The Stalprodukt S.A. Capital Group

Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2020

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

Bochnia, April 2021

Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2020

Selected financial data

SELECTED FINANCIAL DATA	thousand x PLN			thousand x EURO		
	2020	2019	after conversion 2019	2020	2019	after conversion 2019
I. Net sales of products, goods and materials	3 321 050	3 816 269	3 816 269	742 267	887 133	887 133
II. Operating profit (loss)	196 084	203 708	224 067	43 825	47 354	52 087
III. Profit (loss) before taxation	223 521	200 674	221 033	49 958	46 649	51 382
IV. Net profit (loss)	183 776	154 488	174 848	41 075	35 912	40 645
- attributable to shareholders of the parent company	172 755	142 494	162 854	38 611	33 124	37 857
- net profit attributed to non-controlling interests	11 021	11 994	11 994	2 463	2 788	2 788
V. Net cash flow from operating activities	350 487	369 994	369 994	78 335	86 009	86 009
VI. Net cash flow from investment activities	-241 044	-235 091	-235 091	-53 874	-54 649	-54 649
VII. Net cash flow from financial activities	-77 552	-202 988	-202 988	-17 333	-47 187	-47 187
VIII. Total net cash flow	31 891	-68 085	-68 085	7 128	-15 827	-15 827
IX. Total assets	4 360 350	4 345 081	4 365 441	944 862	1 020 331	1 025 112
X. Liabilities and provisions for liabilities	1 447 163	1 587 056	1 587 056	313 592	372 680	372 680
XI. Long-term liabilities	388 649	530 197	530 197	84 218	124 503	124 503
XII. Short-term liabilities	604 965	620 318	617 792	131 092	145 666	145 073
XIII. Shareholders' equity	2 913 187	2 758 026	2 780 911	631 270	647 652	653 026
- equity attributable to shareholders of the parent company	2 801 566	2 650 457	2 674 907	607 083	622 392	628 134
- equity attributed to non-controlling interests	111 621	107 569	106 004	24 188	25 260	24 892
XIV. Share capital	11 161	11 161	11 161	2 419	2 621	2 621
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	32,93	27,68	27,68	11,95	11,95	11,95
XVII. Book value per share (PLN)	522,05	494,25	498,35	112,52	112,52	112,52
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)		5,00	5,00		1,16	1,16

1. Average exchange rates of zloty in NBP during the periods covered by the financial report and comparable financial data in relation to the Euro amounted to:
   a) rate of exchange at end of 2020 and 2019, for EUR 4.6148 and 4.2585
   b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2020 and 2019, for EUR 4.4742 and 4.3018
   c) the lowest rate for 2020 and 2019, for EUR 4.2279 and 4.1709
   d) the highest rate in 2020and 2019, for EUR 4.6330 and 4.3978

2. Basic items of the balance sheet, profit and loss account and cash flow statement were converted into Euro and presented in selected financial data.

For conversion of currency in PLN into Euros, the following rates of EUR were used, according to the following rules:
- items of assets and liabilities were converted into Euros according to the average exchange rate announced by the NBP as at 31.12.2020 and amounting to 4.6148 and 4.2585 as at 31.12.2019 (section 1a),

- items of profit and loss account and cash flows statement were converted into Euros according to the average rate which is an arithmetic average of average EUR rates announced by the NBP on the last day of each month covered by the report and amounting to 4.4742 for the year 2020 and 4.3018 for the year 2019 (section 1b).

3. For profit-per-share calculation the number of 5,580,267 shares was adopted.
4. In item XVIII the dividend-per-share level was presented, as disbursed by the Issuer in 2019 in respect of 2018.

CONSOLIDATED BALANCE SHEET	Note	thousand x PLN 2020	2019	after conversion 2019
Assets				
I. Fixed assets		**2 423 852**	**2 406 886**	**2 406 886**
1. Intangible assets, including:	1	212 239	207 326	207 326
- right of perpetual land use		125 911	129 769	129 769
2. Property, plant and equipment	2	2 134 580	2 052 279	2 052 279
3. Long-term receivables		683	703	703
4. Long-term investments	3	28 831	36 748	36 748
4.1. Real estate investments		9 837	10 678	10 678
4.2. Intangible and legal assets				0
4.3 Long-term financial assets		2 919	10 024	10 024
4.4. Investments in affiliated entities		16 075	16 046	16 046
4.5. Other long-term investments				0
5. Long-term accruals		47 519	109 830	109 830
5.1. Assets on account of deferred income tax	4	36 884	38 521	38 521
5.2. Other accruals		10 635	71 309	71 309
II. Current assets		**1 936 498**	**1 938 195**	**1 958 555**
1. Stocks	5	809 943	750 740	741 207
2. Short-term receivables	6	512 891	590 531	590 531
3. Short-term investments	7	549 376	564 338	564 338
3.1 Short-term financial assets		530 383	477 669	477 669
a) loans		17 221	18 153	18 153
b) short-term securities		76 770	55 015	55 015
c) monetary resources and their equivalents		436 392	404 501	404 501
3.2. Other short-term investments		18 993	86 669	86 669
4 Assets held for sale		1 834	48	48
5. Short-term accruals	8	62 454	32 538	62 431
Assets in total		**4 360 350**	**4 345 081**	**4 365 441**
Liabilities				
I. Equity		**2 913 187**	**2 758 025**	**2 780 911**
1. Equity assigned to the shareholders of the dominating entity		2 801 566	2 650 456	**2 674 907**
1.1. Share capital	9	11 161	11 161	11 161
1.2. Exchange differences		16 052	4 092	4 092
1.3. Supplementary capital	11	764 187	667 745	667 745
1.4. Capital from revaluation	12	-4 565	46 280	51 097
1.5. Other supplementary capitals	13	1 729 883	1 634 274	1 634 274
1.6. Profit (loss) from previous years		112 093	144 410	164 044
1.7. Net profit (loss) attributable to the shareholders of the parent company		172 755	142 494	142 494
2. Capital non-controlling interests	14	111 621	107 569	106 004
II. Liabilities and provisions for liabilities		**1 447 163**	**1 587 056**	**1 587 056**
1. Provisions for liabilities	15	402 513	414 170	414 170
1.1. Provision on account of deferred income tax		136 161	144 842	144 842
1.2. Other provisions		266 352	269 327	269 327
a) long-term		102 686	185 380	185 380
b) short-term		163 665	83 947	83 947
2. Long-term liabilities	16	388 649	530 197	530 197
2.1. Long-term credits and loans		61 935	110 893	110 893
2.2. Other long-term liabilities		115 105	123 189	123 189

2.3. Contingent liabilities due to the purchase of ZGH		211 610	296 115	296 115
3. Short-term liabilities	17	604 966	620 318	617 792
3.1. Short-term credits and loans		36 517	44 010	44 010
3.2. Short-term part of long-term credits and loans		20 000	20 897	20 897
3.3. Liabilities for supplies and services provided		291 469	337 355	337 355
3.4. Liabilities on account of current income tax		40 600	38 877	38 877
3.5. Other short-term liabilities		216 380	179 179	176 653
4. Accrued liabilities	18	51 035	22 371	22 371
Liabilities in total		**4 360 350**	**4 345 081**	**4 365 441**

Book value		2 913 187	2 758 025	2 778 385
Number of shares (in items)		5 580 267	5 580 267	5 580 267
Book value for one share (in PLN)	19	522,05	494,25	497,89
Diluted number of shares		5 580 267	5 580 267	5 580 267
Diluted book value per share (in PLN)		522,05	494,25	497,89

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN		
		2020	2019	after conversion 2019
I. Net revenue from sale of products, goods and materials, including:		**3 321 050**	**3 816 269**	**3 816 269**
1. Net revenue from sale of products	20	3 244 824	3 723 765	3 723 765
2. Net revenue from sale of goods and materials	21	76 226	92 503	92 503
II. Costs of sold products, goods and materials, including:		**2 899 088**	**3 333 814**	**3 313 455**
1. Cost of manufacture of sold products	22	2 833 023	3 247 137	3 226 778
2. Value of sold goods and materials		66 065	86 677	86 677
III. Profit (loss) gross on sales		**421 962**	**482 455**	**502 814**
IV. Costs of sales		80 390	88 526	88 526
V. General administrative costs		152 904	154 234	154 234
VI. Profit (loss) on sales		**188 668**	**239 694**	**260 053**
VII. Other operational revenue	23	132 241	66 504	66 504
VIII. Other operational costs	24	124 825	102 490	102 490
IX. Profit (loss) from operational activity		**196 084**	**203 708**	**224 067**
X. Financial revenue	25	45 748	19 732	19 732
XI. Financial costs	26	18 302	22 839	22 839
XII. Profit from stakes in associated entities		-9	72	**72**
XIII. Profit (loss) gross		**223 521**	**200 674**	**221 033**
XIV. Income tax	27	39 745	46 186	46 186
XVI. Profit (loss) net, including:	28	**183 776**	**154 488**	**174 848**
1. Attributable to shareholders of the parent company		172 755	142 494	162 854
2. Attributed to non-controlling interests		11 020	11 994	11 994

Profit net		183 776	154 488	174 848
Weighted average number of ordinary shares		5 580 267	5 580 267	5 580 267
The weighted average number of ordinary shares adjusted against own shares		5 580 267	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	29	32,93	27,68	31,33

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	Note	thousand x PLN		
		2020	2018	after conversion 2019
Net result		183 776	154 488	174 848
The effective part of the cash flow hedging in accordance with IFRS 9		-59 872	-15 192	-15 192
Including: Effective portion of cash flow hedge in accordance with IFRS 9 attributable to minority interests		-4210	-769	-769
Gains and losses on translating line items in the financial statements of the foreign operation		**11 960**	**1 599**	1 599
Including: gains and losses on the translation of items in the financial statements of the foreign operation attributable to non-controlling interests		140	-9	-9
Total Comprehensive Income		**135 864**	**140 895**	**160 477**
Total Comprehensive Income attributable to the parent company shareholders		128 912	133 752	153 334
Total Comprehensive Income attributable to non-controlling interests		6 952	7 143	7 143

Statement of changes in equity for the period from 1st January to 31st December 2020 and 2019	thousand x PLN								
	Share capital	**Own shares at purchase price**	**Supplementary capital**	**Capital from revaluation**	**Other supplementary capitals**	**Retained profit from previous years**	**Retained profit from current year**	**Capital non-controlling interests**	**Equity in TOTAL**
Balance on this 01.01.2020 (opening balance)	**11 161**	**4 092**	**667 745**	**46 280**	**1 634 274**	**286 904**		**107 569**	**2 758 025**
Error correction				4 817		19 634		-1 565	**22 886**
Balance on this 01.01.2020 (opening balance) After correction	**11 161**	**4 092**	**667 745**	**51 097**	**1 634 274**	**306 538**	**0**	**106 004**	**2 780 911**
Profit distribution			95 906		95 609	-191 515			**0**
Dividend						-2 817			**-2 817**
Profit from previous years									**0**
Total comprehensive income for period 1.01 - 31.12.2020		*11 820*		*-55 662*			*172 755*	*6 952*	**135 864**
Valuation of hedging transactions				*-55 662*					**-55 662**
Other		*140*	*536*			*-113*		*-1 334*	**-771**
Balance on this 31.12.2020 (closing balance)	**11 161**	**16 052**	**764 187**	**-4 565**	**1 729 883**	**112 093**	**172 755**	**111 621**	**2 913 187**
Balance on this 01.01.2019 (opening balance)	**11 161**	**2 493**	**561 927**	**65 288**	**1 574 552**	**378 126**		**106 293**	**2 699 840**
Profit distribution			**105 738**		**101 682**	**-207 420**			**0**
Intercapital and consolidation transfer		1 599	80	-3 816	-41 960	46 165		-10 718	**-8 650**
Dividend						-72 461			**-72 461**
Total comprehensive income for period 1.01 - 31.12.2019				-15 192			142 494	11 994	**139 296**
Valuation of hedging transactions				*-15 192*					***-15 192***
Balance on this 31.12.2019 (closing balance)	**11 161**	**4 092**	**667 745**	**46 280**	**1 634 274**	**144 410**	**142 494**	**107 569**	**2 758 025**

Correction of an error in the result of previous years in the amount of PLN 20,360 thousand results from the fact of receiving a bonus for purchases from the previous year, which was incorrectly included in the books of 2020.

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN		
	2020	2019	after conversion 2019
A. Cash flow from operational activity - indirect method	**350 487**	**369 994**	**369 993**
I. Profit (loss) net	**223 521**	**200 674**	**221 033**
- income tax paid	-55 150	-50 211	-50 211
II. Adjustments in total	**182 116**	**219 531**	**199 171**
1. Share in (profit) loss net of the subordinate entities valuated with equity method	-9		
2. Depreciation	166 823	167 780	167 780
3. Profit (loss) on account of differences in rates	543	-249	-249
4. Interest and shares in profit (dividend)	8 917	14 236	14 236
5. Profit (loss) from investment activity	8 594	847	847
6. Change of provisions level	801	5 499	5 499
7. Change of stock level	-51 879	51 603	61 136
8. Change of receivables level	101 719	45 754	45 754
9. Change of short-term liabilities level, except for loans and credits	-80 663	-49 263	-49 263
10. Change of accruals level	21 349	-14 898	-44 791
11. Other adjustments	8 610	-1 778	-1 778
12. Adjustment due to deferred income tax	-2 689		
III. Cash flow net from operational activity	**350 487**	**369 994**	**369 994**
B. Cash flow from investment activity	-241 044	-235 091	-235 091
I. Revenue	79 908	18 266	18 266
1. Sale of intangible and legal assets and property, plant and equipment	6 365	572	572
2. Sale of investments in real estates and intangible and legal assets			
3 From financial assets, including:	73 543	17 694	17 694
- financial assets sold	71 730	16 457	16 457
- dividends and profit share received		0	0
- repayment of long-term loans	1 160		
- interest received	653	1 237	1 237
II. Expenses	-320 952	-253 357	-253 357
1. Acquisition of intangible and legal assets and property, plant and equipment	-226 793	-243 085	-243 085
2. Investments in real estates and intangible and legal assets			
3 For financial assets, including:	-89 120	-10 261	-10 261
- financial assets purchased	-89 120	-9 487	-9 487
- long-term loans granted		-774	-774
4. Other investment expenses	-5 039	-11	-11
III. Cash flow net from investment activity	**-241 044**	**-235 091**	**-235 091**
C. Cash flow from financial activity	**-77 552**	**-202 988**	**-202 988**
I. Revenue	16	9 594	9 594

1. Net revenue from the issuance of shares and other capital instruments and additional equity contributions			
2. Credits and loans		868	868
3. Issuance of debt securities			
4. Other financial revenue	16	8 726	8 726
II. Expenses	-77 568	-212 582	-212 582
1. Acquisition of treasury shares			
2. Dividend and other payments for the holders	-2 777	-35 572	-35 572
3. Other, than the payments for holders, expenses on account of the allocation of profit			
4. Payment of credits and loans	-57 348	-154 776	-154 776
5. Redemption of debt securities			
6. On account of other financial liabilities			
7. Payment of liabilities on account of financial leasing contracts	-5 210	-6 421	-6 421
8. Interests	-9 555	-14 854	-14 854
9. Other financial expenses	-2 678	-959	-959
III. Cash flow net from financial activity	**-77 552**	**-202 988**	**-202 988**
D. Net cash flow, total	**31 891**	**-68 085**	**-68 085**
E. Balance sheet change in cash, including:	**31 891**	**-68 085**	**-68 085**
- change in cash due to exchange rates fluctuations		-429	-429
F. Cash (beginning of period)	**404 501**	**472 586**	**472 586**
G. Cash (end of period), including:	**436 392**	**404 501**	**404 501**
- of limited access and disposal	15 977	3 902	3 902

Cash at beginning of the reporting period represent the amount of PLN 404,501 thousand and at the end of the reporting period PLN 436,392 thousand. Operating activities consist of the basic (main) activities of the Group, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Group.
The Group's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).The Group’s financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.
The inconsistency between the status changes declared in the balance sheet and status changes declared in the operating cash flow statement is related to the liabilities and arises from the exclusion of the change in the liabilities relating to the purchases of fixed assets and recognition of the same in the cash flow from investment activities as well as exclusion of the change in the credits and leasing status and recognition of the same in the cash flow from financial activities. The difference in the changes in the status of prepayments arises from the transfer of complete renovations to tangible assets. The difference in the change in inventories results from the transfer of spare parts to fixed assets. The difference in changes in provisions results from the adjustment for input tax. Restricted funds relate to the Company Social Benefits Fund and funds in VAT accounts.

Explanations of the main differences in the balance sheet items in the cash flow statement in thousands PLN:

Reserves:	12 463	- provision for deferred income tax charged to the capital from revaluation of ZGH
Inventory:	2 042	adjustment for Stalprodukt spare parts
	5 461	stock adjustment in Go Steel
Liabilities	22 174	change in receivables due to ZGH tax
Accurals	3 583	- assets for deferred income tax charged to capital
	-5 232	- adjustment for current income tax
	-39 297	.- purchase of fixed assets and intangible assets from grants and NCBiR
Other adjustments	9 474	- change in the valuation of financial assets
	-391	- change in the valuation of other securities
	-846	- change in the balance of financial assets (valuation), transaction valuation and left in the revaluation reserve
	-161	- corporate income tax left on the revaluation capital
	1 437	- tax refund due to excise duty adjustment
	-6	- revaluation of the right-of-use asset
	-4 923	- exchange rate differences from valuation
	-1 180	- adjustment for free CO_2
	20 360	adjustment of the result from previous years
	8 663	write-down impairment loss of financial assets
	2 252	write-down impairment loss of intangible assets
	18 367	termination of the conditional liability

Additional Information on the adopted accounting principles (policy) and other explanatory information

1. General information

Company's identification data

Name:	**Stalprodukt S.A.**
Legal form:	**Joint Stock Company**
Seat:	**Bochnia, Wygoda 69**
Country of Registration:	**Poland**
Registering Agency:	**District Court for Kraków-Śródmieście, National Court Register (KRS) No 0000055209**
Basic object of activities:	**Production of flat cold rolled sheets Polish Classification of Economic Activities (PKD) No 2432Z**

Stalprodukt SA was established on 01.07.1991, in the process of restructuring of Tadeusz Sendzimir Steelworks (now the Branch of ArcelorMittal Poland S.A.), using an innovative path of privatization. The Company started its operations on 01.07.1992, with a 60-percent participation of employees and a 40-percent participation of Tadeusz Sendzimir Steelworks in Krakow. Upon the commencement of business the Company acquired against consideration of HTS materials, inventory, work in progress and finished goods, and equipment and intangible assets of the former Metallurgical Processing Plant HTS. In 1995-1996, the Company purchased all the assets leased from Tadeusz Sendzimir Steelworks, including the right of perpetual usufruct of land, buildings, structures, machinery and equipment.

The Company's shares were introduced into public trading and the stock exchange. They are listed on the Warsaw Stock Exchange since 06.08.1997.

The Company is the manufacturer of highly processed steel products such transformer sheets and strips, cold formed profiles and tubes, hot and cold rolled sheets and strips, road safety barriers and toroidal cores. The production plants are located in Bochnia, Krakow and Tarnow. Significant part of the production goes to export markets, mainly to EU countries.

The sales of products are pursued directly by the Company and by the national sales network with departments localized all over the country, managed by the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. based in Bochnia.

Internal organizational units (subsidiaries) which prepare independent financial reports are not included in the Company's enterprize. Stalprodukt S.A. is the Parent Company and prepares a consolidated financial report.

The Stalprodukt S.A. Capital Group is established for an unlimited time.

The consolidated financial statements are presented for the year 2020, and comparable financial data for the year 2019.

Composition of Management Board's and Supervisory Board

In 2020, the Management Board of Stalprodukt S.A. worked in the following composition:
- from 1 January to 28 April 2020:

- 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

- therefore, in the period from 29 April to 31 December 2020, the Management Board worked in the following composition:

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

The Supervisory Board in 2020 included:
- from 1 January to 15 April 2020:

- 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

- from 15 April to 31 December 2020:

- Stanisław Kurnik - 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

Certified Auditor

Polscy Biegli Sp. z o.o.

Ul. Bema 87 lok U3

01-233 Warszawa

Banks

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

Listing on the regulated market

The Company's shares are traded on the Warsaw Stock Exchange from 06.08.1997 r.

Significant Shareholders of the Parent Company

As of 31.12.2020 r. the shareholders entitled to above 5 % of votes at the General Meeting of Shareholders:

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,
  i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,
- FCASE Sp. z o.o. Sp. k. holding 300,010 shares, accounting for 5.38 %-share in capital and 1,500,050 votes, accounting for 12.30 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579,652 shares, accounting for 10.39 %-share in capital and 1,095,488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1,066,100 shares, accounting for a 19.10 %-share in capital and 1,066,100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

Subsidiary

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

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting	share-holding of the parent company
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100.00	100.00	100.00
2.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00

3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100.00	100.00	100.00
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100.00	100.00	100.00
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100.00	100.00	100.00
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	Go Steel Frydek Mistek a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	100.00	100.00	100.00
10.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
11.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary compnany	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
12.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92.82	92.82	88.11
13.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99.61	99.61	94.56
14.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	80.00	74.29	80.00
15.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	shares held by Stalprodukt S.A./personal links	not applicable	not applicable	19.51	19.51	19.51
16.	StalNet Sp. z o.o.	Kraków	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	28.00	28.00	28.00
17.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	personal	not applicable	not applicable	0.00	0.00	0.00
18.	STP Investment S.A.	Bochnia	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00
19.	FCASE Sp. z o.o. Sp. k.	Myślenice, Jawornik	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00
20.	ArcelorMittal Sourcing a société en commandite par actions	Luxembor	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00

2. Compliance with the International Financial Reporting Standards

From January 1, 2005 Stalprodukt SA, The Issuer of securities, admitted to public trading in accordance with the Accounting Act dated 29 September 1994 (uniform text of Polish Journal of Laws Dz.U. of 2018, item. 395, as amended) and pursuant to the Resolution of AGM dated 30 June 2005, draws up the individual financial statements in accordance with IAS/IFRS, adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Group applied MSSF1 "the application of the international financial reporting standards for the first time" in the Annual Report for the year ended 31 December 2005. Date of transition to IFRS was 1 January 2004.

