

**Statement of the Management Board
on the operations of
the Stalprodukt S. A. Capital Group
for the period
from 1 January 2020 to 31 December 2020**

Bochnia, April 2021

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Contents:

Contents:	2
Part I. Information on the main areas of operations of Stalprodukt S.A. and its Capital Group.	4
1. Introduction.....	4
2. Sale of core products, markets. Sources of supply of materials.....	5
3. Assessment of the economic and financial situation	20
4. Assessment of factors and unusual events affecting the result of operations for the financial year, with determination of the degree of impact of these factors or unusual events on the result achieved Bląd! Nie zdefiniowano zakładki.	
5. Information on concluded contracts significant for the issuer's operations, including contracts known to the issuer concluded between shareholders (partners), insurance contracts, collaboration or cooperation contracts Bląd! Nie zdefiniowano zakładki.	
7. Transactions concluded by the issuer or its subsidiary with affiliated entities on terms other than market conditions Bląd! Nie zdefiniowano zakładki.	
8. Information on loan and borrowing contracts concluded or terminated in 2020 Bląd! Nie zdefiniowano zakładki.	
9. Information on borrowings, sureties and guarantees granted in 2020 Bląd! Nie zdefiniowano zakładki.	
10. Information on the use of proceeds from the issue by the issuer	32
11. Information on own shares owned by the Company	32
12. Information on branches owned by the Company	32
13. Explanations of differences between the financial result reported in the annual statement and the previously published forecasts of results for a given year	32
15. Information on financial instruments	33
16. Assessment of possibility to implement the intended investments	33
17. Investment operations and R&D works..... Bląd! Nie zdefiniowano zakładki.	
18. Information on employment, remuneration and training Bląd! Nie zdefiniowano zakładki.	
19. Information on the adopted development strategy of the issuer and its capital group and activities undertaken as part of its implementation in the period covered by the statement along with a description of the issuer's development prospects at least in the following financial year Bląd! Nie zdefiniowano zakładki.	
20. Characteristics of external and internal factors important for the issuer's business development Bląd! Nie zdefiniowano zakładki.	
22. Wpływ koronawirusa COVID-19 na działalność operacyjną i sytuację finansową Emitenta Bląd! Nie zdefiniowano zakładki.	
23. Changes in the basic principles of managing the issuer's business and its capital group.....	48
24. All contracts concluded between the issuer and executives, providing for compensation in the event of their resignation or dismissal from their position without a valid cause or when their dismissal proceeds for a reason of merging the issuer by takeover	48
25. Value of remuneration, bonuses or benefits paid, due or potentially due, separately for each member of the Management Board and Supervisory Board	49
26. Information on any liabilities arising from pensions and similar benefits for former executives, officers or former members of administrative bodies and liabilities under these pensions.....	50
27. Total number and nominal value of all stocks (shares) of the issuer and stocks and shares in the affiliated entities of the issuer, in the possession of the executives and officers of the issuer, separately for each person	50
28. Information on contracts known to the issuer (including the ones concluded after the balance sheet date), which can bring in the future changes in the proportions of shares held by the present shareholders	50

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

29. Indication of significant proceedings pending before the court, competent arbitration tribunal or public administration authority regarding liabilities and receivables of the issuer or its subsidiary	51
30. Information on the control system of employee shares schemes	52
31. Information on the selection of an audit firm	52
Part II. Declaration on the application of corporate governance principles in the Company	54
Part III. Declaration on non-financial information	67
1. Management area	67
1.1. Description of the business model and strategic development directions	67
1.2. Managerial governance	68
1.3 Key non-financial effectiveness indicators	70
1.4. Social and environmental risk management	71
1.5. Ethics management	73
2. The environmental area	73
2.1 Consumption of raw materials and other materials	81
2.2. Fuel and energy consumption	83
2.3 Water consumption	84
2.4. Biodiversity protection	86
2.5 Emissions into the atmosphere	86
2.6 Waste management	88
2.7 Other environmental aspects	91
2.8 Enhanced environmental responsibility	92
3. Social and employee area	98
3.1. Using public aid and public sector contracts	98
3.2. Level of employment and level of remuneration	98
3.3. Relations with the employees and freedom of association	102
3.4 Occupational health and safety (OHS)	103
3.5 Development of education	106
3.6 Managing diversity	108
3.7 Human rights	108
3.8 Child and forced labour	109
3.9 Local communities and social engagement	109
3.10 Counteracting corruption	113
3.11 Product and consumer safety	115
3.12 Marketing communications	118
3.13 Protection of privacy	118
3.14 Product labelling	118

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

1. Introduction

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

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

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

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Metallurgical Plant S.A. with its registered office in Bukowno, constituting 86.92% of its share capital.

