

REPORT ON AUDIT PREPARED BY AN INDEPENDENT STATUTORY AUDITOR

for the General Meeting of Shareholders and the Supervisory Board of the company Stalprodukt S.A.

Report on the audit as regards the consolidated annual financial statements

Opinion

Our company audited the annual consolidated financial statements of the capital group ("Group"), with Stalprodukt S.A. as the dominant entity ("Parent Company"). The aforementioned audit covered consolidated statement concerning the financial position as at 31 December 2019 and the consolidated statement concerning total income, consolidated statement regarding changes concerning the equity, consolidated cash-flow statement for the year which ended on that day and additional information including a description of the accounting principles adopted by the entity as well as other explanatory information concerning "consolidated financial statements".

According to our opinion the attached consolidated financial statements:

- presents a reliable and explicit representation of the consolidated property related and financial situation of the Group as at 31 December 2019 and its consolidated financial result as well as consolidated cash flows as regards the financial year which ended on that day following the applicable International Financial Reporting Standards approved by the European Union together with adopted accounting principles (policy);
- is consistent as regards the form and content of the legal provisions applicable in reference to the Group and the statute of the Parent Company.

This opinion is in accordance with the additional report prepared for the Audit Committee issued by our company on the day of issuing this report.

Grounds for the the opinion with a reservation

The consolidated financial statements as at December 31, 2020 show the *total amount of PLN 278 million under the item Contingent liabilities for the purchase of ZGH* , including PLN 212 million in the long-term part and 66 million in the short-term part. These liabilities were recognized in connection with the acquisition on November 7, 2012 of a block of shares in ZGH "Bolesław" S.A. and they largely related to the risks associated with the Olkusz - Pomorzany mine owned by ZGH "Bolesław" S.A. and the risk of non-recovery of funds involved in Gradir Montenegro d.o.o. Niksic.

In the financial statements of the subsidiary ZGH "Bolesław" S.A. prepared as at December 31, 2020, provisions for the decommissioning of the Olkusz - Pomorzany mine were shown at the level of PLN 126 million. For these financial statements, on April 29, 2021, the statutory auditor expressed a qualification regarding the lack of sufficient audit evidence to confirm that the created provisions are sufficient to cover existing and future claims related to the operation and closure of the Olkusz-Pomorzany mining plant.

The Issuer's Management Board did not provide us with the evidence, updated as at the balance sheet date, that would prove the estimates presented in the financial statements related

to the effects of the liquidation of the Olkusz-Pomorzany mine. In our opinion, the discrepancy between the parent's estimate and the subsidiary's estimate is a circumstance that indicates a risk of error. Moreover, the lack of evidence for the estimates made is a significant limitation of the scope of the audit, as a result of which we are not able to determine the impact of the risk presented on the audited financial statements.

In addition, in our opinion, the above contingent liabilities arising in connection with the decommissioning of the Olkusz-Pomorzany mine are no longer contingent items, as the mine decommissioning process began in December 2020. In view of the fulfilment of the condition, the estimates of the outflow of economic benefits related to the effects of liquidation should be recognized and measured as provisions in accordance with IAS 37 "Provisions and Contingent Liabilities".

We also believe that the risk of not recovering the funds involved in Gradir Montenegro d.o.o. Niksic, estimated at PLN 72 million, does not constitute the basis for the recognition of contingent liabilities as defined in IAS / IFRS. The existence of premises indicating the possibility of impairment of any of the assets should be and assessed in accordance with IAS 36 "Impairment of Assets" and recognized in the separate and consolidated financial statements of the subsidiary ZGH "Bolesław" S.A., which was included in the consolidated financial statements of the parent company.

