm with a weight of about 620 kg. SHG's zinc from ZGH and HCM zinc is registered at the London Metal Exchange.

- Zinc in grade Z5 (Good Ordinary Brand) with a zinc content of 98.5%. Zinc produced by HC "Miasteczko Śląskie" is cast in plates weighing about 25 kg and dimensions 480 x 240 x 40 mm, and then formed into packages of 44 pieces weighing approximately 1,000 kg.
- Galvanizing alloys
 - for continuous galvanizing with aluminum content: from 0.2% to 1% (so-called CGG continuous galvanizing grade), cast in blocks.
- Alloys are produced in ZGH "Bolesław" and HC "Miasteczko Śląskie"
 - for continuous galvanizing with ZnAlSb antimony, produced in blocks weighing approx. 700 kg. Manufactured in ZGH "Bolesław".
 - with nickel "Wegal Mod" for single galvanizing, in the form of blocks weighing about 900 kg and 25 kg tiles. The chemical composition is adapted to the client's needs, with the supervision and participation of the Institute of Non-Ferrous Metals in Gliwice. They are manufactured in ZGH "Bolesław".
- Zinc-aluminum alloys ZnAl (ZAMAK) - ZL5, ZL3, ZL2, ZL 2A
 - Alloys are produced in BOLTECH Sp. z o.o Cast alloys in the form of pig sows with a weight of approx. 8-10 kg. Pig sows arranged in bundles of 64 pieces.
- Zinc anodes - acc. to PN-EN1179 - rolled, balls with diameter of hemispheres 30x12 mm, ribbed bars with elliptical cross-section 52/77 mm.
- Refined lead is produced in HC "Miasteczko Śląskie" S.A. The amount of production depends on the content of lead in the purchased primary charges (mined). Refined lead is mainly used for the production of batteries and traction batteries, as well as for the production of lead oxides, used to produce, among others, paints and varnishes, and to a minimum degree of lead alloys. Refined lead is also a raw material for the production of steels, wires, ammunition and cables.

Lead Pb 970R (H20POLSKAMS) is certified by the London Metal Exchange. It is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, placed in packages of 25 pieces each with a weight of about 1,000 kg.

Lead Pb 985R is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, put into packages of 25 pieces each with a weight of about 1,000 kg.

Lead STP06002 is the answer to the needs of leading battery manufacturers. Reduced Ag content to max. 0.0010% and Bi up to the max. 0.0120% compared to lead PB985R according to PN-EN12659 guarantees longer battery life.

Lead STP06002 is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, put into packages of 25 pieces each with a weight of about 1,000 kg.
- Dore metal produced by HC "Miasteczko Śląskie" is a high-value usable waste generated during lead refining, suitable only for further processing (jewellery, electronics). It is a high silver alloy with admixtures of copper, lead and gold. It is cast in the form of anodes (plates) weighing about 16 kg.
- Flotation galena (lead concentrate about 62% Pb) - obtained in the process of flotation enrichment of lead zinc ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro.
- Blenda bulk (collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of zinc-lead ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro.

- The bulk blenda is consumed entirely by Huta Cynku MIASTECZKO ŚLĄSKIE, which produces zinc and lead in the ISP process.
- Reflot (a collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of post-flotation waste in ZGH "Bolesław". The reflow is used entirely by Huta Cynku MIASTECZKO ŚLĄSKIE,
- Lead zinc concentrate with increased silver content - obtained from flotation of metallurgical sludge, used in HC MIASTECZKO ŚLĄSKIE to produce, among others, Dore's metal (silver) as well as zinc and lead.
- Lead-zinc concentrate - obtained from sludge processing in the Waelza process, used in HC MIASTECZKO ŚLĄSKIE.
- Lead sulphate - a by-product obtained in the process of purification of zinc oxide from chlorine and fluorine at the Bolesław Chemical Plant. It is used in HC MIASTECZKO ŚLĄSKIE for the production of so-called Dore metal (silver) and lead.
- The sulphuric acid is produced in ZGH "Bolesław" and in Huta Cynku "Miasteczko Śląskie" as a by-product of the process of roasting sulphate concentrates.
 - The sale of acid takes place in rail tankers.
- Dolomite aggregates are produced in the subsidiary Boltech Sp. z o.o., based on dolomite produced as a by-product in the process of initial enrichment of ore from the "Olkusz-Pomorzany" mine.