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

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

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

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

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

2.1 The Electrical Sheets Segment

- a) Transformer sheets and strips

In 2020, more than 16% less transformer sheets were sold in terms of volume compared to 2019, in terms of sales revenues, a decrease of 20.1% was recorded, and prices were lower by 4.6%.

The result achieved on the domestic market was structurally similar to the total result - both the volume and the value of revenues decreased by one fifth compared to the previous year.

In 2020, sales were concentrated on the European market, and the main target countries are: Italy Austria and Germany.

Import of transformer sheets to Poland in the period of 12 months of 2020 decreased significantly, by as much as 18% compared to the same period in 2019, and reached a level of just over 7,000. tone. The prices of the imported material did not change compared to the previous period.

The main directions of import of transformer sheets to Poland (by country of origin) in 2020 are:

- in the field of strips: Italy (46%), Germany (29%) and the Czech Republic (19%),
- for wide coils: Japan and Germany.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	7 293	6 222	-14,7	56 445	46 207	-18,1
Export	125 048	104 699	-16,3	806 047	643 161	-20,2
Total	132 341	110 921	-16,2	862 492	689 368	-20,1

Market environment

The Coronavirus pandemic and its tragic consequences have not missed any region of the world. The economic downturn has hit all major markets. According to analysts' forecasts, the return of world economies to the pre-crisis level may not take place until the end of 2021. The imbalance in the demand-supply balance also affected the electrical sheet industry, which, like other segments of the economy, was also struggling with significant declines.

After several quarters of price adjustments, it seemed that the market had stabilized to some extent and the supply / demand gap had been closed. There was a decline in warehouse levels, which allowed for a change in the trend and some price rebound in the grain oriented sheet market. It was then that the COVID-19 pandemic emerged, triggering investment aversion, drastically correcting resource prices (an example is the price of oil), and fundamentally changed the approach to perceiving the near future.

In the case of Stalprodukt S.A., more and more customers ask questions about the future offer related to meeting the requirements of the Eco Design Tier2 standard. These regulations, which are to apply from July 2021, will force the use of sheets with the lowest losses (0.75 or 0.70 W / Kg) in the production processes.

The earlier unsuccessful attempt to merge Thyssenkrupp with Tata Steel worsened the financial condition of both companies. Both companies started looking for new ways for their further activities. Liberty Steel also failed to take over ThyssenKrupp.

The US Department of Commerce has decided to protect the interests of AK Steel - its only producer of grain oriented electrical sheets (GOES). For this purpose, the Department has activated section 232, and new duties will therefore be imposed on imported components necessary for the production of cores.

The coronavirus pandemic significantly delayed the launch by the Russian company NLMK of a transformer sheet production plant in India, with a production capacity of 65 thousand tonnes of sheets / year. The Indian steelworks NLMK will become the second (after ThyssenKrupp Electrical Steel India) producer of GOES sheets in India.

a) Toroidal cores

The product group of transformer cores was the only product group in the Company's portfolio in 2020, which achieved higher results than in the previous period, both in terms of volume, value of sales revenues and prices.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

The over 9% increase in sales revenues was achieved mainly due to a significant increase in exports (by 1/3 compared to 2019). Domestic sales followed the same trends as transformer sheets (where a 21% decrease was recorded).

The sales structure changed significantly compared to the previous year. Currently, 33% (previously 45%) are domestic sales and 67% (in the previous year 55%) are export sales.

The pandemic situation had a much smaller impact on the production activities of the main customers abroad, who kept core purchases at a similar level.

Table 2. Comparative summary of sales of transformer cores

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	420	343	-18,3	5 021	3 972	-20,9
Export	551	680	23,4	6 157	8 238	33,8
Total	971	1 023	5,4	11 178	12 210	9,2

Market environment

The pandemic situation in 2020 caused the demand for toroidal cores to decline, mainly among domestic recipients. The existing competition (Czech, Slovak) managed to take the Stalprodukt's share in the market for this type of cores only to a small extent.

The situation was different for the recipients of rectangular cores and Unicores, who carried out their production without major obstacles based on long-term contracts and contracts secured by government guarantees. In this assortment (more specialized product) it is also possible to achieve higher margins. The situation with recipients based on state contracts has changed from the fourth quarter of 2020, i.e. these clients do not execute orders due to the complete (until further notice) suspension of financing the investment.