Our company conducted the audit following the National Standards of Audit in accordance with the International Standards of Audit adopted based on the resolution of the National Council of Statutory Auditors no. 3430/52a/2019 on 21 March 2019 as regards national audit standards and other documents ("NAS") as well as pursuant to the Act issued on 11 May 2017 on statutory auditors, audit companies and public supervision (hereinafter referred to as the "Act on Statutory Auditors" – the Polish Journal of Laws 2020,item 1415, as amended). and EU Regulation No. 537/2014 of 16 April 2014 on detailed requirements for statutory audits of financial statements of public-interest entities ("EU Regulation" - Journal of Laws EU L 158 of 27.05.2014, p. 77, as amended d.). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Our company is independent in reference to companies within the Group following the Code of Professional Ethics of the International Federation of Accountants (hereinafter referred to as "IFAC Code"). The aforementioned code was adopted based on the resolution of the National Council of Statutory Auditors no. 3431/52a/2019 on 25 March 2019 as regards the professional ethics of statutory auditors and other requirements. Our company fulfilled our ethical obligations following the aforementioned requirements as well as IFAC Code. The key statutory auditor and the audit company remained independent in reference to the Company in the course of conducting the audit in accordance with the independence requirements determined in the Act on Statutory Auditors and EU Regulation.

In our opinion our company obtained adequate and appropriate audit evidence allowing us to provide the grounds for issuing a opinion

Key issues covered by the audit

The key issues cover by the audit include issues which proved to be the most significant during the audit of the consolidated financial statements covering the current reporting period based on our professional experience. They include the most significant risks concerning material misstatement, such as the assessed risks concerning material misstatement due to fraud. Our company referred to the aforementioned issues in the context of our financial statements audit as a whole and during the formulation of our opinion. What is more, we summarized our reaction concerning the discussed risks and in cases where it deemed necessary one presented the most significant observations concerning the discussed risks. We shall not prepare a separate opinion devoted to these issues.

Key issues covered by the audit	How did our audit refer to the discussed issue
<p>In 2020, the Group recognized revenue from contracts with customers in the amount of PLN 3,321,050 thousand.</p> <p>Revenue from contracts with customers is one of the key figures proving the results of the Company's operating activities and indicate the degree of utilization of production capacity, coverage of fixed costs of the conducted activity and are an indicator of market share.</p> <p>There is a risk of misstatement of the financial statements as a result of intentional overestimation of revenues by, for example, recognizing fictitious sales transactions, recognizing sales transactions, recognizing transactions at an incorrect value, and an incorrect reporting period at an incorrect value and an incorrect reporting period.</p> <p>Bearing in mind the above, we decided that this is a key issue for our study.</p>	<p>Our audit procedures included, in particular:</p> <ul style="list-style-type: none">• understanding and assessment of the internal control system in the sales process,• analysis of sales contracts concluded with key recipients,• independent confirmation with customers of the existence and value of selected items of trade receivables as at the balance sheet date;• test, in terms of the correct recognition in the period, of a selected sample of postings adjusting the value of revenues, recognized in the books of accounts during the audited financial year and after its end;

Liability of the Management Board and Supervisory Board of the Parent Company for the consolidated financial statements

The Management Board of the Parent Company is liable for preparation of the consolidated financial statements. These statements are to present a reliable and clear representation of the material and financial situation and the financial result obtained by the Group following the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the applicable laws and statute. Additionally, it refers to internal control considered by the Management Board of the Parent Company as necessary to

enable the preparation of consolidated financial statements without significant distortion resulting from fraud or error.

The Management Board of the Parent Company is liable for assessing the Group's ability to continue business activity during the preparation of the consolidated financial statements. It discloses, if applicable, issues connected to continuing business activity and adopting the principle of continuing business activity as accounting grounds. This does not apply if the Management Board of the Parent Company intends to liquidate the Group, either by discontinuing running a business or when it has no realistic alternative to liquidating or discontinuing its activity.

The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company have the obligation of ensuring that the consolidated financial statements fulfil the requirements provided for in the Act on Accounting. Members of the Supervisory Board of the Parent Company are liable for supervision of the financial reporting process.