These consolidated financial statements have been drawn up in all material respects in accordance with IAS/IFRS, and in the scope not regulated by these standards, as required by the Act of 29 September 1994 on Accounting (Polish Journal of Laws Dz.U. of 2018, item 395, as amended) and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state (Polish Journal of Laws Dz.U. of 2018, item 757, as amended). The presented financial statements and comparable financial data include recommendations given by an entity authorized to audit.

Assumptions for the Continuation of Economic Activities

The Report was prepared with the assumption that the Group's economic activities would be continued and no circumstances indicate that such activities are threatened. As of the report signing day, the Company's Management Board does not record any facts or circumstances which would indicate a threat to the continuation of the economic activities to be pursued by the Issuer in the 12-month period following the balance-sheet day.

Functional and Presentation Currency

The currency in use, as the basic currency of the economic environment in which the Group operates is the Polish zloty. An exception is the Czech company for which the Czech crown is the functional currency. This Polish zloty is also the currency used in the consolidated financial statements.

Consolidation Method

At the Parent Company's level, all the Capital Group's companies undergo full consolidation.

Compliance with International Financial Reporting Standards

Since 1 January 2005 Stalprodukt S.A., as the issuer of securities admitted to public trading, in accordance with the Accounting Act of 29 September 1994 (full text in the Polish Journal of Laws 2018, item 395 as amended) and based on the resolution of the General Meeting of

Shareholders of 30 June 2005, has been preparing separate financial statement in accordance with the IFRS adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Company applied IFRS 1 "First Adoption of International Financial Reporting Standards" in its annual financial statement for the year that ended on 31 December 2005. The implementation date of the International Financial Reporting Standards was 1 January 2004. These financial statements have been prepared in all material respects in accordance with the IFRS; and to the extent not regulated by the above standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (the Polish Journal of Laws of 2018, item 395 as amended) and the requirements set out in the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by laws of a non-member state (the Polish Journal of Laws of 2018, item 757 as amended). The presented financial statement and comparable financial data take into account the recommendations of the entity authorised to audit.

Assumption of continued business activity

The statement has been prepared on the assumption that the Issuer's and the Group entities' business activities will continue, and no circumstances indicate a threat to the continuation of such activities. As at the date of signing the financial statement, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to continue the business activity by the Issuer in the period of 12 months after the balance sheet date.

Functional currency and presentation currency

The functional currency and the basic currency of the economic environment in which the Capital Group entities operate is the Polish zloty. The exception is the Czech company for which the functional currency is the Czech koruna. The Polish zloty is the presentation currency in the financial statement.

Consolidation method

At the level of the parent company, all the companies in the capital group are subject to full consolidation, with the exception of StalNet sp. z o.o. which is consolidated using the equity method.

Hedge accounting method

The analysis of risks and benefits related to the adoption of hedge accounting solutions introduced by IFRS 9 financial instruments in the context of the characteristics of the portfolio of financial instruments in the Capital Group made it possible to decide that hedge accounting should remain in line with IAS 39 "Financial Instruments". The application of IFRS 9 in the part concerning hedge accounting is not expected to have a significant impact on the financial statement of the Group in relation to the concluded transactions. At the same time, the Capital Group monitors the work carried out by the International Accounting Standards Board, including in relation to the date of mandatory application of its provisions relating to the area of hedge accounting.

Hedge accounting shall be used only if the following requirements are met:
- formal documentation has been prepared before the commencement of hedge accounting,
- the planned transaction is highly probable and its characteristics indicate that it is threatened by changes in cash flows that may affect the Group's financial result,
- the effectiveness of the hedge can be reliably measured on the basis of the reliably determined fair value of the hedged item or cash flows related to it and the fair value of the hedging instrument,
- in the reporting period, hedge effectiveness is measured on an ongoing basis and remains at a high level, and does not differ materially from the assumptions adopted in the documented risk management strategy.

The effectiveness measurement consists in comparing changes in the fair value of the hedging instrument with changes in the value of the hedged item. A relationship is considered effective if the ratio of these two quantities (E) is in the range of 80-125%. The revaluation reserve and adjustment of sales revenues includes an amount not greater than 100% of the change in the fair value of the hedged item. The remainder (if effectiveness is within the range of 100-125%) is recognized as financial revenue or expenses. In case of ineffectiveness of the relationship (E<80% or E>125%), the transaction is reclassified to the category of held-for-trading. For Asian option transactions (clearing to the monthly average price/per rate), effectiveness is measured against the intrinsic value. The time value of hedging options is treated as an instrument held for trading and recognized on an ongoing basis in the profit and loss account.

Derivatives that do not meet the above requirements are classified as financial instruments held for trading.

3. Accounting principles (policy) applied

From 1 January 2005 the Company applies the accounting principles (policy), including the methods of valuation of assets and liabilities, as well as revenue and expenses, determining the financial result and preparing financial statements, in accordance with the IFRS, adopted by the European Union, and in cases not regulated by the IFRS, based on the Accounting Act.

On December 16, 2019, the accounting principles (policy) were updated to take into account the adjustment to the requirements of IFRS 16 regarding leasing.

For a clear and complete understanding of this financial statement, we present below the basic principles for the valuation of assets and liabilities, calculation of the financial result and other accounting principles adopted by the Parent company.

Fixed assets

a) As at the date of implementing the IAS, in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company adopted the valuation of property, plant and equipment used so far at fair value and decided to use this value as the expected (alleged) cost as at that date. The revaluation was carried out by the company itself with the participation of technical services, based on its own technical and market knowledge, taking into account the previous period of use of the assets, their degree of wear and tear, improvements made, modernisation and repairs. The following useful lives and depreciation rates were adopted for property, plant and equipment used by the Company before the date of the IAS for property, plant and equipment: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), general-purpose machinery and equipment 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).
The difference (surplus) on account of initial revaluation (revaluation) was recognized in equity as retained profit,
b) items of property, plant and equipment qualifying for recognition as an asset, initially (at the time of taking over for use) are estimated at purchase price or production cost. The initial value of property, plant and equipment includes their purchase price or production cost plus all costs directly attributable to the purchase and adaptation of the asset to its usable condition. The initial value of fixed assets is increased by the amount of expenditure incurred for their improvement (alteration, extension, reconstruction, modernisation),
c) after initial recognition as an asset, an item of property, plant and equipment is carried in the balance sheet according to the cost model, i.e. the cost of acquisition or production less the amount of accumulated depreciation and any accumulated impairment losses. The reduction in depreciation does not apply to land and the right of perpetual usufruct of land, in relation to which no depreciation write-offs are made,
d) each part of an item of property, plant and equipment with a cost that is significant in relation to the cost of the item as a whole and the useful life of that part that is significantly different from the expected useful life of the item as a whole shall be depreciated separately,
e) fixed assets with a unit initial value of up to PLN 10 000 are written off as costs at the moment they are taken into operation,
f) other fixed assets or their separate and significant components are depreciated using the straight-line method on the basis of rates estimated on the basis of their expected useful life, taking into account their residual value, if it is a significant amount. Residual value is the estimated amount an entity would obtain from disposal of an asset after deducting the estimated costs of disposal if the assets were of the age and condition expected to exist after the end of its useful life. No significant residual values have been recognized for the

fixed assets used so far. With regard to new investments in machinery and equipment, the Company adopts the period of their economic usefulness of 10 – 20 years.
Depreciation rates are subject to annual verification of their compliance with the economic useful life of fixed assets.
Their residual values, if any, are also subject to verification,
g) fixed assets under construction are valued at the total costs arising directly from their acquisition or production, less impairment losses, if any. Fixed assets under construction are not depreciated until their construction is finished and they are delivered for use,
h) costs of overhauls of fixed assets are capitalised and depreciated in periods equal to the overhauls cycles. Costs of current maintenance of fixed assets and their maintenance affect the financial result of the period in which they were incurred,
i) intangible assets are recognized if they are identifiable, controlled and it is probable that in the future they will result in an inflow of economic benefits to the Company that may be directly related to such assets. An intangible asset is initially measured at cost (of acquisition or production). Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. The general principles for determining initial cost are similar to those for other assets (property, plant and equipment, stock). Intangible assets are carried in the balance sheet at cost less depreciation and accumulated impairment losses (the historical cost model). They are depreciated on a straight-line basis over their useful lives, which should be determined reliably. Intangible assets with an indefinite useful life are not amortised, but tested for impairment. As at the balance sheet date, the useful life of intangible assets is subject to verification,
j) In case of occurrence of premises indicating the possibility of loss of value of owned components of tangible fixed assets and intangible assets, a test for loss of value will be conducted, and the established amounts of revaluation write-offs will decrease the balance sheet value of the asset to which they refer and will be included in the profit and loss account. The amount of revaluation write-downs is determined as the surplus of the balance sheet value of these components over their recoverable value. Recoverable value corresponds to the higher of the following value: net selling price or value in use measured by the generated cash flows of a given asset or cash-generating unit, discounted to its present value using a discount rate reflecting current market prices, the time value of money and the risk related to the given asset.
The amounts of recognized revaluation write-downs are reversed if the reasons for their creation have ceased to exist. The effects of reversal of write-downs are recognized in the profit and loss account as other operating income,

k) loans and long-term receivables are measured at adjusted acquisition cost (amortised cost) using the effective interest rate method, while observing the materiality principle.
Realised profit and loss arising from changes in their value are recognized in the profit and loss account in the period in which they arise,

l) investment properties are valued as fixed assets according to the cost model, ie purchase price or production cost, reduced by the amount of accumulated depreciation (depreciation) and accumulated impairment write-offs,

ł) long-term financial assets in related parties (shares, stocks) are measured at cost less impairment losses,

m) tangible assets used on the basis of financial leasing contracts, which transfer to the beneficiary basically all benefits and risks associated with the possession of assets, are shown in the balance sheet in accordance with the cost model, as are all assets of the tangible assets. Lease charges are divided between financial expenses and reduction of outstanding liability. Financial charges are recorded directly in the profit and loss account. Fixed assets used on the basis of a financial lease contract are amortized during their useful life. Lease agreements in which all risks and profits are retained by the lessor are qualified as operational lease contract. The costs of leasing fees is charged on a linear basis to profit and loss account throughout the effective term of the contract,

n) in accordance with IFRS No. 3, the negative goodwill of a company at the time of its formation is written off once into revenues. Negative goodwill which occurred before the date of transition to the IAS was removed from the balance sheet and written off in full into the undivided result from previous years, thus increasing equity. The negative goodwill that arose after 1 January 2004 is directly charged to the profit and loss account (increase of the financial result).

Current assets

The stock – is valued according to actual purchase prices or production costs, not higher than their net realisation value (net selling prices). The net realisation value is the estimated selling price in the ordinary course of business, less the estimated costs of completing the stock components and the costs necessary to make the sale, including materials, work in progress, semi-finished products, finished products and goods.

The value of stock sale is measured at the weighted average cost

The cost of finished products and work in progress includes the cost of direct materials, labour and other costs, as well as an appropriate margin for indirect production costs determined on the basis of normal production capacity utilisation, excluding borrowing costs.

The following are not classified as manufacturing costs:

- costs resulting from unused manufacturing capacity and manufacturing losses,
- administrative costs not related to bringing the product to the form and location as at the valuation date.

Any write-downs of stock to the net realisable value and any losses in stock are recognized as operating expenses in the period in which the write-down or loss occurred. If the circumstances that caused the decrease in the value of stock cease to exist or if there is clear evidence of an increase in the value of net realisable value, the amount of the previously made write-down is restored (reversal of the write-off). The amount corresponding to the recovery of stock due to an increase in the net realisable value shall be recognized as a reduction in the cost of stock recognized in the profit and loss account during the period in which the recovery occurs.
The Group keeps records of the quantity and value of materials. It is allowed to write off materials in the costs of purchase without any quantitative and value records, provided that the materials are delivered for use immediately after their purchase.
Spare parts for machinery and equipment with an expected service life (of over one year) are presented in the balance sheet under item tangible fixed assets,
a) receivables and short-term trade claims – are recognized according to the amounts initially invoiced, taking into account write-offs for bad debts, charged to other operating costs.
Receivables denominated in foreign currencies are measured at the balance sheet date at the closing rate at that date, while transactions in foreign currencies are measured at the spot exchange rate at the transaction date. Foreign exchange differences resulting from the valuation are recognized in the profit and loss account of the period in which they arise (financial revenue/costs).
In accordance with the adopted accounting principles (policy), impairment losses are created for the following

- domestic receivables not paid within 6 months and export receivables over 9 months,
- disputed receivables and receivables relating to liquidation and bankruptcy proceedings, as well as composition and settlement proceedings,
- interest on receivables, accrued but not paid.

b) cash and cash equivalents recognized in the balance sheet comprise cash at bank and in hand, short-term deposits and other highly liquid instruments. They are valued at their nominal value. Cash and cash equivalents expressed in foreign currencies are valued at the balance sheet date at the closing rate, which is the spot exchange exposure. The resulting foreign exchange differences are recognized as financial income or expenses.

Liabilities

1.1. Equity capital comprises: share capital, supplementary capital, reserve capital, revaluation reserve, undistributed profit/loss from previous years and current period result. All capitals are valued at their nominal value. The value of own shares is deducted from equity.

The share capital is presented in the amount specified in the contract and articles of association and entered in the court register. Declared but not unrealised capital contributions are included as contributions to capital due. The share capital represents ordinary bearer shares and named preference shares.

The supplementary capital is created in the company on a mandatory (statutory) basis and is to be used to cover a possible lack of share capital. According to the Commercial Companies Code, a company must allocate to reserve capital at least 8% of its annual net profit until such time as this capital does not reach 1/3 of the share capital.

The supplementary capital shall be increased by surpluses at the issue of shares above their nominal value and by revaluation differences of fixed assets that have been liquidated or sold. Additionally, the supplementary capital was increased in 2005 due to revaluation of fixed assets to fair value as at the date of transition to the IFRS, as retained earnings.

The remaining reserve capitals are created from profit, the division of which is decided by the General Meeting of Shareholders. These capitals are used to finance investments and working capital and to cover potential losses. The use of these capitals is decided by the General Meeting of Shareholders. A separate item of liabilities in the consolidated financial statements shows minority capital, constituting shares in the equity of subsidiaries, belonging to entities other than those covered by consolidation.

1.2. Bank credits, loans and other financial liabilities (lease) – are measured at amortised cost (adjusted purchase price) using the effective interest rate method, while observing the materiality principle. Interest expense is allocated to appropriate periods and recognized in the profit and loss account.

1.3. Short-term trade liabilities are recognized according to the amounts initially invoiced. Liabilities expressed in foreign currencies are measured at the spot exchange rate, which is the closing rate as at the balance sheet date. Foreign exchange differences arising as a result of valuation are charged to financial revenue or expenses in the profit and loss account.

1.4. Provisions are created if there is:

- a liability (legal or constructive) at the balance sheet date arising from past events,
- the probability of necessity to spend money,
- the possibility of making a reliable estimate.

In accordance with the adopted accounting principles (policy), the Group creates provisions for:

- a temporary difference in income tax expense due to the difference during the recognition of income as earned or expense as incurred under the balance sheet and tax laws and regulations,
- employee benefits (retirement severance pay),

- other provisions for expected or probable losses from business operations, which have a significant impact on the financial result, while observing the materiality principle.

Provisions for income tax are created using the balance sheet liabilities method in relation to all temporary differences occurring as at the balance sheet date between the tax value of assets and liabilities and their balance sheet value disclosed in the financial statements. Deferred tax liabilities are recognized in respect of taxable temporary differences and deferred tax assets are recognized in respect of taxable temporary differences.
Balance sheet value of assets under deferred income tax is reviewed per each balance sheet date and will be reduced accordingly, as much as it has ceased to be likely to achieve taxable income sufficient to partially or totally execute component of assets under deferred income tax.
The difference between the balance of deferred tax liabilities and deferred tax assets at the end and beginning of the reporting period affects the financial result or equity, if the provisions and assets relate to operations settled directly with equity.

Retirement bonus is determined using the actuarial method and its amount depends on the current period of employment, which determines the degree of benefit generation, as well as the employment turnover rate, probability of payment and discount rate. Provisions for employee benefits are settled as at the balance sheet date ending the financial year.

1.5. Prepayments and accruals

The Company recognizes prepayments if the costs incurred relate to future reporting periods. Accruals are recognized at the amount of probable liabilities relating to the current reporting period.

Profit and loss account

1. Revenues from sales include the fair value of revenues from the sale of products, goods and services less the value added tax.
Revenue is recognized in two material categories:
   - sales of products (including services),
   - sales of goods and materials.

Revenue is recognized in the amount in which it is probable that the Company will obtain economic benefits related to a given transaction and when the amount of revenue can be reliably valuated.

2. In accordance with IFRS No. 15, revenues are recognized when a customer obtains control over a good or service. The customer obtains such control when they have the ability to control the use of the good or services and obtain benefits from them.

3. An entity recognizes a contract with the customer covered by this standard only if all of the following criteria are met:

a) the parties have entered into the contract (in writing or verbal form or in accordance with other customary commercial practice) and are obliged to perform their liabilities;

b) the entity is able to identify the rights of each party regarding the goods or services to be transferred;

c) the entity is able to identify the payment terms and conditions for goods or services to be transferred;

d) the contract has commercial substance (i.e. it can be expected that as a result of the agreement the risk, schedule or amount of future cash flows of the entity will change); and

e) it is probable that the entity will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the customer.

4. Costs of sold products and services, goods and materials include costs directly related to their production or purchase.

Cost of goods and services is presented in two basic categories:

- manufacturing costs of the products sold (including services),
- costs of the goods and materials sold.

Selling expenses include trade costs, representation and advertising costs.

Administrative expenses include the costs of managing the entity and the costs of administration and representation.

5. The financial result is also influenced by:

- other revenues and operating costs indirectly related to the activity
including gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, creation and release of provisions for future risk, penalties, fines and damages, receipt or transfer of donations,
- financial income due to dividends (shares in profits), interest, gains on disposal of investments, revaluation of investments, surplus of positive foreign exchange differences over negative ones,
- financial cost due to interest, gains on disposal of investments, revaluation of investments, surplus of negative foreign exchange differences over positive ones,
- mandatory charges of the financial result under corporate income tax.

6. Interest income, accrued on an accrual principle, is subject to a write-off (provision) in its full amount, applying the prudence concept. In the profit and loss account, interest received on a cash basis shall be recognized.

7. Operating expenses are recognized in the period to which they relate.

Borrowing costs directly related to the acquisition or production of property components requiring a longer period of time to be fit for use or resale are added to the costs of production of such their fixed assets, until the moment of putting these fixed assets to use.
All other borrowing costs are recognized directly in the profit and loss account in the period they were incurred (IAS 23).

8. Income tax reported in the profit and loss account includes a current and a deferred part. Current tax is a tax liability on account of taxation of income for a given financial year, determined using tax rates effective as at the balance sheet date and tax adjustments relating to previous years.

9. The principle of grouping costs by type in the accounts of group 4 was adopted and settling them by type of activity in the accounts of group 5. The Company applies and presents in the report the multiple-step variant of the profit and loss account.

Professional judgement, estimates and assumptions

The preparation of financial statements in accordance with the IFRS requires the Management Board to exercise professional judgement, estimates and assumptions that affect the adopted principles and the presented values of assets, liabilities, revenue and expenses. Estimates and related assumptions are based on historical experience and other factors that are considered reasonable under given circumstances, and their results provide a basis for professional judgement as to the carrying amount of assets and liabilities that does not directly result from other sources. The actual value may differ from the estimated value. Estimates and related assumptions are subject to ongoing verification. Changes in accounting estimates are recognized in the period in which they are made.
The main assumptions and estimates in the process of applying the accounting principles (policy) regarding the balance sheet values are:

a) write-offs updating the value of receivables (note 6b, note 6f),
b) write-offs updating the value of inventories (note write-downs),
c) provisions for retirement benefits (notes 15b, 15c),
d) deferred tax assets and liabilities (note 4, note 15a),
e) periods of depreciation of fixed assets,
f) contingent liabilities (notes 16a, 17a)
g) derivative instruments (notes regarding explanations regarding balance sheet items, note 17a, 16a, note 3a,)
h) other provisions (notes 15b, 15c).
The entities analysed the estimates and their changes as at the balance sheet date.