2.2 Segment of Bent Sections

a) Cold-formed sections

In 2020, over 164,000 of tonnes of sections and pipes were sold. This result means: almost 11% decrease in volume and over 13% decrease in sales value. The prices dropped in the analysed period by about 3% compared to the prices obtained in 2019.

The impact of the pandemic on customer behaviour varied widely. Some of the industries using protective programs (shields) did not make sudden cuts on the purchasing side, trying to keep jobs. The first noticeable purchase restrictions in the second quarter were signalled by the automotive industry, followed by mining and industries related to construction.

In the third quarter, the market began to experience material shortages, largely due to the systematic

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

reduction in the supply of hot rolled coils. As a consequence, in the fourth quarter, a drastic increase in the prices of hot-rolled coils started (unstoppable even by weak demand), which had to translate into significant increases in other steel products.

In the short term, this situation caused an increase in customer demand for fear of limited availability of the material. However, in the longer term, difficulties for end customers to translate the increases to the end customer market may cause significant drops in sales.

Based on the data of the Analytical Centre - the Tax Administration Chamber in Warsaw and HIPH, the Company estimates its current share in the apparent consumption of cold bent sections on the domestic market at approximately 26%. On the other hand, Stalprodukt's share in total domestic exports of cold-formed sections was nearly 37%, which means a decrease compared to the previous year (a 44% share was recorded in 2019).

The sales results presented above were obtained under the following market conditions (based on HIPH information in the period January - December 2020):

- **a decrease in the production of cold-formed sections in Poland by 2% - to the level of 303 thousand tonnes;**
- **decrease in apparent consumption of pipes by 11% to the level of 969 thousand tonnes** , including a decrease in apparent consumption of **closed** cold-formed sections by 7% (to the level of 417 thousand tonnes);
- **a decrease in imports of closed sections by 6% (232 thousand tonnes)**, and the current main directions of import are: for sections with a thickness of walls below 2 mm: Belarus (32%), Ukraine (30%) and the Czech Republic (13%); for sections with a thickness of walls greater than 2 mm Italy (25%), Ukraine (17%), Belarus and Bulgaria (9% each), Romania (8%);
- **an increase in exports of cold-formed closed sections by nearly 0.4% (118 thousand tonnes)**.

Table 3. Comparative summary of sales of cold formed sections

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	135 625	120 148	-11,4	364 728	313 065	-14,2
Export	48 144	44 160	-8,3	140 781	124 374	-11,7
Total	183 769	164 308	-10,6	505 509	437 439	-13,5

Domestic sales took place mainly through the distribution company Stalprodukt Centrostal on the basis of an agency agreement.

Production of steel pipes in the EU

The steel tube manufacturing activity in the EU is closely linked to sectors such as construction, automotive, metal products and mechanical engineering. The downward trend in these sectors was dramatically exacerbated by the outbreak of the COVID-19 pandemic in March 2020, resulting in an even

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020

Statement of the Management Board on the activities of the Capital Group

more sharp decline in steel tube production in the first and second quarters of 2020. In 2020, production in the EU steel tube industry was very strong hit by industrial blockages.

According to Eurofer's forecast (no full data for the entire 2020 year), the production of steel pipes fell for the third year in a row in 2020, at a much faster pace than in 2019 and this decrease amounted to 15.2%, compared to (-0.3%) in 2019. In contrast, for 2021, a rebound of 8.4% is projected, followed by an increase of 5.1% in 2022.

Domestic market

Analysing the import data, it is clear that in 2020 the strong market position of Italian suppliers has weakened, although in the longer term, taking advantage of significant financial support under the largest shielding programs and improving market conditions from the end of 2020, they will probably improve their competitiveness.

Neighbouring producers from Ukraine, Belarus, the Czech Republic, Romania and Bulgaria delivered much more sections to the Polish market in 2020.

b) Road barriers

The total result obtained in 2020 on the sale of road barriers was almost 13% lower in terms of sales revenues and 8.6% lower in terms of volume. Prices fell by 5%.

The above result was mainly influenced by the situation on the domestic market, where an almost 20% decrease was recorded, and the share of domestic sales in the total sales of barriers amounted to two thirds. The current structure is: 68% - domestic sales, 32% - export sales.

In the case of export sales, slight increases of several percent were achieved in terms of both the volume (3.6%) and the value of sales revenues (3.3%).

The decrease in the value and volume of sales in the first half of 2020 was caused by temporary restrictions in the construction of construction sites in the period March - April 2020, i.e. in the first phase of the outbreak of the pandemic. Then the pace of work returned to normal. In the second half of 2020, there were changes in the implementation schedules for some of the works originally planned for the third and fourth quarter of 2020. It should be emphasized that the decrease in sales value is directly related to the continuous "slimming" of the developed and used barrier systems. Better and better parameters of the systems are achieved by using steels with increased strength properties and new barrier elements. At the turn of 2019 and 2020, as well as in the first half of 2020, the Company developed several new and much lighter road barrier systems, which were delivered to construction sites practically throughout 2020.