The liability of the statutory auditor for auditing the consolidated financial statements

Our objectives included obtaining reasonable assurance that the consolidated financial statements do not contain any material misstatement due to fraud or error within its full scope as well as the issuance of a report expressing our opinion. Reasonable assurance involves a high level of certainty. Nevertheless, it does not guarantee that an audit following NAS detects the existing significant distortion in each case. Distortions can result from fraud or error and are considered significant if in case of such a discrepancy one can reasonably expect that, individually or together, these distortions can influence users' business decisions undertaken based on these consolidated financial statements.

The concept of materiality is applied by the statutory auditor both in case of planning and conducting the audit as well as while assessing the impact of the discrepancies indicated during the audit and not corrected distortions, if any, as regards the financial statements. Moreover, this applies while formulating the auditor's opinion. Consequently, all opinions and statements included in the audit report refer to the qualitative and value-oriented level of significance determined following the statutory auditor's standards and professional judgement.

The audit does not cover assurance as regards the future profitability of the Group or the efficiency or effectiveness of the Management Board of the Parent Company exercising its obligations currently or in the future.

Our company applies professional judgment and maintain professional scepticism in the course of the audit following the NAS as well as:

- our company identifies and assesses risks as regards material misstatement of the consolidated financial statements resulting from fraud or error, plans and conducts audit procedures related to these risks and collects audit evidence adequate and sufficient for providing grounds our opinion. The risk of not indicating a significant misstatement resulting from fraud is greater than that the one resulting from the error – the fraud can involve

conspiracy, falsification, omissions on purpose, misrepresentation or avoiding internal control;

- our company understands the internal control which is appropriate as regards the audit to plan audit procedures suitable under particular circumstances does not express an opinion on the effectiveness of the internal control within the Parent Company;

- our company assesses the suitability of the applied accounting principles (policy) and the reasonableness of accounting estimates as well as disclosures conducted by the Management Board of the Parent company;

- our company draws conclusions as regards the suitable manner in which the Parent Company's Management Board comply with the principle of continuing the business activity as an accounting grounds. It evaluates, based on the audit evidence, whether there is material uncertainty as regards the events or conditions which could undermine the ability of the Group to continue business activity. If one concludes that there is significant uncertainty, it is required to indicate that in our auditor's report in reference to disclosures in the consolidated financial statements. If such disclosures are inadequate, the company modifies our opinion. Our conclusions result from audit evidence collected prior to the date of our audit report. Nevertheless, events or conditions in the future can result in the Group terminating its business activity;

- the company assesses the overall presentation, structure and content of the consolidated financial statements. This includes disclosure and whether the consolidated financial statements represent corresponding transactions and events in a manner providing a reliable presentation

- our company collects sufficient relevant audit evidence as regards the financial information of entities or businesses activities realized within the Group with the purpose of issuing an opinion concerning the consolidated financial statements. Our obligations include managing, supervising and conducting the analysis of the Group. Our company is solemnly liable for our audit opinion.

Our company provides the Supervisory Board operating within the Parent Company with information on, inter alia, planned scope and time of the audit as well as significant findings resulting from the audit. This covers all significant weaknesses concerning internal control identified during the audit.

Our company ensures the Supervisory Board operating within the Parent Company that our auditors complied with the applicable ethical requirements as regards independence. We are to inform the Committee about all relationships and which one could reasonably expect to pose a threat to our independence. Where it is applicable, we report security measures we applied.

As regards the issues forwarded to the Supervisory Board operating within the Parent Company, we identified the issues which proved the most significant during the audit of the consolidated financial statements covering current reporting period. Consequently, we considered these issues to be key audit issues. Our company describes the aforementioned issues in our statutory auditor's report, unless legal provisions or regulations prohibit public disclosure. In exceptional circumstances our company can conclude that a particular issue

should not be disclosed in our report as one could reasonably expect that the negative consequences would outweigh the benefits of such information from the perspective of the public interest.

Other information, including a report on business activity

Other information includes a report on the business activity of the Group covering the financial year which ended on 31 December 2020 (“Report on business activity”) together with a statement on corporate order (together referred to as “Other information”) which constitute separate parts of this Report as well as the Annual Report covering the financial year which ended on 31 December 2019 (“Annual Report”) (together referred to as “Other information”).