Principles of preparation of consolidated financial statement

a/ the consolidated financial statement and comparable consolidated data was fully consolidated in the following manner:

- the consolidated balance sheet has been prepared by aggregating all asset and liability items of the consolidated entities and eliminating related to mutual settlements, retained earnings in stock and the value of shares in subsidiaries in connection with their share capitals,
- the consolidated profit and loss account and the statement of comprehensive income were prepared by aggregating all items of revenue and expenses for the reporting period of consolidated entities and excluding turnover from mutual transactions and profits retained in inventories,
- the statement of changes in equity has been prepared by aggregating all items of changes in equity of consolidated companies relating to transactions with owners and excluding mutual transactions,
- the consolidated statement of cash flows has been prepared by aggregating all items of the accounts for the reporting period and excluding them from the consolidation procedures of the balance sheet and the profit and loss account.

b/ the consolidated net result comprises the net result of the parent company, the net result of subsidiaries in the part in which the parent company owns these entities and the share in profits in associates in the part in which the parent company owns the associate.

The consolidated net result includes:

- profit/loss on business activity, also under other operating revenues and operating costs,
- result on financial operations,
- write-off of subsidiaries goodwill,
- mandatory charges of the financial result under corporate income tax,
- share in net profits (losses) of subsidiaries measured by the equity method,
- profit (loss) of minority.

4. Changes to the applied accounting principles (policy)

The accounting principles applied to prepare these financial statements are consistent with those applied to the financial statements of the entity for the year ended December 31, 2019.

The changed standards and interpretations that are applied for the first time in 2020, do not have a significant impact on the financial statements of the Company.

Amendments to the International Financial Reporting Standards effective from January 1, 2020

- Amendments to IFRS 3: Definition of a business - As a result of the amendment to IFRS 3, the definition of a business has been modified. The definition currently introduced has been narrowed down and is likely to result in more acquisitions being classified as acquisitions of assets.
- Amendments to IFRS 7, IFRS 9 and IAS 39. Reform of interest rate benchmarks - The published changes modify some specific requirements for hedge accounting, mainly so that the expected reform of the reference rates (IBOR reform) does not generally result in the termination of hedge accounting.
- Amendments to IAS 1 and IAS 8 Definition of the term "material" - Amendments clarify materiality and increase consistency between standards.
- Conceptual Framework for Financial Reporting of March 29, 2018 - The Verified Conceptual Framework is used by the International Accounting Standards Board and the Interpretation Committee when working on new standards. Nevertheless, preparers of financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not dealt with in current IFRS.
- Amendment to IFRS 16 Leases: Rental concessions related to COVID-19 - In line with the amendments to IFRS 16 Leases: Covid-19 Rent Concessions a lessee may not assess whether a pandemic rent concession that meets all specified conditions is a modification to the lease. The lessee analyses whether all the criteria are met:

- changes in lease payments result in adjusted lease consideration that is substantially the same or less than the lease consideration for the pre-change lease terms;
- any reductions in lease payments only apply to payments originally due;
- no significant changes in and in other lease terms.

  A lessor that makes a decision shall account for any change in lease payments resulting from a rent relief in the same way it would account for a change under IFRS 16 if the change were not a change to the lease.

  As at the balance sheet date, the Company has not identified any contracts for which it could use the practical solution to IFRS 16.

The above standards, interpretations and amendments to standards did not have a significant impact on the entity's accounting policy applied so far or the presentation of financial statements.

New standards and interpretations published but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet effective:

- IFRS 14 Regulatory Deferral Accounts (published on January 30, 2014) - in accordance with the decision of the European Commission, the approval process of the standard in its draft version will not be initiated before the standard is issued in its final version - until the date of approval of these financial statements, not approved by the EU - applicable for periods annuals commencing on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28 Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on September 11, 2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed by the IASB for an indefinite period;
- IFRS 17 Insurance Contracts (published on May 18, 2017) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term - postponement of the effective date (published on January 23, 2020 and July 15, 2020, respectively) - until the date of approval of these financial statements, not approved by the EU - applicable for annual periods beginning on or after 1 January 2023;
- Amendment to IFRS 3 Business Combinations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments to IAS 16 Property, plant and equipment: revenues achieved before putting into use (published on May 14, 2020) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IAS 37 Onerous Contracts - Costs of Meeting Contractual Obligations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IFRS 17 Insurance Contracts - including, inter alia, clarifications to simplify the implementation of IFRS 17 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmarks reform - Phase 2 (published on August 27, 2020) - applicable to annual periods beginning on or after January 1, 2021.

The effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

The changes do not have a significant impact on this report of the Company.

5. Explanatory notes to the financial statement

The comparative data presented in the notes and notes to the financial statements refers to the certified comparable data.

Intangible assets

NOTE 1a - INTANGIBLE ASSETS	thousand x PLN	
	2020	2019
a) development costs	50 804	44 013
b) goodwill	17 973	17 973
c) concessions, patents, licenses and similar values, including:		
- computer software		
d) other intangible assets	17 551	15 571
e) right to perpetual usufruct of land	125 911	129 769
Total intangible assets	**212 239**	**207 326**

All intangible assets are the property of Stalprodukt. The company does not rent, lease or lease intangible assets. Research and development works concern works related to the implementation of a project in the field of renewable energy sources, i.e. the construction of a prototype of an innovative wind turbine with a vertical axis of rotation, with a capacity of 1.5 MW. In the opinion of the management, the conditions for activating works specified in IAS 38 are met (including the possibility and funds for continuing works, the possibility of applying the effects and achieving economic benefits in the future). At the same time, it should be emphasized that the current state of knowledge does not allow for the assumption of a commercialization forecast (entry included in the "Report on the implementation as part of the NCBR pilot project entitled *Support for scientific research and development works in the Demonstrator + demonstration scale"* of July 16, 2020). The choice of the method of commercialization will be possible after conducting tests and appropriate certification.

The goodwill relates to the subsidiaries of ZGH "Bolesław" S.A. The impairment test performed by the subsidiary in the subsidiary Gradir Montenegro did not identify any impairment. For the purposes of the test, the recoverable amount was determined based on the discounted cash flow analysis, which took into account, inter alia, quotations of individual raw materials as of December 31, 2020, risk assessment expressed in the discount rate, verified technical and economic assumptions in terms of mine life span, production volumes, resource abundance, operating costs and capital expenditure. In 2012, goodwill write-offs were made in the consolidated financial statements due to the permanent loss of value of shares. Goodwill in the subsidiary Gradir was written off in the amount of PLN 90,254 thousand (gross goodwill was PLN 108,227 thousand), which accounted for 100% of the goodwill. The above-mentioned write-offs were included in accordance with the resolutions adopted by the ZGH Bolesław S.A. Capital Group The impairment losses recognized did not change in 2020.

From 1 January 2019, the Capital Group applies IFRS 16 to the recognition and presentation of the right of perpetual usufruct of land as a lease. The carrying amount of the asset due to the perpetual usufruct right as at December 31, 2020 is PLN 125,449 thousand. The fee in 2020 for perpetual usufruct is PLN 4,911 thousand, depreciation of the right of perpetual usufruct of land in 2020 amounted to 1,594 thousand, and interest on leasing perpetual usufruct rights to land amounted to PLN 4,426 thousand.

1b NOTE - Changes of intangible assets (by group type)	thousand x PLN						
	a	b	c		d	e	Intangible assets, total
	cost of completed development works	goodwill	concessions, patents, licenses and similar values, including:		other intangible assets	Land use	
				- computer software			
I. gross value of intangible assets at the beginning of the period	55 006	18 380	28 855	9 403	49 821	127 451	279 513
1. increase (due to)	10 148	0	4 085	1 257	59 085	6 138	79 456
- purchase	8 342	0	1 215	1 070	17	289	9 863
- investments	0	0	1 623	0	0	0	1 623
- value of right of perpetual usufruct	0	0	0	0	0	0	0
- obtaining free-of-charge CO_2 emission allowances	0	0	0	0	59 245	0	59 245
- consolidation correction- transfer to investment properties	1 806	0	1 240	180	-180	70	2 936
- other (transfer from research and development works)						5 779	5 779
- consolidation adjustment	524	0	2 940	190	32 750	1 663	37 877
2. decrease (due to)	524	0	2 865	115	0	1 414	4 803
- sale	0	0	75	75	0	0	75
- liquidation	0	0	0	0	66	0	66
- reclassification (from investments)	0	0	0	0	32 684	0	32 684
- obtaining free-of-charge CO_2 emission allowances	0	0	0	0	0	249	249
- other decreases							
II. gross value of intangible assets at the end of the period	64 630	18 380	30 000	10 470	76 156	131 926	321 092
1. accumulated amortization (depreciation), at the beginning of the period	10 994	0	14 982	6 788	48 215	3 535	77 726
2. depreciation for the period (due to)	1 628	0	528	733	24 879	2 480	29 515
a) depreciation allocated to the costs	1 104	0	2 301	916	1 284	2 514	7 203
b) decrease due to sale	0	0	0	86	0	28	28
c) decrease due liquidation or CO_2 emission allowances	524	0	1 718	41	23 595	0	25 837
d) decreases - other	0	0	0	0	0	0	0
e) decreases due to reclassification and consolidation adjustment	0	0	0	0	0	6	6
III. accumulated amortization (depreciation) at the end of the period	11 574	0	15 510	7 521	73 094	6 015	106 193
1. write-offs for permanent loss of value at the beginning of the period	2 253	0	0	0	0	0	0
- increases	2 253	407		0			2 660
- decreases				0			0
2. write-offs for permanent loss of value at the end of the period	4 506	407	0	0	0	0	2 660
IV. net value of intangible assets at the end of the period	48 550	17 973	14 490	2 949	3 062	125 911	212 239

The amount of PLN 407 thousand of the impairment loss results from the merger of the companies of the ZGH "Bolesław" S.A. Capital Group In March 2019, the companies Przedsiębiorstwo Robót Drogowych in Olkusz (acquired company) and Boltech (acquiring company) merged. The merger took place without the creation of new shares, without increasing the share capital of the acquiring company and without changing the articles of association of the acquiring company (merger by acquisition). Due to this, appropriate consolidation adjustments were made.

NOTE 2a - TANGIBLE FIXED ASSETS	thousand x PLN	
	2020	2019
1. fixed assets, including:	**1 995 491**	**1 769 735**
a) land	**32 007**	**31 733**
b) buildings, premises, civil engineering objects	**676 265**	**572 551**
c) plants and machinery	**1 243 780**	**1 119 210**
d) means of transport	**24 388**	**26 136**
e) other fixed assets	**19 051**	**20 103**
2. fixed assets under construction	**138 511**	**282 557**
3. advances for fixed assets under construction	**578**	**-12**
Tangible fixed assets, total	**2 134 580**	**2 052 279**

As of the balance sheet day, the undermentioned real properties owned by the ZGH “Bolesław” S.A. Capital Group, are encumbered by the following mortgages acting as property collaterals:

- contractual mortgage (KWGL1T/00094659/8) amounting to PLN 37 thousand,
- contractual mortgage (ownership right to the industrial building) amounting to PLN 46,195 thousand.

Also tangible fixed assets transfer agreement is in force as of the balance sheet day:

- vibration roller AV 20-2 No ser. 10891 year of production 2008 valued at PLN 66 thousand,
- vibration roller AV 85-2 No ser. 106698/0339 year of production 2008 valued at PLN 199 thousand.

Other tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.

Tangible fixed assets were measured at cost, i.e. purchase price (production cost) less accumulated depreciation (depreciation) charges. As at the balance sheet date, no impairment write-offs were made for tangible fixed assets in the electrical sheet metal segments and the profiles segment, as there were no indications of this. In the reporting year, a decrease in production volumes was recorded by 13%, which due to circumstances (including working time shortened by 20% in the first quarter of 2020) should be considered proportionate. At the same time, due to the lack of external and internal premises, in the opinion of the Company, there were no factors causing the necessity to make write-offs for impairment of segment assets. No unused production capacity has been recognized in the zinc segment.

As at 31/12/2020, in the subsidiary ZGH "Bolesław" S.A., the amount of the revaluation write-off on fixed assets under construction is PLN 13,680 thousand. The revaluation write-off was created in previous years in connection with the suspension of investment tasks related to the Construction of the New Bath Hall and the Extension of the Ługownia (in terms of the jarosite junction). In the financial year 2017, a decision was made to continue the construction of a new hall. Compared to the original concept, however, the location, technology and scope of the project have changed. Therefore, the machines and devices for which the revaluation write-off was made were only partially used in this investment. In 2020, the impairment loss for the amount of PLN 13,282 thousand was reversed.

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)	thousand x PLN					
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
I. gross value of fixed assets at the beginning of the period	**31 376**	**1 213 540**	**2 257 872**	**68 512**	**36 447**	**3 607 747**
1.increases (due to)	***299***	***154 424***	***268 810***	***6 495***	***1 921***	***431 949***
a) investments	0	818	7 145	334	268	8 565
b) from the purchase	0	143 790	130 332	2 222	1 056	277 400
c) relocation of major repairs - investments	0	0	0	0	0	0
d) change of state part. in accordance with IAS to fixed assets	0	0	0	0	0	0
e) leasing	0	0	154	2 253	0	2 407
f) currency translation differences from consolidation	299	5 792	34 523	1 512	470	42 596
g) other *	0	4 024	96 656	174	127	100 981
2. decrease (due to)	***24***	***113 674***	***74 578***	***5 986***	***1 404***	***195 666***
a) sale	20	2 704	275	928	0	3 927
b) liquidation	0	101 992	42 433	4 614	323	149 362
c) retraining / from investment /	0	0	0	0	0	0
change in the condition of spare parts in accordance with IAS for fixed assets	0	0	2 043	0	0	2 043
d) other adjustments	0	8 951	0	0	0	8 951
e) inventory differences, other	4	27	29 827	444	1 081	31 383
II. gross value of fixed assets at the end of the period	**31 651**	**1 254 290**	**2 452 104**	**69 021**	**36 964**	**3 844 030**
1. accumulated depreciation (amortization), at the beginning of the period	***0***	***638 015***	***1 137 999***	***42 370***	***16 337***	***1 834 721***
2.depreciation for the period (due to)	***-356***	***-62 965***	***69 665***	***2 263***	***1 566***	***10 173***
- depreciation included in costs	0	40 841	104 010	6 704	2 706	154 261
- reduction due to sale	0	1 395	217	530	16	2 158
- reduction due to liquidation	0	98 212	24 829	4 721	1 254	129 016
d) reduction for other reasons	-356	-216	-20 145	627	86	-20 004
e) decrease due to reclassification and consolidation adjustments	0	92	3 659	0	0	3 751
f) exchange rate differences	0	-4 628	-14 522	0	-90	-19 240
g) other adjustments	0	8 951	0	0	0	8 951
h) increase due to the purchase of GO Steel	0	0	0	0	0	0
III. accumulated depreciation (amortization) at the end of the period	**-356**	**575 050**	**1 207 664**	**44 628**	**17 904**	**1 844 894**
h) write-offs for permanent loss of value, at the beginning of the period	0	2 975	660	6	4	3 645
- increase	0	0	0	0	0	0
- decrease	0	0	0	0	0	0
i) write-offs for permanent loss of value, at the end of the period	0	2 975	660	6	4	3 645
IV. net value of fixed assets at the end of the period	**32 007**	**676 265**	**1 243 780**	**24 388**	**19 051**	**1 995 491**

* for increases, g) others include: acceptance from research and development for fixed assets ZGH Bolesław - project co-financed by the National Centre for Research and Development

Depreciation of lease fixed assets according to IFRS16 in 2020 for technical equipment and machinery amounts to PLN 4,660 thousand, and for means of transport PLN 505 thousand.

OTE 2c – BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousand x PLN	
	2020	2019
1. own assets	1 970 978	1 757 693
2. assets used under rental, lease, tenancy or other types of agreements, including leasing agreement, including:	24 513	24 766
- leasing agreement	24 513	*24 766*
Total balance sheet fixed assets	**1 995 491**	**1 769 735**

The position 'tangible fixed assets', includes technical equipment and machinery and means of transport which are subject to financial leasing. The Company, as the benefiting leaseholder, defined the basic accounting principles referring to leasing in section 3 of this Additional and Explanatory Information. The initial value of the objects of leasing amounts to PLN 30,711 thousand and the net value as of the balance sheet day is PLN 24,513 thousand. The liabilities in respect of the leasing amount to PLN 23,979 thousand, including: long-term ones PLN 15,615 thousand, and short-term ones PLN 8,364 thousand.

Long-term receivables

Long-term receivables as at 31 December 2019 in the amount of PLN 703,000 and as at 31 December 2020 in the amount of PLN 683 thousand constitute construction deposits related to the performance of road works during the warranty period.

NOTE 3a – LONG-TERM INVESTMENT	thousand x PLN	
	2020	2019
1) investment properties	**9 836**	**10 678**
2) long-term financial assets	**2 919**	**9 985**
a) stocks and shares	*442*	*441*
b) long-term loans	*443*	*613*
c) other long-term financial assets	*2 034*	*8 931*
3) Investments in associated entities	**16 076**	**16 085**
Long-term investment, total	**28 831**	**36 748**

The amount of investment properties does not show the loss of value. The value shown in the statement of financial

NOTE 3b - *CHANGES IN LONG-TERM FINANCIAL ASSETS (BY TYPE GROUPS)*	w tys. zł	
	2020	2019
1. balance at the beginning of the period, including:	**10 024**	**75 154**
a) shares or stocks	*480*	*20 541*

b) loans granted	*613*	*0*
c) other securities	*8 931*	*0*
d) other long-term financial assets	*0*	*54 600*
2. *increases (due to)*	**832**	**2 568**
a) in-kind contribution	*0*	*0*
b) purchase of shares	*832*	*27*
c) other long-term financial assets	*0*	*1 845*
d) valuation of securities	*0*	*0*
e) loans granted	*0*	*696*
3. *decreases (due to)*	**7 937**	**67 697**
a) reclassification of securities to short-term	*170*	*13 950*
b) reclassification of the loan from long-term to short-term	*0*	*83*
c) sale of shares	*7 767*	*6 150*
d) reclassification of other financial assets to short-term	*0*	*47 514*
e) transfer to investments in associates	*0*	*0*
e) derecognition of the valuation by equity method	*0*	*0*
4. *balance at the end of the period*	**2 919**	**10 024**

NOTE 3b' - CHANGE IN INVESTMENT PROPERTY	**thousand x PLN**	
	2020	**2019**
balance at the beginning of the period	**10 678**	**7 675**
2. *increases*		**3 744**
- reclassification to long-term investments		*1 517*
- entry from investments		
- valuation in accordance with IFRS 16 perpetual usufruct right		*2 227*
- real estate purchase		
a) *from investments*		
3. *decreases*	**842**	**741**
a) depreciation	*842*	*741*
b) decommissioning (sale) of facilities		
c) reclassification to fixed assets		
4. *balance at the end of the period*	**9 836**	**10 678**

The investment properties of the ZGH Bolesław S.A. capital group include: the initial gross value of the investment properties, which is: PLN 7 thousand, the accumulated depreciation calculated until December 31, 2020 is: PLN 4,376 thousand. Depreciation rate: from 3.34% to 9.39% determined according to the anticipated period of use. Total rental income for 2020 amounted to PLN 565 thousand. The value of investment properties is not impaired. The value disclosed in the statement of financial position is lower than its fair value.