The main recipients of aggregates are road building executive companies, plants producing mineral-bituminous compounds and manufacturers of road accessories.
- Refined cadmium is a product obtained in the process of zinc rectification in HC "Miasteczko Śląskie". It is cast in blocks with dimensions of 1400 x 300 x 246 mm and weight approx. 670 kg.
- Utilisation services for zinciferous materials

Utilisation of zinciferous materials is carried out by ZGH "Bolesław" and Huta Cynku "Miasteczko Śląskie". At ZGH "Bolesław", the utilization includes two waste streams. The first group consists of wastes from zinc hydrometallurgy, while the second basic waste stream is steelmaking dust from the steel production process in electric arc furnaces.

In 2019, no procedures concerning product and service safety were violated in any company of the Capital Group.

There were no administrative proceedings instigated against the Company by the Office of Competition and Consumer Protection.

3.12 Marketing communications

Communication is a key element in achieving socially responsible objectives. However, one of the basic strategic objectives of Corporate Social Responsibility is to build transparent, long-term and lasting relations with all interested parties in the process of Stalprodukt activity.

Building lasting relationships is the result of satisfaction on the one hand, and the effect of understanding needs and responding to identified needs on the other.

For many years, the Company has been conducting an annual survey of "Satisfaction, Loyalty and Trust of Stalprodukt Group's customers". It is carried out by means of a survey sent to customers. The survey consisted of two parts. The aim of the first part is to determine satisfaction, loyalty and trust levels and, consequently, to calculate a synthetic index that should reach a certain threshold level, set in the quality objectives for each year. If the synthetic indicator is lower than assumed, corrective and corrective actions are required.

In 2019, the synthetic index amounted to 89.8 points and was higher than in the previous year. This is a high level.

The second element of the survey is a list of attributes that are assessed in terms of their importance and fulfilment by Stalprodukt and its competitors. These are attributes related to price, quality of products and services, timeliness, speed of response to inquiries and complaints, technical support, wide range of products, etc. According to the respondents, the most important attributes are: price and reliable delivery time. These are the areas that require continuous improvement and development by the Company.

Among the strengths of Stalprodukt are professional service and relations with traders, which are always highly rated.

In 2019, there were no cases of non-compliance with marketing communication regulations and codes, including advertising, promotion and sponsoring, in the entire Capital Group.

No proceedings were conducted before the Office of Competition and Consumer Protection in this area.

3.13 Protection of privacy

The companies of Stalprodukt Capital Group have in place the legally required policies and procedures related to the protection of personal data resulting from the Regulation on the protection of personal data.

In 2019, there were no events related to the leakage of personal data or unauthorised use of employee or customer data.

3.14 Product labelling

- Stalprodukt S.A.

Proper labelling of products is one of the most important issues in customer relations. All products manufactured by Stalprodukt S.A. are appropriately marked (label or tag with appropriate scope of information depending on the product and agreed requirements with the customer). In addition, each product is labelled in accordance with applicable internal instructions and procedures.

- ZGH „Bolesław” Group

In terms of quality, the basic products of the ZGH "Bolesław" Group, i.e. zinc and lead, have been precisely and clearly described in the standards applicable to all suppliers. In Europe, the PN-EN 1179 and the PN-EN 12659 standards are the major reference documents for all zinc and lead suppliers, respectively.

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As the Group's products meet the requirements of the EN standards and have been registered on the London Metal Exchange, they can be sold on any market in Poland and worldwide.

In addition, zinc plates are marked permanently with the following inscriptions embossed on the casting moulds:

- In the case of ZGH "Bolesław" S.A. - ZGH Z1
- In the case of HC "Miasteczko Śląskie" S.A. - HCM SHG 99,995 or HCM GOB 98,5.

Zinc blocks and zinc alloy blocks are marked with a label including the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture and bar code.

Refined lead ingots feature permanent marks embossed on the casting moulds with the following inscription: H 20 POLSKA MS, each ingot has a stamped heat number and lead grade information; additionally, each package is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Dore silver in the form of ingots is marked with a permanently stamped heat number and a letter designation of the alloy. Additionally, each ingot is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Refined cadmium blocks are marked on the top with a permanent heat number, and a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

In 2019, there were no cases of non-compliance related to incorrect product labelling.

No proceedings were instigated in this respect.

Bochnia, 30 April 2020

Łukasz Mentel
Member of the Board
Financial Director

Piotr Janeczek
Chairman of the Board
Chief Executive Officer