Liability of the Management Board and Supervisory Board of the Parent Company

The Management Board of the Parent Company is liable for preparation of the Report on the activities of the Group in accordance with legal provisions.

The Management Board of the Parent Company as well as the members of the Supervisory Board of the Parent Company have to ensure that the Report on the activities of the Group fulfils the requirements provided for in the Act on Accounting.

Liability of the statutory auditor

Our opinion concerning the audit as regards the consolidated financial statements does not include the Report on activities. As regards the audit covering the consolidated financial statements our obligations include a review of the Report on activities. Moreover, our company has to consider whether this report is not significantly inconsistent with the consolidated financial statements or our knowledge obtained during the audit or if it seems significantly distorted in another manner. If one discovers significant distortions based on the work performed as regards the Report on activities, our company is required to include such information in the report on audit. Moreover, issuing an opinion on whether the report on activities was prepared in accordance with the regulations and whether it is consistent with the information contained in the consolidated financial statements constitutes our obligation following the requirements of the Act on statutory auditors.

In addition, we are obliged to state whether the Group has prepared a statement regarding non-financial information, and to issue an opinion on whether the Group has included the required information in its corporate governance statement.

Our company obtained the report on the activities performed by the Group prior to the date of this audit report. The Annual Report is to be available after this date. If our company discovers a significant distortion concerning the Annual Report, it shall be obliged to inform the Supervisory Board of the Parent Company.

Opinion on the Report on activities

In our opinion based on the activities performed during the audit, the Report on the activities of the Group:

- was realized observing the Art. 49 of the Act on Accounting and paragraph 70 of the Regulation of the Minister of Finance issued on 29 March 2018 as regards current and periodic information published by issuers of securities and on conditions for considering the information as equivalent if required by legal provisions of non-member state (“Current Regulation concerning Current Information” – Journal of Laws published in 2018, item 757, as amended);

- is consistent with the information covered by the consolidated financial statements.

What is more, based on our the knowledge concerning the Group and the environment it operates in which our company obtained during our audit, one declares that no significant distortions were identified as regards the Report on the activities of the Group.

Opinion on the statement concerning the application of corporate order

In our opinion the Group included all pieces of information indicated in paragraph 70 sec. 6 item 5 of the Regulation concerning Current Information in the statement as regards the application of corporate order. What is more, our company believes that the information indicated in paragraph 70 sec. 6 item 5 lit. c-f, h and i of the Regulation covered by the statement as regards the application of corporate order complies with the applicable regulations and information covered by the consolidated financial statements.

Report concerning other legal and regulatory requirements

Declaration concerning provision of services not covered by the audit of financial statements

Based on our best of our knowledge and belief the services not covered by audit concerning the financial statements presented to the Group and controlled companies comply with legal provisions and regulations effective in Poland. Our company did not provide non-audit services prohibited based on the Art. 5 section 1 of the EU Regulation and the Art.136 of the Act on statutory auditors.

We declare that we have not provided the Group with non-audit services, which are prohibited under Art. 5 (1) of the EU Regulation 537/2014 and art. 136 of the Act on statutory auditors.

Selection an auditing company

Our company was appointed to audit the financial statements of the Group based on a resolution issued by the Supervisory Board of the Parent Company on 22 August 2019. We have been auditing the consolidated financial statements of the Group continuously, starting from the financial year ended on December 31, 2018, i.e. for 3 consecutive years.

Renata Lubowicka is the key statutory auditor responsible for the audit. This audit resulted in this independent statutory auditor's report.

Acting for Polscy Biegli Sp. z o.o. with its register office in Warsaw located at ul. Józefa Bema 87 lok. 3 entered into the register auditing companies under number 4159 with key statutory auditor auditing the consolidated financial statements on behalf of the aforementioned entity

Document signed by

Renata Lubowicka

Key Statutory Auditor reg. no. 11041

Date: 2021.04.30