Investment properties Stalprodukt Centrostal Kraków Sp. z o. o. are fixed assets leased to third parties, including: the right of perpetual usufruct of land with a gross value of PLN 3,913,000; and buildings and structures with a gross value of PLN 5 128 thousand. These properties are not intended for sale. Total rental income for 2020 amounted to PLN 791 thousand, while the costs related to real estate are estimated at approximately PLN 469 thousand. The accumulated depreciation calculated until December 31, 2020 for the right of perpetual usufruct of land amounts to PLN 110 thousand for buildings and structures it is PLN 2,314 thousand. The depreciation rate for the building is 2.5%, for the structure 4.5%, and the perpetual usufruct right is 1.41% determined according to the anticipated period of use

NOTE 3c – SHARES IN SUBSIDIARIES												
	thousands of PLN											
	a	b	c	d	e	f	g	h	i	j	k	l
No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	4 270	0	4 270	100	100	
2.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	10 797	10 797	0	100	100	
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	2 450	0	2 450	100	100	
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	600	0	600	100	100	
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	20 864	0	20 864	100	100	
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	36 916	0	36 916	100	100	

7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	15 344	695	14 649	100	100	
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	275 581	0	275 581	94,93	94,93	
9.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	454	0	454	80.00	74.29	
10.	Go Steel Frydek Mistek a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	170 618	0	170 618	100	100	

NOTE 3c' – STOCKS OR SHARES OF ZGH "Bolesław" S.A. IN SUBSIDIARY COMPANYS SUBJECT TO CONSOLIDATION												
	w tys. zł											
	a	b	c	d	e	f	g	h	i	j	k	l
Lp.	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	BOLTHERM Sp. z o.o.	Bukowno	Production and distribution of heat, alteration services, production of dolomite aggregates, zinc products, transport- and equipment-reated services	subsidiary	full consolidation	01.03.2004	16 639	-10 445	6 194	100.00	100.00	

2.	Karo Sp. z o.o.	Bukowno	Detective-investigation- and security-related activities	subsidiary	full consolidation	01.03.2004	304		304	100.00	100.00	
3.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	Production and sales of zinc and lead and alloys of these metals	subsidiary	full consolidation	29.09.2010	22 408		22 408	92,82	92,82	
4.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	Excavation and production of zinc and lead concentrates	subsidiary	full consolidation	11.07.2011	154 473	-100 981	53 492	99,61	100,00	

NOTE 3c'' – STOCKS OR SHARES IN AN ASSOCIATED COMPANY										
Lp.	w tys. zł									
	a	b	c	d	e		f	g	h	i
					including:					
	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	book value of shares		- capital held	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
1.	StalNet Sp. z o.o.	Bochnia	Internet commerce	39	57 413	200	28.00	28.00		

NOTE 3d – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES SUBJECT TO CONSOLIDATION

	thousand x PLN																	
	a	m							n			o			p	r	s	t
		Equity of the unit, including:				Other equity, including:			Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:						
No	name of entity		- share capital	- called up share capital (nega-tive value)	- supplementary capital		Previous years' profit (loss)	Net profit (loss)		-long-term liabili-ties	- short-term liabilities		- long-term receivables	- short-term receivables	Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	divi-dends received or receivable from the unit for the last financial year
1.	Stalprodukt -Wamech sp. z o.o.	**18 591**	4 270		0	12 723	-990	2 588	**9 203**	0	5 935	**10 317**	0	10 317	**27 793**	**35 292**		
2.	Stalprodukt -Centrostal sp. z o.o.	**10 555**	10 797		0	1 648	-502	-1 388	**3 577**	2 223	1 058	**3 339**	0	3 339	**14 132**	**5 291**		
3.	Stalprodukt -Zamość sp. z o.o.	**26 177**	2 450			22 127		1 601	**10 493**	2 510	6 954	**7 345**	0	7 345	**36 670**	**63 513**		
4.	Stalprodukt -Ochrona sp. z o.o.	**1 620**	600		0	1 184	-91	-73	**632**	0	632	**1 577**	0	1 577	**2 252**	**5 124**		
5.	STP-Elbud sp. z o.o.	**39 860**	20 613		36 150	2 118	-7 138	-11 883	**28 546**	337	26 742	**19 611**		19 611	**68 406**	**111 635**		
6.	Cynk-Mal S.A.	**31 363**	20 191		22 496		-15 286	3 962	**30 590**	6 454	24 137	**8 404**	0	8 404	**61 954**	**68 479**		
7.	Anew Institute sp. z o.o.	**8 860**	14 649		76	21	-5 184	-702	**3 543**	0	1 272	**126**		126	**12 404**	**1 125**		
8.	ZGH "Bolesław" S.A.	**1 078 538**	166 116		671 789	114 790	-3 286	129 129	**565 477**	56 220	268 343	**213 392**	0	213 392	**1 644 016**	**1 312 927**		31 539
9.	GO Steel Frydek Mistek a.s	**215 281**	203 802				-653	12 133	**88 890**	36 552	52 338	**57 726**	32	57 694	**304 171**	**398 493**		5 514

NOTE 4' – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES

	thousand x PLN																	
	a	m							n			o			p	r	s	t
		Equity of the unit, including:							Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:						
						Other equity, including:												
No	name of entity		- share capital	called up share capital (negative value)	- supplementary capital		Previous years' profit (loss)	Net profit (loss)		-long-term liabili-ties	- short-term liabilities		- long-term receiva-bles	- short-term receiva-bles	Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year
1.	ZGH "Bolesław" S.A.	**1 078 538**	166 116		671 789	114 790	-3 286	129 129	**565 477**	56 220	268 343	**213 392**	0	213 392	**1 644 016**	**1 312 927**		
	BOLTHERM Sp. z o.o.	**59 185**	16 262		47 629		-6 054	1 348	**55 210**	8 328	34 770	**33 617**	703	32 914	**114 395**	**236 375**		
2.	Karo Sp. z o.o.	**852**	300		535		0	17	**1 060**	39	967	**806**	0	806	**1 912**	**7 311**		
3.	Huta Cynku Miasteczko Śląskie S.A.	**440 506**	79 000		203 188	106 112	-7 824	60 030	**156 727**	39 924	81 352	**115 617**	0	115 617	**597 233**	**976 595**		15 800
4.	Gradir Montenegro d.o.o.	**32 355**	93 290		0	-1 055	-62 361	2 481	**82 399**	59 754	18 908	**3 933**	0	3 933	**114 753**	**72 046**		

NOTE 3e - Shares in other entities					
	thousand x PLN				
	a	b	c	d	e
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares	Percentage of capital held
1.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products	80	19,51
2.	Other			362	

In the position "Other" - unlimited transferability shares (KGHM) are recognized, the ones quoted on the Warsaw Exchange Market, staying in possession of Stalprodukt Wamech S.A. and shares of the metals rolling mill - Walcownia Metali Łabędy S.A. and Economic Initiatives Agency staying in the possession of ZGH "Bolesław" S.A. Apart from the KGHM shares, all the other stocks (interests) and shares are not stock exchange-quoted and are unrestricted in respect of transfer. All the stocks (interests) expressed in PLN.

NOTE 4 - Change in assets due to deferred income tax	thousand x PLN	
	2019	2018
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	**31 697**	**61 380**
a) attributed to the financial result	*27 816*	*26 368*
b) attributed to equity	*3 880*	*35 012*
2. Increases	***10 722***	***6 236***
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	*10 722*	*6 236*
- appearance of temporary differences	*10 722*	*6 236*
b) attributed to equity in respect of negative temporary differences (due to)	*0*	
3. Decreases	**3 898**	**35 919**
a) attributed to financial result of the period in respect of negative temporary differences (due to)	*3 622*	*3 414*
- reversal of temporary differences	*3 622*	*3 414*
- changes of tax rate	*0*	
b) attributed to equity in respect of negative temporary differences (due to)	*276*	*32 505*
4. Balance of assets due to deferred income tax, at the end of the period, including:	**38 521**	**31 697**
a) attributed to the financial result	*34 918*	*29 190*
b) attributed to equity	*3 604*	*2 507*

Note 4 a Deferred tax asset by title	2020		2019	
	19%	**9%**	**19%**	**9%**
Interest	1		1	
Exchange rate differences on balance sheet valuation	3 611		4 074	
Revaluation write-offs	6 774		28 008	
Lease liabilities	7 604		9 021	

Establishing a reserve	116 155		113 705	
Inventory valuation	3 762		8 537	
Provision for the purchase of CO2 emission rights	51		2 045	
Derivative transactions	2 684			
Unpaid salaries, mandate contracts, business trips and social security contributions	11 830		11 648	
Depreciation	21 374	1 686	13 849	
The difference from the valuation of the purchased shares	1 049		1 049	
Revenue from correcting invoices issued in the following year	4 466		748	
Valuation of hedging transactions with equity	6 184		316	
Tax loss			24	
Others	5 569		9 714	
Tax loss				
Total	191 113	1 686	202 738	
Gross value of deferred tax assets	36 312	158	38 521	
Gross deferred tax asset (19%)	32 011		34 917	
Gross deferred tax asset (9%)		152		
Gross deferred tax asset recognized in equity	4 301		3 604	
Exchange differences from conversion		6		
	36 312	158	38 521	
The net value of the deferred tax asset	36 469		38 521	
The value of the deferred tax asset recognized in equity in the period	415			

NOTE 5 - Inventory	thousand x PLN	
	2020	2019
1. materials	274 570	315 210
2. semi-finished products and work in progress	296 445	228 192
3. finished products, including:	231 682	190 729
Write-off for finished goods	7 246	16 609
4. goods	0	0
Inventory, total	**809 943**	**750 740**

As at the balance sheet date, the following charges of inventory apply for regarding materials – a registered pledge agreement to the amount of PLN 20,000 thousand for the benefit of PNB Paribas S.A. and up to PLN 15,000 thousand for Bank Handlowy, and up to PLN 100,000 thousand for Bank PKO BP S.A. and up to PLN 35,000 thousand for Bank Pekao S.A. due to protection of the granted credit limits.

In ZGH, registered pledges of up to PLN 1 million rest on coke inventories to secure the long-term coke sales agreement in favor of Jastrzębska Spółka Węglowa.

The value of write-offs on finished products at the opening balance was PLN 29,339 thousand. In the reporting period, the write-off updating the value of the finished goods to the level of net realizable value in the amount of PLN 50,781 thousand was released. (including PLN 40,220 thousand in the zinc segment) and a write-off of PLN 28,383 thousand was created, presented in the income statement under the revaluation of non-financial assets.

The final state of the revaluation write-off on finished goods is PLN 6,941 thousand.

NOTE 6a - Short-term receivables	thousand x PLN	
	2020	2019
1. trade receivables, maturing:	442 446	474 546
- up to 12 months	442 127	*474 507*
- above 12 months	319	*39*
2. receivables from tax, subsidy, customs, social security and other benefits	60 641	23 631
3. claimed at court	0	5 924
4. other	9 805	86 429
Net short-term receivables, total	**512 891**	**590 531**
- write-downs of receivables	12 321	13 122
Gross short-term receivables, total	**525 212**	**603 653**

As at the balance sheet date, the following charges on receivables are binding: silent assignment of receivables for the amount of 10,000 thousand as a collateral for the limit on guarantees and letters of credit at Bank Handlowy S.A. and an indefinite silent assignment of receivables from 11 customers as a security for the limit on guarantees and letters of credit at BNP Paribas Bank Polska SA.

As at December 31, 2020, there is a transfer of receivables to Coface Poland Factoring Sp. z o. o. on the basis of the factoring agreement No. 1823/2019. As at December 31, 2020, a selective assignment of rights from the receivables insurance policy to Coface Factoring Sp. z o.o. is in force up to the amount of the credit limit granted.

NOTE 6b - Change in short-term receivables write-down	thousand x PLN	
	2020	2019
Balance at the beginning of the period	**12 835**	**12 832**
1. increase (due to)	**1 641**	**3 528**
a) provision for doubtful receivables	1 641	3 528
b) consolidation of the ZGH Capital Group	0	0
2. decrease (due to)	**2 155**	**3 238**
a) cancellation	9	0
b) release of provision (reserve) for doubtful receivables	840	317
c) exchange rates differences	1 049	1 477
d) adjustment	0	133
e) payment	257	1 311
Balance of short-term receivables write-downs at the end of the period	**12 321**	**13 122**

NOTE 6c - Gross short-term receivables (currency structure)	thousand x PLN	
	2020	2019
1. in Polish currency	**246 340**	**270 171**
2. in foreign currencies (according to currencies converted into PLN)	**278 872**	**333 482**
a) in EURO	*33 918*	*43 739*
converted into PLN	**156 377**	**186 269**
b) in USD	*3 275*	*37 485*
converted into PLN	**12 306**	**142 869**
c) in CZK	59 016	25 920
converted into PLN	**110 190**	**4 344**
Short-term receivables, total	**525 212**	**603 653**

NOTA 6d - Trade receivables (gross) – maturing as at the balance day:	thousand x PLN	
	2020	2019
up to 1 month	*243 048*	*221 816*
above 1 month up to 3 months	*116 274*	*127 204*
above 3 months up to 6 months	*2 184*	*1 136*
above 6 months up to 1 year	*603*	*998*
above 1 year	*290*	*442*
overdue receivables	*92 368*	*136 073*
Trade receivables, total (gross)	***454 767***	**487 668**
trade receivables write-downs	*12 321*	*13 122*
Trade receivables, total (net)	***442 446***	**474 546**

NOTE 6e - Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousand x PLN	
	2020	2019
up to 1 month	*87 451*	*108 523*
above 1 month up to 3 months	*5 963*	*10 027*
above 3 months up to 6 months	*433*	*3 960*
above 6 months up to 1 year	*1 957*	*2 558*
above 1 year	*10 931*	*11 005*
Trade receivables, total (gross)	**106 734**	**136 073**
trade receivables write-downs	*12 321*	*13 122*
Trade receivables, total (net)	**94 413**	**122 951**

NOTE 6f - Disputable and overdue receivables

The total amount of gross short-term receivables, i.e. 454,767 thousand PLN, overdue receivables amount to 106,734 thousand PLN. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 12,321 thousand PLN was covered by write-downs. The remaining receivables were not subject to write-downs due to the fact that are justified by the strategy and marketing policies of the parent company and secured by bank guarantees and promissory notes.

NOTE 7a - Short-term investments	thousand x PLN	
	2020	2019
1. cash	**436 391**	**404 502**
a) cash in hand and at bank	*323 844*	*150 345*
b) other cash	*112 547*	*254 157*
2. loans	**17 222**	**18 153**
3. other short-term investments	**95 762**	**141 684**
a) short-term securities	18 504	
b) other short-term investments	*76 770*	*55 015*
Short-term financial assets, total	*489*	*86 669*
	549 376	**564 339**

NOTE 7b - CASH AND ITS EQUIVALENTS (currency structure)	thousand x PLN	
	2020	2019
1. in Polish currency	**357 120**	**294 407**
a) including funds on the VAT account	*8 767*	*3 551*
2. in foreign currencies (according to currencies converted into PLN)	**79 271**	**110 095**
a) in EURO	*11 323*	*14 524*
converted into PLN	**52 156**	**61 840**
b) in USD	*7 177*	*12 605*
converted into PLN	**26 965**	**47 882**
c) in CZK	*801*	*2 172*
converted into PLN	**140**	**363**
3. other currencies	**10**	**11**
Cash and its equivalents, total	**436 391**	**404 502**

Cash is deposited in safe financial instruments, i.e. on current accounts due to the fact that all cooperating banks and, in principle, the majority of entities from the banking sector, withdrew from their offer the option of establishing interest-bearing term deposits. As at the balance sheet date, the funds were deposited in current accounts.

Note 7 c Fixed assets held for sale	in thous. PLN				
	Buildings, premises and civil engineering facilities	Technical equipment and machinery	Means of transport	Other fixed assets	Total
value as at December 31, 2020	8	1,772	35	18	1,833

On the basis of IFRS 5, a company from the capital group - ZGH Bolesław, as at December 31, 2020 made reclassification of the group of fixed assets to the group of assets held for sale. This group mainly includes components of the Pomorzany mine being closed, the carrying amount of which may be recovered through a sale transaction and not through their further use. These components are available for immediate sale, which the subsidiary believes is highly probable. Assets held for sale were recognized in the financial statements at their net value. No revaluation write-offs were made as at 31/12/2020, because the estimated selling price that can be obtained after deducting the costs of bringing the component to sale is much higher than the carrying amount.

NOTE 8 - Short-term accruals	**thousand x PLN**	
	2020	**2019**
1. active cost accruals, including:	**36 379**	**31 340**
a) costs of insurance and subscription	*2 349*	*2 674*
b) staged repairs	*0*	*9*
c) research and development works	*445*	*2 134*
d) other	*23 638*	*777*
e) subsidies from the National Center for Research and Development	*0*	*0*
f) costs of preparing new production	*9 755*	*10 466*
f) energy reimbursement settlement	*192*	*15 280*
***2. others* accruals**	**26 075**	**1 198**
Short-term accruals, total	**62 454**	**32 538**

Write-offs
In the reporting period, the revaluation of fixed assets under construction was reversed in the amount of PLN 13,282 thousand. Asset write-offs due to impairment of value refer to short-term receivables and stocks of finished products. The total value of write-offs as at the balance sheet date amounts to PLN 19,262 thousand, including those concerning receivables of PLN 12,321 thousand and finished products of PLN 6,941 thousand. During the reporting period there was made a write-off in the amount of PLN 50,781 thousand in scope of inventories of finished products. In the reporting period, the write-off in the amount of PLN 50,781 thousand was released in terms of inventories of finished products and a write-off of the value of finished products in the amount of PLN 28,383 thousand. Write-off due to impairment of doubtful receivables was made in the amount of PLN 1,273 thousand and a part of the previous write-downs in the amount of PLN 626 thousand, in connection with payment of receivables, cancellation and adjustments.

NOTA 9 - KAPITAŁ AKCYJNY JEDNOSTKI DOMINUJĄCEJ (STRUKTURA)								
w tys. zł								
Seria / emisja	**Rodzaj akcji**	**Rodzaj uprzywilejowania akcji**	**Rodzaj ograniczenia praw do akcji**	**Liczba akcji**	**Wartość serii/ emisji wg wartości nominalnej**	**Sposób pokrycia kapitału**	**Data rejestracji**	**Prawo do dywidendy (od daty)**
A	imienne uprzywilejowane	5 głosów na WZA i podział majątku		71 663	143 326	gotówka	3.07.1991	1.07.1992
A	imienne bez uprzywilejowania	nie uprzywilejowane		1 820	3 640	gotówka	3.07.1991	1.07.1992
B	imienne uprzywilejowane	5 głosów na WZA i podział majatku		281 030	562 060	gotówka	16.11.1993	1.01.1994
B	imienne bez uprzywilejowania	nie uprzywilejowane		14 510	29 020	gotówka	16.11.1993	1.01.1994
C	zwykłe na okaziciela	nie uprzywilejowane		780 000	1 560 000	gotówka	20.10.1994	1.01.1995
D	zwykłe na okaziciela	nie uprzywilejowane		780 000	1 560 000	gotówka	20.10.1994	1.01.1995
E	imienne uprzywilejowane	5 głosów na WZA i podział majątku		1 301 874	2 603 748	gotówka	30.09.1996	1.01.1996
E	imienne bez uprzywilejowania	nie uprzywilejowane		44 370	88 740	gotówka	30.09.1996	1.01.1996
F	zwykłe na okaziciela	nie uprzywilejowane		1 105 000	2 210 000	gotówka	17.12.1996	1.01.1997
G	zwykłe na okaziciela	nie uprzywilejowane		1 200 000	2 400 000	gotówka	13.05.1997	1.01.1997
Liczba akcji, razem				5 580 267				
Kapitał zakładowy, razem					11 160 534			
Wartość nominalna jednej akcji (w zł)		2,00						

NOTE 11– Supplementary capital	thousand x PLN	
	2020	2019
1. from sale of shares above their nominal value	35 054	35 054
2. statutorily created	646	646
3. created in accordance with the statute / articles of association, above the statutorily required (minimum) value	522 185	105 738
4. from subsidies of the shareholders / partners	669	669
5. other (by type)	205 633	525 638
a) from revaluation of fixed assets	*285*	*307*
b) from liquidation and revaluation of fixed assets	*202*	*180*
c) from sale of shares	*148*	*148*
d) negative difference between the nominal value and purchase price of own shares	*-26 637*	*-26 638*
e) retained profit	*60 540*	*60 510*
f) retained profit (loss)	*171 095*	*491 131*
Supplementary capital, total	**764 187**	**667 745**

Supplementary capital is mandatory created in the company (by law). According to the Code of Commercial Companies, the company must allocate to the reserve capital at least 8% of annual net profit until the capital reaches 1/3 of share capital. Supplementary capital is increased by the excess over the issue of shares above their nominal value and the difference from the revaluation of fixed assets, which have been liquidated or sold.

The amounts resulting from the subsidiary companies profit distribution are also transferred to the supplementary capital, pursuant to the Resolutions pf the Shareholders' Meeting (subpar. c). Supplementary capital also includes profit from previous years, referring to negative goodwill from previous years and settled in accordance with IFRS, as well as retained profits on revaluation of fixed assets and the right of perpetual usufruct of land, made on the date of transition to IFRS.

NOTE 12 – Revaluation reserve	thousand x PLN	
	2020	2019
Due to the valuation of financial instruments	*-4 565*	*46 280*
including: the amount of deferred tax	*6 676*	*-6 385*
including: the amount of input income tax	*153*	
Revaluation reserve, total	**-4 565**	**46 280**

NOTE 13 – Other reserve capitals (by appropriation)	thousand x PLN	
	2020	2019
- reserve capital for investments	1 640 440	1 503 016
- reserve capital for financing of current assets	12 146	47 145
- reserve capital for the financing of the own-shares-purchase	51 000	51 000
- other reserve capital	26 297	33 113
Revaluation reserve, total	**1 729 883**	**1 634 274**

Other capital reserves are formed from the profit, whose distribution is determined by the General Meeting of Shareholders at the parent company and General Meetings of Shareholders at subsidiary companies. These capital reserves serve to finance the current assets and cover the potential loss. The use of these reserves is determined by the General Meeting of Shareholders or Meeting of Shareholders.

On 20 June 2016, the General Meeting adopted the Resolution No XXXIII/18/2016, granting the Company an authorization within the meaning of Art. 365 par. 1 subpar. 8 to purchase its own shares with a view to redemption. The maximum number of shares which can be purchased by the Company within the Program equals 200 000 items. The single share purchase price is PLN 250.00. The purchase refers to registered preference shares of A, B and E series. The value of the Program enlarged by the purchase costs equals PLN 51 million. The purchase of the shares may take place within the deadlines and under the terms and conditions defined by the Company's Management Board within two years starting from the time when the Resolution No XXXIII/18/2016 was adopted. The validity period of the resolution expired on 20 June 2018. In case of passing appropriate resolution by the AGM this capital will be transferred to reserve capital.

NOTE 14 - CHANGE IN MINORITY INTEREST	thousand x PLN	
	2020	**2019**
Balance at the beginning of the period	**107 569**	**106 293**
error correction from previous years	**-1 565**	
As at the beginning of the period, after adjustments	**106 004**	
1. increases (due to)	**11 020**	**11 994**
a) profit distribution	*11 020*	*11 994*
b) consolidating	*0*	
2. decrease (due to)	**6 968**	**10 718**
a) dividend payment	*0*	
b) consolidating	*6 968*	*10 718*
Minority interest status at the end of reporting period	**111 621**	**107 569**

Disclosures regarding subsidiaries in which there are non-controlling interests are included in notes 3c and 3c '.

NOTE 15a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousand x PLN	
	2020	**2019**
1. The balance of deferred income tax, at the beginning of the period, including:	**144 842**	**114 099**
a) attributed to financial result	120 891	85 320
b) attributed to equity	23 951	28 779
2. Increases (due to)	**7 120**	**26 061**
attributed to financial result of the period, including:	**7 120**	**26 061**

a) differences between the depreciation entered in the balance sheet and tax depreciation	3 785	22 059
b) exchange differences	1 405	56
c) others reserves	1 930	3 946
attributed to shareholders' equity	**0**	**10 432**
a) correction from previous years 2005-2009	**0**	10 432
b) valuation of hedging transactions	**0**	0
3. Decreases	**15 800**	**5 749**
a) attributed to the financial result due to positive temporary differences (due to)	2 683	1 000
- reversal of temporary differences (use of reserves for deferred income tax)	1 490	1 000
- other / depreciation, exchange rate differences, transaction valuation, interest /	1 120	
b) attributed to the financial result due to positive temporary differences (due to)	**13 117**	**4 749**
- valuation of hedging transactions	12 228	1 014
- other	889	3 735
4. Balance of reserve at the end of the period, total	**136 161**	**144 842**
a) attributed to the financial result	125 130	120 891
b) attributed to equity	11 030	23 951

Note 15a '- Positive temporary differences (data in thousand PLN):	**2020**		**2019**	
	19%	**9%**	**19%**	**9%**
Interest	453		492	
Positive exchange rate differences from the balance sheet valuation	18,233		12,617	
Fixed assets under lease	1,221		186	
Fixed assets	399,826		396,822	
Value of depreciated funds and PWUG in WG	96,834		95,217	
Depreciation	51,169		17,590	7,775
Investment relief	2,103		2,389	
Differences in the value of fixed assets	5,584		5,489	
Lease exchange rate differences	10,638		11,139	
Reserves	101,647		0	
Costs from correcting invoices issued in the following year	0		2,283	
Compensation for the increase in electricity prices	23,638		15,161	
The effects of revaluation to the level of market prices of short-term investments	1,876		1,486	
Valuation of hedging transactions	3,144		72,182	
Others	262		3,215	
	716,629		636,278	7,775
The value of the provision for deferred income tax	136,161		144,842	693
The value of the provision for deferred tax (19%)	125,130		120,891	0
The value of the provision for deferred tax in Gradir Montenegro (9%)				
Gross amount of deferred tax liability recognized in equity	11,030		23,951	700
Exchange differences from conversion	0			-6

NOTE 15b - CHANGE IN THE BALANCE OF OTHER NON-CURRENT PROVISIONS	thousand x PLN	
	2020	2019
1. balance at the beginning of period	**185 380**	**191 913**
2. increase (due to)	**13 014**	**15 745**
a) creation of a provision for the retirement severance pays	*3 301*	*8 684*
b) creation of a provision for the recultivation of a settling tank and settling ponds	*734*	*477*
e) creation of other reserves	*8 979*	*6 584*
3. solution (due to)	**90 669**	**22 278**
a) transfer to current provisions	*71 298*	*692*
b) given retirement severance pays	*9 743*	*6 735*
c) decrease of a provision due to the HRC contract	*6 255*	*6 255*
d) for other reasons	*3 326*	*8 596*
e) use of the reserve Wage earn out	*5 038*	
4. balance at the end of period	**102 686**	**185 380**

The "Earn-out" remuneration is a component of the price associated with the purchase of the shares of GO Steel a.s. and denotes the seller's right to 50% of share pursuant to the assumed above level of EBITDA in the valuation prepared for the transaction in the period of 4 consecutive years, with the reservation that the total amount of payments due to this may not exceed EUR 3 500 thousand. This amount constitutes contingent liabilities and is measured at fair value. A provision was created for the entire amount. In 2020, due to the materialization of the condition, the provision for the amount of PLN 5,038 thousand was used. The year 2021 is the last year subject to settlement with the Seller according to the rules set out above.

Liability under the HRC agreement is a component of the price related to the purchase of GO Steel as shares and means the Company's obligation to purchase an additional PLN 50 thousand tonnes per year of hot-rolled steel for a period of 3 years, on market conditions that do not differ from standard purchase conditions. This value was estimated by the Seller for the amount of EUR 4,500 thousand and it is the fair value. A provision was created for the entire amount. In 2020, due to the fulfilment of the entire obligation, the provision for the amount of PLN 6,255 thousand was released. 2020 was the last year in which the Company had an obligation to purchase additional quantities of sheets.

NOTE 15c - CHANGE IN THE BALANCE OF OTHER CURRENT PROVISIONS (BY TITLE)	thousand x PLN	
	2020	2019
1. balance at the beginning of period	**83 948**	**75 319**
2. increase (due to)	**136 926**	**71 100**
a) transfer from non-current provisions to current provisions	72 819	*5 612*
b) creation of a provision for future liabilities	34 981	*17 059*
c) creation of a provision for the retirement severance pays	3 362	*42 413*
d) creation of other reserves	25 764	*6 016*
3. use (due to)	**51 920**	**38 716**
a) of other liabilities	51 920	*38 716*
4. solution (due to)	**5 288**	**23 755**
a) given retirement severance pays	1 500	*279*
b) other	3 788	*23 476*
5. balance at the end of period	**163 665**	**83 948**

The planned liquidation of zinc and lead ore mining in the region of Olkusz-Pomorzany within the next few years, and thus the cessation of drainage of underground mine workings of ZGH Bolesław S.A. has certain consequences, including, among others, the change of the source of drinking water for the supply of the inhabitants of the Olkusz region. Having the above in mind, Water and Sewage Company Ltd Olkusz developed a solution for water supply of the Olkusz region and implemented the necessary investment projects. Within the framework of these investment projects, four water intakes in Kolbark and Cieślin were built or modernised, and the connection of these water intakes with the newly built main network to the existing main networks was established. The cost of execution of the investment projects in question amounted to PLN 17.3 million. On 12 June 2013 the Company filed a petition with the Regional Court in Kraków to determine the lack of liability for damages with ZGH "Bolesław" S.A. for failure to discharge water after the termination of the Pomorzany mine, deterioration of groundwater quality and restoration of natural water relations in the areas of the Olkusz, Bolesław and Klucze communes, after the mine was sunk. On the other hand, on 6 February 2014, Water and Sewage Company Ltd Olkusz filed a lawsuit with the Regional Court in Kraków for damages for mining damage or the Company's commitment to supply water for human consumption and industrial purposes for payment of the said amount. On 7 March 2014 The Company filed a lawsuit with the Regional Court in Kraków to dismiss all claims as unfounded. At the hearing on 5.09.2014 the court ordered that the two cases be joined for joint examination. On 25.04.2018, the Court announced the preliminary verdict, in which it dismissed the entire claim for determination submitted by ZGH "Bolesław" SA and considered the action of Sewage Company Ltd as a rule. In view of the unfavourable judgement, on 8.10.2018 an appeal was filed to the Court of Appeals I Civil Department in Kraków. on 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow of 25.04.2018 to the case with reference number IX GC 543/13, as well as ordered that the ZGH "Bolesław" S.A. shall pay the costs of proceedings at law in the amount of PLN 8,100 for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. Consequently, the ruling of the Regional Court is final and binding.

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. At the moment, 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.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation complaint against the above judgement. On January 27, 2021 in the case of reference number III CSK 191/20, the Supreme Court in Warsaw issued a decision to refuse to accept for consideration of the cassation appeal brought by ZGH "Bolesław" S.A. against the judgement of the Court of Appeal in Kraków of March 13, 2020 in the case ref. no. AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz. Due to the fact that ZGH "Bolesław" S.A. is liable for damages, in 2015 a provision was created in the amount of PLN 15 million. As at December 31, 2020, this provision was not used or released.

Other contingent liabilities relate to the following court disputes whose value as at the balance sheet date was impossible to estimate or materially insignificant:

- by civil action of Cabarkap Nikola, a former Gradir employee, who was injured in 2012 as a result of an accident at work. The plaintiff in his lawsuit of 18/12/2019 demands a change in the court judgment in Pljevlja Syg 514/2018 of 25/04/2019, so that instead of paying the monthly pension from 18/12/2019 to the age of 75 (average life expectancy in Montenegro), a one-off amount was paid that is to be established by a court expert.
On January 23, 2020, the company (defendant) responded to the lawsuit, in which it completely questions the grounds of the claimant's complaint. On February 25, 2020, a preparatory hearing was held, in which the Court appointed an expert to calculate the amount of the pension from December 18, 2019 until the claimant turns 67, and ordered the subject matter of cases No. 599/19 and 561/19 to be joined. On April 22, 2020, the defendant was provided with an expert opinion, in which the expert presents the payment of the pension in the amount of EUR 132,468.42 - PLN 611,315.26 for the period December 18, 2019 - September 20, 2055. On June 9, 2020, before the court and the defendant, he submitted explanations regarding the opinion issued. On July 16, 2020, another hearing was held, during which the claimant's attorney submitted a request for payment by the defendant of the amount of capitalized annuity less the claimant's obligations towards the defendant, in the amount of EUR 100,318.96 (PLN 462,951.94) . On August 11, 2020, the court issued a judgement, which dismissed the claimant's claims as unfounded. On August 28, 2020, the claimant's attorney appealed against the judgement to the higher court in Bjelo Pol, then on September 22, 2020, in response to the appeal, the defendant submitted an application to the court in Bielo Polju to uphold the judgement of the court of first instance. At the end of the period in question, the case was pending at the higher instance court in Bielo Polju.

NOTE 16a - Long-term liabilities	thousand x PLN	
	2020	2019
1. credits and loans	**61 935**	**110 893**
2. in respect of issued debt securities	**0**	**0**
3. other financial liabilities, including:	**114 958**	**116 584**
b) financial lease agreements	*98 619*	*114 232*
c) hedging transactions agreements/ collateral agreements	*1 817*	*2 352*

4. other (according to type)	**146**	**6 605**
a) other	*0*	*4 588*
b) geological information fee	*0*	*1 051*
c) mining license fee	*146*	*966*
5. contingent liabilities due to the purchase of ZGH	**211 610**	**296 115**
Long-term liabilities, total	**388 649**	**530 197**

Liability due to financial leasing in the amount of PLN 83,004 thousand (IFRS 16 measurement) result from perpetual usufruct defined by IFRS 16 as leasing. This liability was measured at the present value of the remaining fees for perpetual usufruct (lease payments) discounted over the period of its use. An interest rate of 5% was used to discount the liability for annual perpetual fees, including the risk-free rate and the risk premium. The amount of the valued liability was recognized in the statement of financial position, in part related to the revaluation as at the date of transition to IAS into profit / loss from previous years, and the remaining part to the right to perpetual usufruct. The remaining amount, i.e. PLN 15,615 thousand results from financing the purchase of fixed assets.

The item of contingent liabilities due to the purchase of ZGH relates to the long-term part.

NOTE 16b - Long-term liabilities, maturing as at the balance sheet date	**thousand x PLN**	
	2020	**2019**
a) above 1 year to 3 years	*81 267*	*113 790*
b) above 3 to 5 years	*6 707*	*30 457*
c) above 5 years	*89 065*	*89 835*
d) contingent liabilities due to the purchase of ZGH	*211 610*	*296 115*
Long-term liabilities, total	**388 649**	**530 197**

NOTE 16c - Long-term liabilities (currency structure)	**thousand x PLN**	
	2020	**2019**
1. in Polish currency	**374 127**	**512 902**
2. in foreign currency (by currency and converted into PLN)	**14 522**	**17 295**
a) in EUR currency	*0*	*42*
after conversion into PLN thousand	**0**	**179**
b) in USD currency	*0*	*0*
after conversion into PLN thousand	**0**	**0**
c) in CZK	*82 841*	*204 608*
converted into PLN	**14 522**	**17 117**
Long-term liabilities, total	**388 649**	**530 197**

NOTE 16d - NON-CURRENT LIABILITIES (BY CREDITS AND LOANS)														
Name (the company) of the entity with indication of legal form	Registered office	The amount of the credit/loan by			contracts	Outstanding amount of credit / loan				Interest conditions	The repayment date	Securities	Other
		thousand x PLN	currency	unit	currency	thousand x PLN	currency	unit	currency				
PKO Bank Polski S.A.	Warsaw	100 000	PLN	in thousand	PLN	30 000	PLN	in thousand	PLN	wibor+margin	30.06.2023	promissory note, pledge on GO Steel shares	Investment credit refinancing the purchase of GO Steel shares
NFEP&WM	Warsaw	36 956	PLN	in thousand	PLN	14 656	PLN	in thousand	PLN	3.50% per year	30.06.2025	Blank bill of exchange with a bill of exchange declaration, mortgage on the property on which the project is executed, court registered pledge on a set of items purchased or created within the investment project execution	of which short-term part (payable in 2021) in the amount of PLN 4 ,460,000
National Fund for Environmental Protection in Warsaw	Warsaw	42 162	PLN	in thousand	PLN	15 755	PLN	in thousand	PLN	3.50% per year	20.12.2022	blank promissory note with "no protest" clause and blank promissory note agreement	
Voivodeship Fund for Environmental Protection and Water Management P/114/15/21	Kraków	4 743	PLN	in thousand	PLN	651	PLN	in thousand	PLN	3.60% per year	15.12.2022	Agreement on the assumption of rights and obligations, blank bill of exchange agreement	
ING Bank Śląski Spółka Akcyjna	Katowice	4 700	PLN	in thousand	PLN	332	PLN	in thousand	PLN	wibor+margin	30.04.2022	registered pledge and assignment of rights under the insurance policy - bending centre P4, bending centre RAS, blank bill of exchange	
ING Bank Śląski Spółka Akcyjna	Katowice	1 800	PLN	in thousand	PLN	540	PLN	in thousand	PLN	wibor+margin	30.06.2023	registered pledge and assignment of rights under the insurance policy - Salvagnini machine, blank bill of exchange	

Current liabilities

NOTE 17a - CURRENT LIABILITIES	thousand x PLN	
	2020	2019
1. credits and loans, including:	**56 517**	**64 907**
a) non-current in the repayment period	*20 000*	*20 897*
2. due to issuing debt securities	**0**	**0**
3. due to dividends	**525**	**438**
4. other financial liabilities, including:	**33 069**	**29 245**
a) due to leasing	*8 364*	*8 202*
b) due to entering into a currency option transaction	*24 657*	*15 807*
c) other	*48*	*5 236*
5. due to deliveries and services, with maturity period:	**291 469**	**337 355**
a) up to 12 months	*287 930*	*334 900*
b) over 12 months	*3 539*	*2 455*
6. advance payments received for deliveries	**1 659**	**2 524**
7. due to taxes, duties, insurances and other considerations	**40 600**	**38 878**
8. due to remuneration	**36 830**	**25 600**
9. other (by title) Contingent liabilities due to the purchase of ZGH	**78 159**	**118 845**
a) Employee Benefit Fund (ZFŚS)	*10 092*	*9 396*
b) savings and loans plan for employees (PKZP)	*476*	*1 236*
c) PZU (insurance group)	*2 825*	*1 229*
d) fund for the liquidation of the mining plant;	*21 365*	*19 968*
e) investment settlements	*29 841*	*62 193*
f) other	*13 560*	*24 823*
10.Contingent liabilities due to the purchase of ZGH	***66 138***	
Current liabilities, in total	**604 966**	**617 792**

The item of contingent liabilities for the purchase of ZGH relates to the short-term part, expected to be used or terminated in a period of up to 12 months.

NOTE 17b - CURRENT LIABILITIES (CURRENCY COMPOSITION)	thousand x PLN	
	2020	2019
1. in Polish currency.	**477 751**	**474 334**
2. in foreign currencies (by currency and after conversion into PLN)	**127 215**	**143 457**
a) in EUR currency	*17 487*	*23 144*
after conversion into PLN thousand	**80 568**	**98 716**
b) in USD currency	*8 139*	*6 820*
after conversion into PLN thousand	**30 552**	**26 012**
c) in CZK currency	91 490	111 741
after conversion into PLN thousand	**16 038**	**18 729**
Current liabilities, in total	**604 966**	**617 792**

NOTE 17c - CURRENT LIABILITIES ARISING FROM CREDITS AND LOANS

in PLN thousand

Name (business name) of the entity	Registered office	The amount of the credit/loan in accordance with the Agreement				The amount of the outstanding credit/loan				Interest conditions	Date of repayment	Securities	Other
		thousand x PLN	in currency	unit	currency	x thousand	in currency	unit	currency				
Bank PekaO S.A.	Warsaw	100 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	30 September 2021	blank bill of exchange, pledge on stock, silent assignment of receivables	Limit on the overdraft facility, limit on guarantees and letters of credit. In the context of the limit, the Companies of the Capital Group have limits up to PLN 28,000 thousand (PLN 13,000 thousand - Stp Elbud, and PLN 15,000 thousand - Cynk Mal S.A.).
Bank Handlowy S.A.	Warsaw	65 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	30 September 2021	blank bill of exchange, pledge on stock, assignment of receivables	Limit on the overdraft facility and short-term guarantee of PLN 50,000 thousand, long-term guarantee PLN 15,000 thousand.
BNP Paribas Bank Polska S.A.	Warsaw	50 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	24 November 2021	blank bill of exchange, silent assignment of receivables, pledge on stock	Current account credit, limit on guarantees and letters of credit. In the context of the limit, Stalprodukt-Wamech has a limit up to PLN 2,000 thousand.
Societe Generale S.A.	Warsaw	15 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	29 April 2021	None	Credit limit on the overdraft facility and on guarantees and letters of credit up to PLN 15, 000 thousand.
PKO Bank Polski S.A.	Warsaw	150 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	13 January 2023	promissory note, pledge on stock	Overdraft facility limit of PLN 90,000 thousand and limit on guarantees and letters of credit of PLN 40,000 thousand. In the context of the limit the companies of the Capital Group have a limit of up to PLN 20,000 thousand. including STP Elbud - PLN 10,000 thousand and Go Steel - PLN 10,000 thousand.
PKO Bank Polski S.A.	Warsaw	100 000	PLN	thousand	PLN	20 000	PLN	thousand	PLN	wibor+margin	30 June 2023	promissory note, pledge on GO Steel shares	Investment credit refinancing the purchase of shares of GO Steel
WFOŚiGW	Warszawa	4 460	PLN	thousand	PLN	4 460	PLN	thousand	PLN	3.50 % per annum	31 December 2021	A blank promissory note together with a promissory note declaration, mortgage on the property on which the project is carried out, a registered pledge on a set of items purchased or produced as part of the project, and assignment of an insurance policy	A loan granted by NFOŚiGW in the amount of PLN 36,956,250.00 - short-term part (to be repaid in 2021).
National Fund for Environmental Protection in Warsaw	Warszawa	42 162	PLN	thousand	PLN	6 214	PLN	thousand	PLN	3.50% per annum	20 December 2022	blank promissory note with a "no protest" clause and a bill of exchange note declaration	
WFOŚiGWP/114/15/21	Kraków	4 743	PLN	thousand	PLN	677	PLN	thousand	PLN	3.60% per annum	15 December 2022	An agreement on acquisition of rights and liabilities, a bill of exchange agreement	
Credit Agricole Bank Polska Spółka Akcyjna	Wrocław	5 000	interchangeably PLN, USD, EUR	thousand	PLN	0	PLN, USD, EUR	thousand	USD	wibor+margin	29 October 2021	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	credit in the form of a debit balance in current account, available in PLN, USD and EUR.
PKO BP S.A.	Warsaw	10 000	interchangeably PLN, USD, EUR	thousand	PLN	199	-	thousand	PLN	wibor+margin	11 October 2021	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	Credit in the form of multi-purpose credit limit – it may be used interchangeably in PLN, USD and EUR.
Bank PeKaO S.A.	Warsaw	15 000	interchangeably PLN, USD, EUR	thousand	PLN	0	PLN	thousand	USD	wibor+margin	30 September 2021	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	Credit in current account - credit limit – it may be used interchangeably in PLN, USD and EUR.

ING Bank Śląski Spółka Akcyjna	Katowice	30 000	interchangeably PLN, USD, EUR	thousand	PLN	153	-	thousand	PLN	wibor+margin	31 October 2021	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	Credit in current account - credit limit – it may be used interchangeably in PLN, USD and EUR.
ING Bank Śląski Spółka Akcyjna	Warsaw	10 000	USD	thousand	PLN	0	-	thousand	PLN	wibor+margin	31 October 2022	assignment of receivables	
Bank PeKaO S.A.	Warsaw	30 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	30 September 2021	assignment of receivables	
BNP Paribas Bank Polska S.A.	Warszawa	20 000	PLN	thousand	PLN	0	PLN	Thousand	Zł	wibor+margin	30 November 2021	assignment of receivables	
Bank PeKaO S.A.	Kraków	13 000	PLN	thousand	PLN	9 303	PLN	Thousand	PLN	wibor+margin	30 September 2021	Power of attorney do administer bank accounts and a declaration on submitting to execution	Limit for guarantees, letters of credit, and credits in current account within a trilateral agreement between Stalprodukt, Cynk-Mal and STP-Elbud.
PKO BP S.A.	Warsaw	10 000	PLN	thousand	PLN	3 980	PLN	Thousand	PLN	wibor+margin	13 January 2023	blank promissory note and a declaration on submitting to execution, clause on offsetting mutual claims from bank accounts run at PKO BP.	Limit for guarantees, letters of credit, and credits in current account within a trilateral agreement between Stalprodukt, STP-Elbud, and GO Steel.
BNP Paribas Bank Polska S.A.	Warszawa	2 000	PLN	thousand	PLN	0	PLN	Thousand	zł	wibor+margin	24 November 2021		Within the limit of Stalprodukt S.A.
Bank PeKaO S.A.	Warsaw	15 000	PLN	thousand	PLN	10 2357	PLN	Thousand	PLN	wibor+margin	30 September 2021	power of attorney to administer the borrower's accounts run by PeKaO S.A.: • the borrower's statement on submission to execution • security for the repayment of the credit through acceptance of joint and several liability	
ING Bank Śląski Spółka Akcyjna	Katawice	4 700	PLN	thousand	PLN	936	-	Thousand	PLN	wibor+margin	30 April 2022	A registered pledge and assignment of an insurance policy – P4 profile department , promissory note	Long-term, during the pay-out period
ING Bank Śląski Spółka Akcyjna	Katawice	1 800	PLN	thousand	PLN	360	-	Thousand	PLN	wibor+margin	30 June 2023	A registered pledge and assignment of an insurance policy – the Salvagnini machinery, promissory note …………………………………………	Long-term, during the pay-out period
PKO BP S.A.	Warsaw	10 000	PLN	thousand	PLN	0	PLN	Thousand	PLN	wibor+margin	13 January 2023	promisory note, pledge on stock.	Credit in current account within a trilateral agreement between Stalprodukt, STP-Elbud, Go Steel.

NOTE 18 - Accruals	thousand x PLN	
	2020	**2019**
1. disclosed deferred income	**1 906**	
a) long-term (by titles)	**0**	
b) short-term (by titles)	**1 906**	
2. deferred income	**49 129**	**22 371**
a) long-term (by titles)	**44 069**	**18 182**
- National Fund for Environmental Protection and Water Management loan write-off	*6 096*	*6 554*
- technical solutions – extraction of Indium, German and Tin	*0*	*3 235*
- subsidy	*33 699*	*8 393*
- other	*4 274*	
b) short-term (by titles)	**5 060**	**4 189**
- received advances	*2 753*	*1 199*
- subsidy NCBiR	*1 846*	*1 899*
- certificates CO_2 and other	*0*	*1 091*
- other	*461*	
Other accruals, total	**51 035**	**22 371**

The subsidy is related to the implementation and financing of a project in the field of renewable energy sources, i.e. the construction of a prototype of an innovative wind turbine with a vertical axis of rotation, with a capacity of 1.5 MW. This project received funding from the National Centre for Research and Development as part of the pilot project *Supporting scientific research and development works at the DEMONSTRATOR + demonstration scale.* The relevant contract was signed in December 2013, and the planned completion date of the project, in accordance with the contract No. UOD-DEM-1-153 / 001 and subsequent Annexes is 30.06.2018. The final report was also submitted to the National Centre for Research and Development, which was adopted on 18.02.2020.

The total amount of the subsidy is PLN 12,539,923.

As part of the consortium (which includes - apart from the Company - the Stanisław Staszic AGH University of Science and Technology in Kraków and ANew Institue Sp. z o.o.), concluded by the agreement of December 10, 2013 for the performance and financing of the above-mentioned project, because of the failure of the turbine during the test repair works were necessary to carry out which in 2019 included:

- repair of the wing
- replacement of bolts in central nodes.

In 2020, the operation of the device and its tests were resumed. It should be expected that the obtaining of the use permit from the Provincial Building Supervision Inspector will be carried out by the end of the first half of 2021. At the same time, it should be emphasized that the current state of knowledge does not allow for the assumption of a commercialization forecast (entry included in the "Report on the implementation as part of the NCBR pilot project entitled *Support for scientific research and development works in the Demonstrator + demonstration scale*" of July 16, 2020). The choice of the method of commercialization will be possible after conducting tests and appropriate certification.

NOTE 19 - Book value per 1 share
The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (PLN 2,913,187 thousand: 5,580,267 shares = 522.05 PLN).

NOTE 20 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousand x PLN	
	2020	2019
- transformer sheets	689 368	862 492
- toroidal coreshydrogen	12 210	11 178
- hydrogen	4 700	
- steel sheets, hot-rolled and cold-rolled strips	37 599	35 129
- cold formed profiles	437 439	505 509
- road barriers	99 737	114 400
- steel structures, including door and door frames	71 840	107 316
- galvanized banding steel and galvanized wire	58 799	55 883
-zinc	859 355	964 485
- alloys	622 607	634 468
- flotation galena	65 491	120 719
- suplhuric acid	17 299	14 997
- dolomite	16 214	19734
- Zn-Pb-Ag concentrate	129	156
- refined lead	96 704	111 977
- Dore metal	53 610	38 830
- other products	53 327	46 134
- services	48 396	80 357
Net revenues from sales of products, total	**3 244 824**	**3 723 765**

NOTE 20b - NET INCOME FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousand x PLN	
	2020	2019
a) country	**1 639 439**	**1 976 717**
- transformer sheets	46 207	56 445
- toroidal cores	3 972	5 021
- hydrogen	4 700	
- steel sheets, hot-rolled and cold-rolled strips	24 951	32 588
- cold formed profiles	313 065	364 728
- road barriers	67 837	83 526
- steel structures, including door and door frames	68 260	99 867
- galvanized banding steel and galvanized wire	33 865	31 635
-zinc	430 870	509 382
- alloys	520 041	564 798
- suplhuric acid	9 663	8 097

- dolomite	*16 214*	*19 734*
- refined lead	*20 132*	*96 451*
- concentrate	*129*	*156*
- others	*45 387*	*39 552*
- services	*34 146*	*64 737*
b) export	**1 605 385**	**1 747 048**
- transformer sheets	*643 161*	*806 047*
- toroidal cores	*8 238*	*6 157*
- hydrogen	*0*	
- steel sheets and hot- and cold-rolled strips	*12 648*	*4 007*
- cold formed profiles	*124 374*	*140 781*
- road barriers	*31 900*	*30 874*
- steel structures, including door and door frames	*3 580*	*7 449*
- galvanized banding steel and galvanized wire	*24 934*	*24 248*
-zinc	*428 485*	*455 103*
- alloys	*102 566*	*69 670*
- flotation galena	*65 491*	*120 719*
- suplhuric acid	*7 636*	*6 900*
- refined lead	*76 572*	*15 526*
- Dore metal	*53 610*	*38 830*
- other products	*7 940*	*5 116*
- services	*14 250*	*15 620*
Net income from sales of products, total	**3 244 824**	**3 723 765**

NOTE 21a -Net revenues from sales of goods and materials (material structure – types of activities)	thousand x PLN	
	2020	2019
a) goods	*48 616*	*55 613*
b) technological waste	*25 256*	*29 340*
c) other materials	*2 354*	*7 551*
Net revenues from sales of goods and materials, total	**76 226**	**92 504**

NOTE 21b - Net revenues from sales of goods and materials (TERRITORIAL STRUCTURE)	thousand x PLN	
	2020	2019
1. country	**64 246**	**77 607**
a) goods	*36 646*	*41 741*
b) technological waste	*25 256*	*29 339*
c) other materials	*2 344*	*6 527*
2.) export	**11 980**	**14 896**
a) goods	*11 970*	*669*
b) other materials	*10*	*14 228*
Net revenues from sales of goods and materials, total	**76 226**	**92 504**

NOTE 22 - Costs by type – cost of manufacture of products sold	thousand x PLN	
	2020	2019
1. amortization	**166 705**	**167 658**
2. consumption of materials and energy	**2 160 553**	**2 488 423**
3. external services	**326 639**	**365 490**
4. taxes and fees	**46 766**	**47 601**
5. payroll	**452 822**	**457 330**
6. social insurance and other benefits	**124 321**	**123 637**
7.other costs by type (due to)	**16 605**	**21 513**
a) business trips	*1 406*	*2 403*
b) property insurance	*4 021*	*4 509*
c) representation and advertising	*1 381*	*3 849*
d) trainings	*483*	*1 275*
e) other	*9 313*	*9 477*
Costs by type, total	**3 294 410**	**3 671 652**
Change in stocks, products and accruals	-218 085	-138 284
Cost of manufacture of goods produced for own purposes (negative value)	-9 296	-4 667
Internal rotation	-713	-38 803
Selling costs (negative value)	**-80 390**	**-88 526**
General and administrative costs	**-152 902**	**-154 234**
Cost of manufacture of products sold	**2 833 023**	**3 247 137**

NOTE 23 - Other operating revenues	thousand x PLN	
	2020	2019
1. profit from transfer of non-financial fixed assets	**3 191**	**49**
2. reversed provisions (due to)	**19 161**	**2 697**
a) doubtful receivables	*0*	*676*
b) retirement benefits and payroll	*4 305*	*1 292*
c) predicted CO_2 emissions, energy origin certificates	*8 988*	*0*
d) other provisions	*2 818*	*408*
e) revaluation of inventories	*3 050*	*321*
3. other, including:	**73 003**	**63 567**
a) payment of adjudicated court fees	*61*	*55*
b) revenues due to not collected payroll	*0*	*0*
c) refund from the State Fund for Rehabilitation of the Disabled	*152*	*166*
d) compensation received	*784*	*817*
e) income from revaluation of fixed assets	*0*	*0*
f) working capital surpluses	*38*	*220*
g) rental income	*570*	*465*
h) settlement of negative goodwill	*0*	*0*
i) write-off of liabilities	*20*	*873*
j) revenues from the redemption of CO2 emission rights	*46 634*	*36 720*

k) other	*24 744*	*24 251*
including for the protection of jobs "Shield"	*11 050*	
4. subsidies	**381**	**191**
5. Updating the value of non-financial assets	**36 505**	
Of which: Reversal of an impairment loss on the value of fixed assets under construction	13 282	
Of which: Reversal of an impairment loss on finished and semi-finished products	23 223	
Other operating revenues, total	**132 241**	**66 504**

The item co-financing for job protection means the available financial resources under the solutions provided for in the so-called Anti-crisis shield (Act of March 2, 2020 on special solutions related to the prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them, and the Act of March 31, 2020 amending the above Act). The companies from the Capital Group: Stalprodukt S.A., STP-Elbud Sp. z o. o. and Cynk Mal S.A. applied to the Voivodship Labour Office for support for entrepreneurs for the protection of jobs from the funds of the Guaranteed Employee Benefits Fund. The amount of co-financing obtained on this account was PLN 11,050 thousand (Stalprodukt S.A. PLN 8 939 thousand, STP-Elbud Sp. z o. o PLN1 514 thousand, Cynk-Mal S.A. PLN 597 thousand).

NOTE 24 - Other operating costs	**thousand x PLN**	
	2020	**2019**
1. loss from transfer of non-financial fixed assets	**15 608**	**997**
2. revaluation of non-financial assets	**4 801**	**24 203**
3. reserves (due to)	**28 967**	**47 289**
a) doubtful receivables	*65*	*1 754*
b) bonus for clinics	*1 665*	*2 084*
c) landfill reclamation	*55*	*55*
d) compensations/damages	*114*	*367*
e) finished products value reduction	*472*	*3 558*
f) mining plant liquidation	*10 496*	*164*
g) employee benefits	*4 598*	*-9*
h) reclamation of post-excavation areas	*436*	*422*
i) energy origin certificates	*11 066*	*38 792*
4. other, including:	**75 448**	**30 001**
a) donations and optional contributions	*1 750*	*875*
b) costs of court proceedings	*489*	*378*
c) penalties, fines, compensations	*165*	*226*
d) shortages in financial resources	*69*	*187*
e) value of written-off receivables	*56*	*0*
f) value of fixed assets liquidation	*0*	*604*
g) cost of unutilized production capacity	*2 373*	*341*
h) costs of road barrier tests	*1 136*	*1 248*
i) lease costs	*1 746*	*2 741*

j) value of scrapped materials	*7 399*	*10 117*
k) others	*60 267*	*13 284*
Other operating costs, total	**124 825**	**102 490**

NOTE 25 - Financial revenues	thousand x PLN	
	2020	2019
1.interest income, including:	**3 591**	**8 719**
2. profit on disposal of investments	**3 999**	
3. exchange rate differences (the excess of negative over positive)	**13 486**	**2 669**
a) realized	*3 845*	*2 523*
b) unrealized	*9 641*	*145*
4. released provisions, due to	**6 262**	**6 375**
a) interests	*7*	*120*
b) fulfilment of commitments due to the HRC Agreement	*6 255*	*6 255*
5. other, including:	**43**	**1 969**
a) dividend received	*0*	*0*
b) balance-sheet valuation of investments	*0*	*1 067*
c) profit from bargain purchase	*0*	777
d) adjusted purchase price of shares consolidated by equity method	*0*	119
e) other	*43*	*6*
6.contingent liabilities due to the purchase of ZGH	***18 367***	
Financial revenues, total	**45 748**	**19 732**

The release of the provision related to contingent liabilities is due to the reduction in the debt of Gradir Montenegroo d o.o. by PLN 5,549 thousand, severance pays in the amount of PLN 6,645 thousand and other contingent liabilities and guarantees in the amount of PLN 6 173 thousand. At the same time, the involvement of the subsidiary in the investment in the mine in Montenegro is PLN 154,473 thousand, impairment loss is PLN 100,981 thousand, value of shares PLN 53,492 thousand, the balance of loans as at December 31, 2020 is PLN 66,697 thousand.

NOTE 26 - Financial expenses	thousand x PLN	
	2020	2019
1. due to credits and loans	**5 301**	**10 708**
2. other interests	**5 148**	**5 766**
including interest on leasing	*4 589*	
3. Loss on disposal of investments	**0**	**0**
4. released provisions, due to	**237**	**175**
a) accrued but not paid interests	*237*	*175*
5. other, including	**7 616**	**6 189**
a) surplus of negative exchange rate differences over the positive ones	*3 953*	*-368*
b) unrealised exchange rate differences	*0*	*6 176*
c) other	*3 663*	*381*
Financial expenses, total	**18 302**	**22 838**

NOTE 27 - Current and deferred income tax	thousand x PLN	
	2020	2019
1. Gross profit (loss)	249 807	200 675
2. Consolidation adjustments	-12 927	34 704
3. Differences between gross profit (loss) prior to income tax (by titles)	-42 133	56 995
- companies' gross loss	-13 359	*-14 801*
- amortization of tangible and intangible deductible expenses	7 587	*97 492*
- donations and voluntary contributions	1 441	*1 288*
- provision for receivables	-383	*887*
- release of provision for retirement benefits	-14 599	*-13 720*
- PFRON	6 486	*6 384*
- leasing instalment	-3 648	*-3 796*
- write-off from revaluation of inventories and long-term investments	-15 743	*27 235*
- cost regarding provisions for retirement benefits	16 727	*17 068*
- costs of assets liquidation	12 352	*449*
- cash and accounts balance sheet valuation	-2 715	*852*
- social insurance for November and December '2019' and paid in January and February '2020'	-12 886	*-11 688*
- social insurance for November and December '2020' and paid in January and February '2021'	12 602	*9 883*
- costs of representation	533	*1 884*
- reconciliation of losses from previous years	-26 178	*-15 090*
- dividends received	0	*-36 649*
- provision for claims	-6 243	*6 385*
- other	-4 105	*-17 069*
4. Taxable income	194 747	292 374
5. Income tax at the rate 19%	165 560	44 597
6. Income tax base 9%	3 468	
7. Income tax at the rate of 19%	33 931	
8. Income tax at the rate of 9%	312	
9. Increases, omissions, exemptions, deductions and tax reductions	-307	
10. Tax current income included in the tax return of the period	33 923	44 597
a) shown in the profit and loss account	*39 745*	*46 185*
b. Deferred income tax	5 822	1 588
11. Effective income tax rate	17,78%	23,02%
12. Tax difference resulting from permanent differences between gross profit and the tax base	2 377	-8 057
13. The difference between the tax at the rate of 19% and 9%	347	0
14.Effective tax rate after taking into account the differences in points 9 and 10	19,00%	19,00%

NOTE 28a - PROFIT (LOSS) NET	thousand x PLN	
	2020	2019
a) parent company net profit (loss)	*54 843*	*92 808*
b) subsidiary companies net profit (loss)	*139 250*	*163 931*
c) consolidation adjustments	*-10 317*	*-102 251*
d) profit from bargain purchase		
Profit (loss) net	**183 776**	**154 488**

NOTE 28 b - PROFIT SPLIT
Net profit for the financial year 2019 amounting of **92,807,837.99** PLN is proposed to be transferred in full to reserve capital. Net profit for the financial year 2020 amounting of **54,843,411.16** PLN: - reserve capital 21,361,809.16 - dividend 33,481,602.00.

NOTE 29 - Profit per 1 share
For the calculation of profit per one common share, the stock of 5,580,267 items. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Therefore, no ratio of diluted profit per ordinary share is not calculated. Profit (loss) for one ordinary share was PLN 32.93.

6. Reporting by segments

According to IFRS 8, an operating segment forms a part of an entity:

- which organizes the business, in connection with which revenues can be obtained and costs incurred,

- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments,

- for which there is separate financial information available.

IFRS 8 requires disclosure of operating segments based on internal reports used in managerial accounting.

Using the management approach to segment reporting in Stalprodukt, there are three operating segments distinguished:

- Electrical Sheets Segment DB,
- Profiles Segment DP,
- Zinc Segment.

For these segments, there is separate financial information drawn up for the Parent Company that the Management Board of the Company uses to evaluate the results of both segments for the purpose of bonus system, based on coverage margin, and for the purpose of the allocation of resources to a given segment.

Profiles segment includes the following products: cold formed profiles and tubes, road safety barriers and hot and cold rolled sheets and strips.

Transformer sheets segment includes transformer metal sheets and toroidal cores.

The Zinc Segment embraces the object of activities pursued by ZGH "Bolesław" S.A. jointly with the subsidiary companies, i.e. excavation of zinc-lead ores production of zinc and lead as well as related activities.

The Segment of Goods was accounted jointly with Other Activities, Due to the fact that its Capital Group's sales share was decreased.

Segment revenues apply only to sales to external customers. Revenues of other segments in the consolidated financial statements are excluded.

Segment costs include the own cost of sales, including the cost of sales resulting from the operations of the segment. Segment costs do not include other operating costs, which can not be directly attributed (attributed) to the segment, general overheads costs, finance costs and income tax.

Segment result (profit/loss of the segment) is the difference between revenues and costs of the segment.

Segment assets (liabilities) are operating assets (operating liabilities) used by a segment (resulting) in operating activities, which are directly attributable to the segment (intangible assets, tangible fixed assets, inventories, receivables from customers, amounts due to suppliers) or allocated to the segment based on a reasonable basis e.g. share of the segment in sales, profit (other assets and liabilities).

The same accounting principles, including the methods of valuation, which are presented under par. 3 of this Information, taking into account the above findings, are applicable for reporting by segments.

Required information on operating segments for the year 2020 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2021	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	**706 278**	**565 248**	**1 813 198**	**236 326**	**3 321 050**
Domestic	54 879	405 853	1 050 913	191 095	1 702 740
Export	651 399	159 395	762 285	45 231	1 618 310
Segment Costs	644 030	552 200	1 564 928	218 319	2 979 478
Segment Result	**62 248**	**13 048**	**248 270**	**18 007**	**341 572**
Other Operating and Financial Revenues Non-Attributable to the Segment					177 980
Other General, Operating and Financial Costs Non-Attributable to the Segment					296 031
Gross Profit					**223 521**

Income Tax					39 745
Net Profit					**183 776**
Segment Assets	962 774	640 672	2 236 531	492 789	4 332 466
Assets Non-Attributable to the Segment					36 884
Total Assets					4 369 350
Liabilities	245 268	194 484	658 565	71 098	1 169 415
Contingent Liabilities					277 748
Total Liabilities					1 447 163
Investment Outlays	3 499	2 099	189 416	14 945	209 959
Depreciation	39 996	19 029	91 520	16 272	166 817

Sheets Segment: The write-off on the opening balance was PLN 824 thousand in 2020, the write-off for finished products was made in the amount of PLN 1,527 thousand, and released in the amount of PLN 1 109 thousand, the closing balance of the write-off is PLN 1,242,000.

Profiles Segment: The write-off to the opening balance was PLN 5,110 thousand in 2020, the write-off for finished products was made in the amount of PLN 8,184 thousand, and closed in the amount of PLN 9,452 thousand, the closing balance of the write-off is PLN 3,842 thousand.

In the zinc segment, a write-down on inventories was released in the amount of PLN 21,548 thousand and in the reporting period, the revaluation of fixed assets under construction was released in the amount of PLN 13,282,000.

Itemization 2019	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	**873 670**	**655 038**	**1 994 622**	**292 939**	**3 816 269**
Domestic	61 466	480 842	1 267 809	244 208	2 054 325
Export	812 204	174 196	726 813	48 731	1 761 944
Segment Costs	789 358	667 700	1 692 879	272 403	3 422 340
Segment Result	**84 312**	**-12 662**	**301 743**	**20 536**	**393 929**
Other Operating and Financial Revenues Non-Attributable to the Segment					86 309
Other General, Operating and Financial Costs Non-Attributable to the Segment					279 564
Gross Profit					**200 674**
Income Tax					46 186
Net Profit					**154 488**

Segment Assets	996 454	700 807	2 244 837	364 465	4 306 562
Assets Non-Attributable to the Segment					38 520
Total Assets					4 345 082
Liabilities	285 079	225 687	697 032	83 143	1 290 941
Contingent Liabilities					296 115
Total Liabilities					1 587 056
Investment Outlays	11 804	2 710	176 817	26 980	218 311
Depreciation	38 292	17 691	92 141	18 284	166 408

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules of their valuation

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the accounting books when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

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

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

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

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

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

recognised in accordance with the accounting policy and presented in a note to the financial statements.
Trade credit risk is mitigated by actions related to the selection of counterparties with good creditworthiness, setting credit limits for them, payment hedging policy and their ongoing monitoring in accordance with the applicable procedures. Therefore, the exposure of the Capital Group companies to the risk of bad debts is insignificant. Credit risk should be properly assessed by making appropriate bad debt provisions in the books.
The Company and entities from the capital group classify customers into risk groups on the basis of the adopted classification, based on the adopted methods of division into risk groups. Groups determine the level of risk from low (group 10) to the highest (group 0). Write-offs on items measured at amortised cost are determined on the basis of historical data according to the division into groups, grouped probability of credit risk and past customer behaviour.

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

Re 3) Financial assets valued at the fair value by financial result. Assets that do not meet the criteria to be measured at amortised cost (item 1) and at fair value by other income (item 2) are measured by profit or loss. Gains or losses on fair value measurement of investments are recognized in profit or loss. These include trade receivables subject to factoring for liquidity management purposes when the terms of a factoring contract result in the discontinuation of the recognition of receivables or loans that do not meet the SPPI test.
A financial instrument is derecognised from the balance sheet when the entity loses control over the contractual rights constituting the financial instrument; this is usually the case when the instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.
As at each balance sheet date, the Company assesses whether there are objective premises for impairment of a given component of financial assets or a group of financial assets. Such indications include, but are not limited to, serious financial difficulties of the debtor, the disappearance of an active market for a given financial instrument, adverse changes in the economic, legal and market environment of the issuer of a financial instrument, and persistence of a significant decline in the fair value of the instrument. When such evidence exists, the impairment loss should be estimated and an impairment loss should be recognized.

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

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

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

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

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

Item	Category acc. to IFRS 9	2020	2019
Shares and stocks	*fair value through financial result*	442	441
Trade receivables (net)	*amortised cost*	439 436	474 546
Other receivables (without public-law)	*amortised cost*	9 833	86 429
Cash and cash equivalents	*amortised cost*	436 392	404 501
Loans	*amortised cost*	17 222	18 153
Securities	*amortised cost*	76 770	55 015
Total financial assets		**980 095**	**1 039 085**
Trade liabilities	*amortised cost*	288 460	337 355
Credits and loans	*amortised cost*	118 452	175 800
Total financial liabilities		**406 912**	**513 155**

As at December 31, 2020, the fair values did not differ from the book values. As at December 31, 2020, the qualification test did not show a significant impact of IFRS 9 on the value of receivables, and the measurement of loans granted at amortized cost showed no significant differences. Other financial assets in the amount of PLN 20 537 thousand and liabilities in the amount of PLN 26 895 thousand included in hedge accounting is described in detail in the paragraph: explanations to balance sheet items related to financial instruments. The fair value of shares and stocks determined at level 3.

Fair value hierarchy

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has access to at the assessment date.

Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The purpose and policy of risk management and measurement methods.

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

The main assumption of the ZGH "Bolesław" S.A. strategy with respect to hedging is to reduce the sensitivity of revenues to a decrease in the price of zinc, lead and silver and the USD exchange rate. The smaller the level of security for the Company's exposure, the more sensitive it is to price drops. The lack of hedge results in full discovery of the change in the exchange price of zinc, lead, silver and the exchange rate of the dollar, and in the event of a drop in the price to the level below the break-even point, significant losses, difficult to cover from any funds, especially in the period of longer maintenance of the low price level.

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

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

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

Credit and contractual risk

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

In order to perform a classification test for the purposes of IFRS 9, to determine the ratio of non-performance of liabilities and forecast the amount of the allowance for receivables, an analysis of turnover with customers was carried out in the period from January to December 2018. The Company conducts a credit risk management policy based on the Credit Procedure, which defines the rules for granting credit limits. In the process of risk identification, customers are assigned to a specific group determining its level, and if the level is too low to accept the limit applied for, negotiations are undertaken in order to obtain hedge.
In accordance with the adopted criteria for classifying customers into risk groups, based on the financial standing, the analysed ratios are assigned (in accordance with the matrix) points. The sum of points determines the customer's qualification to one of the ten risk groups as in the table below:

Risk group	Subgroup	The sum of points from ... to		Rating for customers in the zinc segment	Risk level
I	10	60	58	AAA	none
	9	57	54	AA	low
	8	53	51	A	low
	7	50	48	BBB	low
II	6	47	45	BB	average
	5	44	40	BB	average
	4	39	35	B	average
III	3	34	30	CCC	average
	2	29	20	CC	significant
	1	19	14	C	significant
	0	13	0	D	insolvency

Group's share in balances of receivables from operating segments as at 31.12.2020					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	62%	17%	21%	0%	100%
Profiles	38%	44%	11%	7%	100%
Zinc	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in 2020					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	59%	18%	19%	4%	100%
Profiles	41%	34%	16%	9%	100%
Zinc	100%	0%	0%	0%	100%

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 380,845 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 12 months 2020 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 8.8 %.

THE HEDGINGS ADOPTED			thousand x USD/EUR/PLN					
			2020			2019		
No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	161	PLN	**161**	42	PLN	**42**
2	Bank guarantees and letters of credit	credit /contractual	4 855	EUR	**22 405**	3 300	EUR	**14 053**
3	Bank guarantees and letters of credit	credit/contractual	3 265	USD	**12 271**	5 769	USD	**21 909**
4	Sureties	credit/contractual	0	PLN	**0**	0	PLN	**0**
5	Sureties	credit/contractual	15 620	EUR	**72 083**	14 850	EUR	**63 239**

6	Sureties	credit/contractual	0	USD	**0**	0	USD	**0**
7	Pledges and mortgages	credit/contractual	19 508	PLN	**19 508**	19 008	PLN	**19 008**
8	Pledges and mortgages	credit/contractual	0	EUR	**0**	500	EUR	**2 129**
	Total value of securities in PLN				**126 428**			**120 379**

Liquidity risk

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

In the current financial standing of the Group, with a clear advantage of financing with own funds, liquidity risk does not occur. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Parent Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks.

The details concerning the credit line limits, credit-to-debt ratios and the remaining conditions were presented in 17c note.

Market Risk

Exchange Rates Risk

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

As of 31.12.2020 the following data were provided in the Consolidated Balance Sheet:

loans granted – PLN 17,221 thousand,

cash – PLN 436,392 thousand,

long-term credits and loans – PLN 61,934 thousand,

short-term credits and loans – PLN 56,517 thousand.

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

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID). The gross result's sensitivity to the increase of interest rates was presented below:

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2019	2020
Exchange rate increase by 50 basis points		
Impact on the gross result	1 676	1 237
Exchange rate decrease by 50 basis points		
Impact on the gross result	-1 676	-1 237

Currency Risk

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

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

As of 31.12.2019, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 6c and 17b notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2019	2020
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	6 688	15 694
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	-6 688	-15 694

The nature of the activities pursued by the subsidiary company - ZGH “Bolesław” S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates. Hedging itself against the currency exchange rate risk, the subsidiary company applies: forward transactions, average-rate forward transactions, options or option strategies. Relationships were determined for the period from June 2021 to December 2023 year.

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against

Active currency hedging instruments as of 31.12.2020			PLN thousand		
Cash Flow Hedging	forward	$91 812 575,00	-11 355	-11 355	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 2 400 000,00	85	85	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies		0	0	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (forward synthetic)	€ 3 600 000,00	-167	-168	risk from EUR/PLN exchange rates

Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH "Bolesław" S.A. pursues an active commodity (Zn and Pb) risk management policy, using various derivative instruments. For metal prices risk management the following transactions are concluded: swap transactions (fixed to float, float to float), options or option strategies, forward contracts. Relationships were determined for the period from June 2021 to December 2023 year.

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 31.12.2020 (zinc)			PLN thousand		
Cash Flow Hedging	swap	18 125	-4 487	-4 487	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	24 000	-11 289	-11 289	Price Change Risk Zn LME in USD
Cash Flow Hedging	Option strategies (collar)	3 000	265	0	Price Change Risk Zn LME
Cash Flow Hedging	put	1 500	391	0	Price Change Risk Zn LME
Cash Flow Hedging	call	1 500	-126	0	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2019 (lead)			PLN thousand		
Cash Flow Hedging	swap	0	0	0	Price Change Risk Pb LME in PLN
Cash Flow Hedging	swap in USD	0	0	0	Price Change Risk Pb LME in USD
Cash Flow Hedging	Option strategies (collar)	0	0	0	Price Change Risk Pb
Cash Flow Hedging	put	0	0	0	Price Change Risk Pb
Cash Flow Hedging	call	0	0	0	Price Change Risk Pb
Active commodity hedging instruments as of 31.12.2019 (silver)			PLN thousand		
Cash Flow Hedging	swap	105 000	-1 253	-1 253	Price Change Risk Ag LMBA

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

The GK Bolesław's exposure to market risks in 2021 is as follows:

- Zinc - approx. 81 100 tons
- Lead - approx. 12 800 tons
- Silver - approx. 615 200 Ozs
- Currency - approx. USD 273 000 000

The currency risk exposure is very strictly dependent on the metal price levels (primary exposure) and may undergo fluctuations in the case they change. Apart from the metal price levels, the currency risk exposure also includes the sales bonuses achieved in zinc and lead alloy transactions.

Currency exposure is closely connected with the price levels of metals (original exposure) and may be subject to fluctuations in case of their changes. Apart from the metal prices, currency exposure contains premiums achieved on the market when selling zinc, zinc alloys, and led. The above mentioned exposures are based on budget estimations for 2021, i.e. $2350 LME Zn, $1750 LME Pb, $20/ozs LBM.

Security accounting

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

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

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	31.12.2020	31.12.2019
Long-Term investments (Note 3a)	2 034	8 931
Short-Term Investments (Note 7a)	95 273	140 724
TOTAL, including:	**97 307**	**149 655**
a) valuation of derivative transactions	20 537	94 640
b) securities	76 770	55 015

Explanation Referring to the Item: Liabilities (Payables) in respect of:	PLN thousand	
	31.12.2020	31.12.2019
Contracts for Hedging Transactions (Note 16a)	1 816	2 352

Conclusions of Currency Option Transactions (Note 17a)	24 658	15 806
Adjustment by the amount of settlements with brokers in respect of the finalized transactions	421	5 718
TOTAL	**26 895**	**23 876**

Valuation of Derivative Transactions	PLN thousand			
	31.12.2020		31.12.2019	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	4 748	23 470	88 941	2 184
Commodity Transactions - Lead	0	0	1 314	0
Currency Transactions - USD/PLN EUR/PLN	15 756	2 138	4 385	21 489
Commodity Transactions- Silver	33	1 287	0	204
Total	**20 537**	**26 895**	**94 640**	**23 877**

Securities	PLN thousand	
	31.12.2020	31.12.2019
Obligacje Skarbu Państwa	**0**	**9 209**
Obligacje Skarbu Państwa FL	**0**	**3 967**
Obligacje PBG	**0**	**0**
Obligacje korporacyjne	**40 000**	**0**
Shares in Investment Funds	**36 770**	**41 839**
- Quercus Ochrony Kapitału	3	0
- Quercus Obligacje Skarbowe	3 088	0
- Generali Korona Dochodowy	0	10 452
- Generali Korona Dochodowy FL	5 562	1 035
- Generali Oszczednosciowy FL	0	4 341
- Generali Oszczednosciowy	0	10 331
- Generali Aktywny Dochodowy FL	1 358	0
- Generali Aktywny Dochodowy	26 759	15 680
Total	**76 770**	**55 015**

Division of Hedging Instruments	PLN thousand			
	31.12.2020		31.12.2019	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**17 597**	**23 089**	**90 833**	**23 315**
Commodity Transactions - zinc	*4 411*	*19 923*	*86 777*	*1 807*
Commodity Transactions - lead	*0*	*0*	*1 314*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*13 153*	*1 879*	*2 742*	*21 304*
Commodity Transactions - Silver	*33*	*1 287*	*0*	*204*
Trade Instruments	**2 941**	**3 805**	**3 807**	**561**
Commodity Transactions- zinc	*337*	*3 547*	*2 164*	*376*

Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	2 604	258	1 643	185
Commodity Transactions - silver	0	0	0	0
Total	**20 538**	**26 894**	**94 640**	**23 876**

Financial Report Presentation of Applied Derivative Instruments

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.12.2020	31.12.2019
Sales of Products Adjustment	55 310	18 506
Sales of Goods Adjustments	0	0
Revaluation of Investments	-3 262	1 067
Gains/Loss on Sale of Investments	3 999	778
Total	**56 047**	**20 351**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.12.2020	31.12.2019
Commodity Transactions	95 961	25 048
Currency Transactions	-31 985	-14 381
Total	**63 976**	**10 667**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.12.2020	31.12.2019
Sales Increase	92 784	46 587
Sales Decrease	-37 474	-28 081
TOTAL	**55 310**	**18 506**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	31.12.2020	31.12.2019
Valuation of Open Hedging Instruments:	**-5 757**	**67 187**
- Zn	-15 776	84 640
- Pb	0	1 314
- USD/PLN	11 355	-18 786
- Ag	-1 253	-204
- EUR/PLN	-83	223
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**0**	**847**
- Zn	0	847
- Pb	0	0
- USD/PLN		0
TOTAL	**-5 757**	**68 034**

8. Capital management

Capital management is pursued at the Parent Company's level.

The policy exercised by the Management Board of the Issuer assumes the maintenance of strong capital base in order to maintain the confidence of investors, creditors and the market, and the ability to continue and further develop the Group's activities, including the realization of planned investments. Following this policy and internal procedures, the Parent Company monitors the size, structure and profitability of total equity and current capital (working) on the basis of economic ratios existing in the Parent Company.

In 2020, the Parent Company properly managed the capital, since the objectives associated also with liquidity were met. Basic ratios concerning capital structure and working capital management, as defined in the financial plan reached the expected values, which enabled the achievement of the Parent Company's objectives, its smooth and reliable operation, and to raise funds for further development.

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2020	2019
Debt	*118 451*	*175 321*
Cash	*-436 392*	*-404 501*
Net Debt	*-317 941*	*-229 180*
Equity	*2 913 187*	*2 758 026*
Net Debt Relation to Equity	**-10,91%**	**-8,31%**

Debt is understood as long-term and short-term debt presented in the notes 16a and 17a.

In the reporting period the increase of net profit per share was recorded, the maximization of which is a strategic goal for Stalprodukt. The net profit per share decreased from PLN 27.68 in 2019 to PLN 32.93 in 2020.

Changes in equity for the years 2019 and 2020 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2020, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, didn't change and is taking out 0.67.

The ability to manage working capital increases profitability and reduces the risk of cash shortages. In this respect, the following activities of the Issuer should be noted in particular:

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level,

- The main objective of the Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken,

- The Parent Company maintained a substantial amount of cash on bank accounts, deposing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

The capital management is run independently by the subsidiary Management Boards, applying the policy adopted by the Parent Company, subject to its supervision and monitoring.

The proper management of capital is evidenced by the fact that the Group reached a satisfactory liquidity throughout the reporting period timely fulfilled its obligations with respect to the staff, budget and suppliers.

9. Other information and notes

Transactions between the Company Stalprodukt and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. To recognize a given entity as a related entity, the Company applies the principles defined in IAS 24, considering the nature of the relation and its impact on the entity's result and its financial standing.

a) degree of the Issuer's participation in management is 94.93 % in ZGH "Bolesław", and 100% in other related parties,

b) the Issuer's and associated companies' mutual receivables and liabilities have been presented in the Tables below.

Items 2020	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-Wamech sp. z o.o.	422	7 323	2 613	21 585
Stalprodukt-Centrostal sp. z o.o.	54	1 083	473	3 550
Stalprodukt-Zamość sp. z o.o.	1 724	60	10 013	536
Stalprodukt-Ochrona sp. z o.o.	26	817	226	3 861
STP Elbud sp. z o.o.	641	3 788	3 234	20 305
ZGH „Bolesław" S.A.	0	11	0	115
Anew Institute sp. z o.o.	20	32	0	749

Cynk-Mal S.A.	111	725	22 490	5 030
GO Steel a.s.	19 324	2 845	197 436	38 582

Moreover, in 2020 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 364 thousand, costs PLN 144 thousand; receivables PLN 14 thousand, liabilities PLN 1 thousand; Stalprodukt-Profil S.A. sales PLN 265 thousand. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 808 thousand. These were typical market transactions.

Items 2019	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.			262	2 361
Stalprodukt-Wamech sp. z o.o.	272	7 891	1 820	13 898
Stalprodukt-Centrostal sp. z o.o.	26	1 256	459	4 437
Stalprodukt-Serwis sp. z o.o.			460	4 295
Stalprodukt-Zamość sp. z o.o.	839	417	5 716	1 650
Stalprodukt-Ochrona sp. z o.o.	25	1 452	213	4 283
STP Elbud sp. z o.o.	243	3 011	2 259	23 665
ZGH „Bolesław” S.A.	20			1 130
Anew Institute sp.z o.o		20		121
Cynk-Mal S.A.	3 992	1 197	29 853	5 484
GO Steel Frydek Mistek a.s.	27 053	8 450	222 688	50 564

Moreover, in 2019 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 459 thousand, costs PLN 174 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. sales PLN 425 thousand, receivables PLN 31 thousand. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 808 thousand. These were typical market transactions.

10. Changes in the Issuer's Ownership Structure

In comparison to 2019, constituting a comparable period to this consolidated financial statement, the following changes occurred in the structure of the Issuer's Capital Group:

1. In connection with the entry into force in the Czech Republic on January 1, 2021 of the amendment to the Act on Commercial Companies 33/2020 Sb and in order to avoid problems related to the interpretation of the new regulations, Stalprodukt S.A., as the sole shareholder of GO Steel Frydek-Mistek a.s., made the decision to change the existing system of the internal structure of the company (the so-called one-tier one, with the statutory director and the management board) to a dual system (in which the management board and supervisory board operate), i.e. a system also known in Poland under the provisions of the Commercial Companies Code In connection with the above, on December 16, 2020, the necessary changes were made to the statute of GO Steel

Frydek Mistek a.s., with the simultaneous change of the company's name to GO Steel a.s. The changes entered into force on January 1, 2021.

In the structure of the Issuer's Capital Group in 2020, there were no other mergers, acquisitions or sale of units, long-term investments, division, restructuring or abandonment of operations, except for those listed in this report.

The impact of the corona virus COVID-19 pandemic on the Company's situation

Information on the impact of the Coronavirus pandemic on the activities of the Group's individual operating segments is presented below.

a) Sheets Segment

In the first quarter and the beginning of the second, the grain-oriented electrical sheet (GOES) market in Europe and North America did not initially experience the effects of the epidemic as severely as other industries.

In the early weeks of the pandemic, Europe could even feel the sudden increase in demand for oriented sheets. The effects of a sudden increase in demand resulted from the expected disruptions in supply chains operated by suppliers from outside Europe. However, the change in demand caused by the pandemic had short-term effects, while none of the major European customers experienced any disruptions in the supply chain by suppliers from the Far East.

It was only at the end of the second quarter that the market began to feel the effects of the Covid-19 pandemic. A large number of energy projects in all regions of the world have been suspended and interest in Grain-Oriented Electrical Sheets (GOES) has dropped dramatically. Chinese producers also returned to the game, continuing production during the culmination of the epidemic in their country, and began aggressively offering stored quantities in the second quarter of the year. Prices began to fall significantly, and the June negotiations for delivery in the second half of the year were already taking place in an atmosphere of inevitable reductions.

Summing up, it should be stated that the portfolio of the Sheet Metal Segment customers has been created over the years in such a way as to eliminate all possible emerging market risks. Nevertheless, the pandemic related to the development of the COVID-19 coronavirus has had a negative impact on sales. The customer portfolio, which in recent quarters was based almost 100 percent. on end users of Stalprodukt sheets in the form of transformer producer groups, transformer or core producers - effectively eliminating intermediate companies or typical commercial companies - did not provide the Company with complete control over the situation related to the development of the pandemic.

b) Profiles Segment

The Profiles segment was most affected by the situation related to the closure of the Polish economy and the economies of foreign target markets. The increased demand, felt in the first quarter of 2020, collapsed at the turn of April and May and was caused by the closing of production and plants being the segment's customers. In particular, areas related to the automotive, furniture and steel construction industries should be mentioned.

Due to the difficult market situation and the effects of the coronavirus pandemic, which affected practically all sectors of the economy, and thus a wide range of recipients of the Profiles Segment products manufactured by the Group, sales of all product groups recorded significant drops in both volumes and the value of revenues.

After the collapse of sales in this segment in the second quarter of 2020, caused by the closure of the Polish economy and foreign target markets, the situation in the third quarter clearly improved in this respect. The Segment's operation was suspended for 2 weeks in August, but it was a typical summer break that has been in operation at Stalprodukt S.A. for several years.

The impact of COVID-19 on sales in the last quarter of 2020 was lower than in the previous periods of the previous year. In this segment, the Coronavirus pandemic had the greatest impact on the works related to the installation of road barriers. These mainly concerned companies of Stalprodukt's subcontractors, in which the absenteeism of employees resulted in delays in the implementation of road contracts. These delays, however, did not have a significant impact on the assessment of the material, financial and personal capacity of the Issuer to fulfil its contractual obligations.

It should also be emphasized that due to the desire to limit the negative effects of the epidemic on the future activities of Stalprodukt, and to ensure the protection of jobs, on April 24, 2020, the Stalprodukt Management Board signed an agreement with trade unions operating in the Company. Under this agreement, in the period from 1.05. - 31.07.2020, the Issuer reduced the working time by 20% and the remuneration of all employees of the Company to the same extent. As a result, Stalprodukt obtained the so-called "Anti-crisis shield", co-financing from the Provincial Labour Office, which for the period May-July this year amounted to a total of PLN 8,939 thousand.

By analysing the epidemiological situation in the last quarter of 2020 and observed in the I quarter of 2021 The III wave of the Coronavirus pandemic, the peak of which is expected at the turn of March and April 2021, the Issuer forecasts an increase in absenteeism in this period to the level recorded in the III quarter of 2020.

c) Zinc Segment

In 2020, the Zinc Segment did not feel the impact of the coronavirus pandemic on the sales volume of zinc, as zinc smelters work mainly for the needs of the construction industry, which was relatively good (unlike the situation of galvanizing plants in Western Europe, which mainly serve the automotive industry pandemic very painfully).

The 11.5% decrease in net sales in this segment in the first half of 2020 was mainly due to a significant drop in stock zinc prices.

The Coronavirus pandemic contributed to a greater absenteeism of employees on sick leave and in quarantine in certain periods (e.g. in Q3 last year), but this impact on production activities was not significant. The situation related to COVID-19, however, influenced the postponement of the launch of the new Bath Hall due to restrictions in the movement of people (arrival of specialists from abroad).

Due to the above, the sales of zinc realized by the Segment in 2020 were at a good level. A fairly large stock of products at ZGH "Bolesław" at the end of the year was caused by preparations for the launch of a new bathtub hall and the need to have a full range of products (zinc and alloys) to serve customers. It was caused by the belief that after the new bathtub hall is put into operation, the produced zinc will be of lower quality for some time (approx. 1 month). However, this was not the case and stock levels are currently being reduced.

In the case of lead sales, the main recipient of which is the automotive industry, the impact of the pandemic was particularly visible at the turn of the first and second half of 2020 (May-July). In the following months, however, the situation improved.

Events after the balance sheet date

In connection with the completion by the Company of the construction of the 5-star Ferreus hotel in Krakow, on March 9, 2021, the agreement of Hotel Ferreus Sp. z o. o was signed The share capital of this company is PLN 500 thousand and is divided into 500 shares with a nominal value of PLN 1 thousand each, which were fully acquired by Stalprodukt S.A. as its sole shareholder). At the turn of the first and second quarter of 2021, it is planned to submit an application to the National Court Register for company registration. The company Hotel Ferreus Sp. z o. o. was established to conduct hotel activities on the basis of a lease agreement for the facility in question. Due to the Coronavirus pandemic, the Company was withholding from launching the hotel. The currently expected date of commencement of operations is July 2021. The facility has a permit for use by the County Construction Supervision Inspector - Grodzki County and a positive position in the field of fire protection of the Municipal Commander of the State Fire Service in Krakow. The hotel has a total of 71 accommodation units. The total planned expenditure on its construction, based on the investor's cost estimates, was set at PLN 66 million. The expenditure actually incurred amounted to PLN 58.9 million.

In connection with the provisions of the perpetual usufruct agreement, Stalprodukt was obliged to implement the investment consisting in the extension, superstructure and reconstruction together with a change in the use of the existing technical, social and administrative facility located at ul. Wadowicka 14 in Kraków. Considering the poor technical condition of the facility, the solutions that do not meet the modern tenants' requirements and the limitations of the project itself (the building is over 40 years old), in the Company's opinion such modernization was ineffective and unfounded. Therefore, Stalprodukt took appropriate steps to obtain a permit for the demolition of the existing facility and the necessary change of the purpose of perpetual usufruct. Thanks to the efforts undertaken by the Company, on January 20, 2021, Regulation No. 139/2001 of the President of the City of Krakow was published on the consent to change the purpose of the right of perpetual usufruct of real estate owned by the State Treasury and remaining in perpetual usufruct by Stalprodukt S.A., which no longer obliges perpetual usufruct user for the implementation of the above. the project of expansion and superstructure of the above-mentioned building. At the end of March 2021, the company received the so-called an agreement protocol between the Krakow City Hall and Stalprodukt, the signing of which will be the basis for changing the perpetual usufruct agreement in the form of a notarial deed. Thus, in the opinion of the Company, the formal obstacle in the way of obtaining a permit for the demolition of the old technical and social building will disappear. The Company also recognizes that only now, after formal decisions of the President of the City of Krakow, the actual liquidation of fixed assets related to this facility and the introduction of a corresponding change in the Company's assets may take place. As at December 31, 2020, the balance of fixed assets in the Company's books related to the above-mentioned in the building amounted to PLN1 155 thousand.

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

On 25.04.2018, the Regional Court of Kraków, 9th Economic Department (joint case file No IX GC 543/13) issued judgments in both of the above mentioned cases:

1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgment, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The company appealed against the judgment.

2. regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgment dismissing the action. 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 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.

The above state means that at present it has been legally settled that the company ZGH "Bolesław" S.A. is liable for damages to Przedsiębiorstwo Wodociągów i kanalizacji for the effects in the field of water relations related to the future shutdown of the drainage of the "Olkusz-Pomorzany" Mine and the resulting cessation of water supply to its channels and for possible contamination of groundwater.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation appeal against the above judgement. On January 27, 2021 in the case of reference number No. III CSK 191/20, the Supreme Court in Warsaw issued a decision to refuse to accept the case of cassation appeal brought by ZGH "Bolesław" S.A. against the judgement of the Court of Appeal in Kraków of March 13, 2020 in the case ref. AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o in Olkusz for cognisance. The said decision was delivered to the Company on March 25, 2020. The above information about the judgement of the Court of Appeal was treated by the Issuer's Management Board as confidential information and made public in the current report No. 3/2020 on March 13, 2020. Moreover, it should be noted that the above-mentioned judgement is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). Contingent liabilities have been defined as resulting from the risks identified by the acquiring entity related to, inter alia, with the costs of decommissioning the "Olkusz-Pomorzany" mine and liability for mining damage and water supplies in the Olkusz region. The total amount resulting from the above-mentioned estimates amounted to PLN 296 115 thousand. This amount was presented in the balance sheet as at December 31, 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A.". As at December 31, 2020, the above-mentioned the amount of estimates through dissolution in the amount of PLN 18,367 thousand and the transfer to the short-term part in the amount of PLN 66 138 thousand in connection with the commencement of the decommissioning process of the "Olkusz-Pomorzany" mine, as planned to be dissolved or used within 12 months from the balance sheet date.

Closure of the Olkusz-Pomorzany mine.

On 29 April.2020 the Management Board of ZGH "Bolesław" S.A. (“the Company”) informed the Issuer that it had adopted a resolution on the termination of mining of zinc and lead ores in "Olkusz - Pomorzany" Mine on 31 December 2020. The termination of mining shall be understood as submission of the statement, as of 31 December 2020, on the renunciation of its concessions for mining zinc and lead ores from the "Pomorzany" deposit, as well as parts of “Olkusz” and “Klucze I” deposits.

The cost of carrying out the liquidation of the "Olkusz-Pomorzany" Mine in accordance with the liquidation programme is estimated by the Company to be approximately PLN 140 million, which is included in the Company'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). The closure of the mine will not negatively affect a continuation of ZGH “Bolesław” S.A. business.

In the opinion of the Management Board of the parent company and the subsidiary, the assets of the Olkusz-Pomorzany mine do not constitute a separate type of activity. They are presented as part of the assets of the Zinc Segment and do not generate significant cash flows separate from the Zinc Segment.

Additionally, a contingent liability in the amount of PLN 277.7 million was recognized in the consolidated statement of financial position, incl. for the purpose of liquidating the mine and covering any related damages. This liability was recognized in the business combination and will expire in proportion to the mine decommissioning expenses. The part related to decommissioning is PLN 126 million, and the part related to mining severance pay is PLN 20 million. The estimated mine decommissioning period is 2 years. The solution will represent financial income but not positive cash flow. The contingent liability relating to the liquidation of the mine in the part related to compensation for water supplies in the amount of PLN 50 million will be used after the judgement determining the amount of compensation. On the other hand, the amount of liability for mining damage estimated at PLN 55 million (risk of flooding and sinkholes after closure) will be adjusted or used after completion, closure or settlement of the above-mentioned issues.

At the same time, it should be remembered that the above-mentioned date for the completion of mining activities by ZGH "Bolesław" S.A. is consistent with previous plans. In particular, this date was specified in the development strategy of the Zinc Segment, published in the current report No. 33 of October 27, 2016.

The above information about ZGH's decision to terminate mining activities was published on the WSE in current report No. 6/2020 on April 29, 2020.

Joint ventures with other entities

The subsidy is related to the implementation and financing of a project in the area of renewable energy sources, i.e. the construction of a prototype of an innovative wind turbine with a vertical axis of rotation, with a capacity of 1.5 MW.
The project was co-financed by the National Centre for Research and Development within the framework of the pilot project *Support for scientific research and development on the demonstration scale DEMONSTRATOR+.* The relevant contract was signed in December 2013 and the planned completion date of the project according to the contract no. UOD-DEM-1-153/001 and later Annexes is 30.06.2018. The final report was also submitted to the NCBiR, which was adopted on February 18, 2020.
The total amount of the grant is PLN 12,539,923.
As part of a consortium (which – apart from the Company - includes the AGH University of Science and Technology in Krakow and ANew Institue Sp.z o.o.), established by agreement of December 10, 2013 for the implementation and financing of the abovementioned project, due to the turbine failure during its testing, repair work was necessary to perform, which in 2019 included:
- wing repair,
- replacement of bolts in central nodes.

In 2020, the operation of the device and its tests were resumed. It should be expected that the obtaining of the use permit from the Provincial Building Supervision Inspector will be carried out by the end of the first half of 2021. At the same time, it should be emphasized that as at the balance sheet date, the Company did not choose the commercialization path of the project. The choice of the method will be possible after conducting tests and appropriate certification.

Differences between the annual statement and the QSr_4/2020 report

SPECIFICATION	thousand x PLN		
	was	is	difference
Profit and loss account			
I. Net revenue from sale of products, goods and materials	*3 320 422*	*3 321 050*	*628*

II. Cost of sold products, goods, and materials	*2 893 678*	*2 899 088*	*5 410*
III. Sales profit	*193 503*	*188 668*	*-4 835*
IV. Operating profit	*205 153*	*196 084*	*-9 069*
V. Gross profit	*214 227*	*223 520*	*9 293*
VI. Net profit	*173 747*	*183 776*	*10 029*
Balance			
I. Fixed assets	**2 424 986**	**2 423 852**	**-1 134**
II. Assets	**1 917 664**	**1 936 498**	18 834
1. Stocks	*816 965*	*809 943*	*-7 022*
2. Receivables	*511 601*	*512 892*	*1 291*
4. Short-term prepayments	*37 888*	*62 453*	*24 565*
Total assets	**4 342 650**	**4 360 350**	**17 700**
I. Equity	**2 882 857**	**2 913 187**	**30 330**
I. Equity attributed to shareholders of the parent company	***2 771 266***	***2 801 566***	***30 300***
1. Exchange rate differences	*16 112*	*16 052*	*-60*
2. Profit (loss) from previous years	*96 664*	*117 023*	*20 359*
3. Net profit (loss) attributable to shareholders of the parent company	*162 641*	*172 755*	*10 114*
II. Equity attributable to non-controlling interests	***111 591***	***111 621***	***30***
II. Liabilities and provisions	**1 459 793**	**1 447 163**	**-12 630**
Total equity and liabilities	**4 342 650**	**4 360 350**	**17 700**

Other data necessary to prepare the consolidated financial statement refer to the following exclusions and adjustments:

SPECIFICATION	**thousand x PLN**	
	2020	**2019**
shares	501 759	510 350
intangible assets	5 529	5 853
fixed assets	44 645	46 151
stock	31	0
investment properties	50 425	52 317
receivables and liabilities	43 949	63 596
revenue from the sale of goods	219 929	251 200
revenue from the sale of products	133 113	154 670
the value of goods sold	219 929	251 200
cost of manufacture of products sold	133 113	154 670
interest	105	199
loans	1 400	3 500
dividend	37 056	102 312
revaluation write-off for shares	8 663	
solution see conditional	18 367	

The position of the Management Board regarding the opinion expressed by the auditing company in the report of the independent statutory auditor on the audit of the annual consolidated financial statements of the Stalprodukt S.A. Capital Group

On April 30, 2020, the Issuer, Stalprodukt S.A., received from Polscy Biegli Sp. z o. o. the report on the audit of the consolidated financial statements of the Stalprodukt S.A. group with the proviso that, except for the legal effects described in the *qualified opinion* section, the attached consolidated financial statements present a true and fair view of the Group's consolidated property and financial position as at December 31, 2021 year and its consolidated result and consolidated cash flows for the financial year ended on that date and is consistent in terms of form and content with the provisions of law applicable to the Group and the Parent's Articles of Association.

In the scope of the above, the experts argued that *"that the Issuer's Management Board did not provide us with the evidence that was updated as at the balance sheet date, authenticating the estimates presented in the financial statements related to the effect of the decommissioning of the Olkusz-Pomorzany mine. In our opinion, the discrepancy between the subsidiary's estimate is a circumstance that indicates a risk of error. In addition, the lack of evidence of the estimates made is a significant limitation of the scope of the audit, as a result of which we are unable to determine the impact of risk on the audited consolidated financial statements*

In addition, according to the experts, the contingent liabilities arising in connection with the closure of the Olkusz-Pomorzany mine are no longer contingent items, as the mine closure process began in December 2020.

In terms of the risk of non-recovery of funds involved in Gradir Montenegro d.o.o. Nisic should be assessed in accordance with IAS 36 "impairment of assets" and recognized in the subsidiary's separate financial statements.

The Issuer informs that as part of the settlement of the acquisition of ZGH "Bolesław" S.A. in Bukowno, in accordance with the applicable IFRS, in order to recognize the acquired net assets and identified risks and their appropriate presentation in the consolidated financial statements for 2013, they were adjusted with estimated contingent liabilities resulting in particular assessed costs of decommissioning the Olkusz - Pomorzany mine and the possibility of not recovering the funds involved in the company "Gradir Montenegro". The presentation was not subject to the reservations of the experts who audited the above report. The Issuer continued the adopted and accepted principle of presentation in subsequent years, informing about it in annual, semi-annual and quarterly reports, as well as in current reports related to the responsibility for water supplies in the Olkusz region.

The Issuer's Management Board notes that the above-described method of presenting the risks resulting from the acquisition of the entity, in which the events described above may occur, in the consolidated financial statements under contingent liabilities in the original amount of PLN 296,115 thousand, guarantees that in the event of updating and then confirming that the created provisions are insufficient to cover existing and future claims for the operation and liquidation of the Olkusz-Pomorzany mining plant -

in accordance with the opinion of the expert for the separate report of the subsidiary - this will allow for an appropriate update of the presentation also at the level of the consolidated report, without prejudice to the reliability and clarity of the presentation of the consolidated property and financial situation of the Stalprodukt S.A. Group.

The Issuer informs that the provision for the decommissioning of the Olkusz - Pomorzany mine was presented by the subsidiary in its financial statements for the amount of PLN 126 million.

The Issuer informs that the value of shares in Gradir Montenegro d.o.o. according to the purchase price is PLN 154,473 thousand, while the carrying amount as at December 31, 2020 is PLN 53,492 thousand. The amount of impairment write-offs - PLN 100,981 thousand, and the equity of Gradir PLN 32,355 thousand. The open balance of unpaid loans as at December 31, 2020 is PLN 66,697 thousand. In the consolidated financial statements of the Group, the risk of not recovering the funds involved in Gradir was estimated at PLN 72 million.

Therefore, any possible update due to the underestimation of the amount of provisions by the subsidiary, in the Issuer's opinion, should not have a significant impact on the annual financial statements of the Group.

The Issuer does not agree with the expert's statement that the condition for estimating the impact of economic benefits "due to the liquidation" of the Olkusz - Pomorzany mine has been fulfilled. In accordance with the applicable Polish law, i.e. the Geological and Mining Law of June 9, 2011 (i.e. Journal of Laws of 2019, item 868, as amended), the commencement of liquidation is not the same as its completion. The Issuer indicates that the liquidation is a process and its financial effects will be known only after its full completion. The Issuer reminds in this respect that provisions were created for liabilities resulting, inter alia, from the closure of the mine and mining damage, also resulting from its closure.

The Issuer informs that in connection with the situation, an update of the supporting evidence, performed jointly with the subsidiary, of the estimates presented in the financial statements related to the effects of the decommissioning of the Olkusz - Pomorzany mine and will take steps to present in the separate financial statements of the subsidiary based on IAS 36 possible impact of the risks on the value of the company's shares.

Other information

1. In 2020, the Stalprodukt Capital Group did not discontinue any activities of any kind.

   The Management Board of ZGH "Bolesław" S.A. informed the Company on April 29, 2020 about adopting a resolution on ending the extraction of zinc-lead ore from the Olkusz-Pomorzany Mine on December 31, 2020. The management of ZGH "Bolesław" S.A. presents the position that in in the light of the cited definitions from IFRS 5, the decommissioning of the Pomorzany mine does not meet the conditions for recognizing it as a discontinued operation. In addition, the Company's financial plans assume maintaining production at at least the same level, and thanks to the completed investment in a new bath hall, an increase in production volumes to 100,000 tons per year.

2. There were no significant events related to the previous years included in the annual financial statements as at December 31, 2020 that would distort the image of the activities of the financial year 2020. The fact of receiving a discount on purchases from the previous year was considered important, which was revealed in the result of previous years in the amount of PLN 20,360 thousand.

3. In the reporting period, the Group incurred capital expenditures in the amount of PLN 209,959 thousand. Including the amount of PLN 63,449 thousand for environmental protection. The planned capital expenditures for 2021 will amount to approximately PLN 210,000 thousand. Capital expenditures will be used to finance property, plant and equipment.

4. In the reporting year, the Group did not carry out any joint ventures with other entities, except for those mentioned in item 12 of this statement "Other information - joint ventures with other entities".

5. As at the balance sheet date, Stalprodukt S.A. Capital Group has the following off-balance sheet contingent liabilities:
   - performance guarantee related to the manufacture and installation of road barriers with a total value of PLN 16,644 thousand,
   - against the repayment of an investment loan granted by Bank Pekao S.A. to STP Elbud Sp. z o.o., the surety for a blank bill of exchange for the amount of PLN 13,000 thousand issued by STP Elbud Sp. z o. o has expired.
   - ZGH "Bolesław" S.A. issued promissory notes in connection with the concluded contracts for financing investment projects with the National Centre for Research and Development for the amount of PLN 60.5 million.
   - ZGH "Bolesław" S.A. issued a promissory note in connection with the contract concluded with the National Centre for Research and Development for the amount of PLN 60.5 million

6. ZGH "Bolesław" S.A. in the IV quarter of 2019 established in the form of bank guarantees a collateral for claims of the waste holder in favour of the Marshal of the Małopolska Province in the total amount of PLN 9,582,000. The collateral in the amount of PLN 9,111.0 thousand applies to the installation of rotary kilns used for the production of zinc concentrate from waste zinc-bearing materials in a roll down process. The second security in the amount of PLN 21.1 thousand relates to installations for the production of electrolytic zinc and its alloys, and the third in the amount of PLN 450 thousand includes an installation for the processing of waste in the recovery process.

7. Average employment:
   - in 2020 the total number of employed persons was 6 090,
   - in 2019 the total number of employed persons was 6 499.
8. Remuneration, including awards, paid to managing and supervising persons in the parent company amounted to PLN 3,386 thousand in 2020 and PLN 5,014 thousand in 2019, including the remuneration of the Management Board respectively: PLN 3,062 and PLN 4,643 thousand and the remuneration of the Supervisory Board PLN 324 thousand and 371 thousand.
9. The remuneration of the Company's managing and supervising persons for performing functions in the governing bodies of subsidiaries amounted to PLN 285 thousand in 2020, including: managing persons PLN 271 thousand and supervising persons PLN 14 thousand, while in 2019 – PLN 336 thousand, including managing persons PLN 296 thousand and supervising persons PLN 40 thousand.
10. The remuneration of the auditing company amounted to:
    - for the review of the half-yearly separate financial statement - PLN 20,000;
    - for the review of the half-yearly consolidated financial statement - PLN 18,000;

    In addition, the price for the audit of the annual financial statements will be:
    - separate financial statement - PLN 50,000;
    - consolidated financial statement - PLN 25,000.

11. Neither the Parent Company nor its subsidiaries granted advances, credits, loans, guarantees and sureties to members of the Management Board and Supervisory Board, except for loans from the Company Social Benefits Fund.

10. After 31.12.2020, apart from the information contained in this report and in the report of the Management Board of the parent company, no other events not included in the consolidated financial statement for 2020 occurred, which could significantly affect the situation in the Group and its future financial results.

11. No financial statement and comparable financial data adjusted for inflation are presented because the cumulative average annual inflation rate over the last three years did not reach 100%.

12. The Company, as the parent company, prepares consolidated financial statements using the full consolidation method and covers all subsidiaries.

13. On April 28, 2020, a Member of the Management Board, Marketing Director, Józef Ryszka, resigned from the position of the Board Member effective as of April 29, 2020. The reason for resignation was reaching retirement age and acquiring retirement rights.

14. This consolidated financial statement of Stalprodukt S.A. Capital Group for 2020 was approved for publication by the Management Board of the Parent Company on 30 April 2021.

Bochnia, 30 April 2021.

The person authorised to
keep accounting books

Head of the Accounting
and Tax Department

………………………..	………………………..
Łukasz Mentel Member of the Management Board Chief Financial Officer	Piotr Janeczek President of the Management Board Chief Executive Officer