As in Poland, in the COVID-19 era, road administrations in the countries to which Stalprodukt exports barriers, made efforts to continue the construction projects already started. As a result, the Company experienced a slight increase in demand for barriers from foreign markets. However, the behaviour of customers will be important in the light of the very dynamically growing steel prices at the end of the fourth quarter of 2020. A factor that may favour, especially in the Scandinavian markets, is the emergence of additional environmental requirements for barriers, i.e. the fact that manufacturers have an EPD (Environmental Product Declaration), which include, inter alia, information on the amount of CO₂

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

emissions throughout the product life cycle. This gives a chance to limit the import of barriers from China or Russia, at least temporarily.

In the fourth quarter of 2020, the second wave of the COVID-19 pandemic turned out to be particularly severe for the Company, as a result of which many Stalprodukt employees and other subcontractors were ill or were quarantined. As a consequence, the Company was forced to postpone the deadlines for completion of works or to arrange substitute contracting to avoid contractual penalties.

The most important road projects completed in 2020 include:

- a) **S5 section Szubin - Jaroszewo (Trakcja)** - roads + bridges (over 70 km of road barriers and 2 km of bridge barriers),
- b) **S3 section Miękowo - Brzozowo and S3 Miękowo - Rzańnica, Budimex** (almost 100 km of road and bridge barriers in total),
- c) **S2, 2 sections of the Southern Ring Road of Warsaw, Warbud and GP Mosty** (58 km of road barriers in total and 15.5 km of bridge barriers),
- d) **S17, Lublin Junction - Ring Road Kolbieli - 2 sections, Strabag** (a total of 120 km of road and bridge barriers),
- e) **Dąbrowa Tarnowska Ring Road, Banimex** (11 km of bridge barriers, 1 km of road barriers).

Table 4. Comparative summary of sales of road barriers

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	15 198	13 169	-13,4	83 526	67 837	-18,8
Export	5 940	6 155	3,6	30 874	31 900	3,3
Total	21 138	19 324	-8,6	114 400	99 737	-12,8

Market environment

Eighty percent of road barrier sales go to the domestic market. In times of pandemic and complicated economic conditions around the world, it is extremely difficult to maintain a stable economy in a country. However, GDDKiA as the largest road investor in Poland, especially in these extreme circumstances, is expected to act consciously in order to fuel the national economy.

In the first seven months of 2020, GDDKiA announced tenders for 13 works with a total length of 160 km. These are i.a. tenders for five sections of S19 from Krynice to Płosk, S19 Lublin Rudnik - Lubartów Północ, A18 between the junctions of Iłowa and Golnice and three works with a total length of 25.4 km from the new 100 Ring Road Construction Program (Leipzig on DK79, Wąchock on DK42 and Strzelce Krajeńskie on DK22).

In accordance with the declarations at the beginning of the year and thanks to the increase by the government of the financial limit of the National Road Construction Program ("PBDK") by over PLN 21 billion (including for the construction of S6 express roads from Koszalin to the Tri-City Ring Road and S10 Toruń - Bydgoszcz), GDDKiA plans to announce tenders for 22 works with a total length of 325.6 km (only under the National Road Construction Program).

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

As part of the 100 Ring Road Construction Program, 11 more tenders for works with a total length of 85.9 km are planned to be announced by the end of the year.

The implementation of the S6 expressway along the Baltic Sea has been accelerated, therefore tenders for the sections Lębork - Bożepole Wielkie and the Tricity Metropolitan Ring Road and for the extension of the Słupsk Ring Road and the Lębork-Słupsk section are to be announced soon.

With such extensive plans and a rich portfolio of orders, disputes arise, bidders use the legal tools they are entitled to. Many decisions in the field of tender procedures are submitted to the National Appeal Chamber or courts.

Currently, the expressway network is 4,188.1 km (1,693.7 km of motorways and 2,494.4 km of expressways), and in addition:

- 97 works from RBDS 2014-2023 are under implementation, with a total length of 1,221.2 km,
- the tender includes 17 works from PBDK 2014-2023 with a total length of 227.1 km and three ring roads from the Program for the construction of 100 ring roads with a total length of 25.4 km,
- 130 works are under preparation from the RDSF 2014-2023 with a total length of 2,580.7 km and 97 ring roads from the Program for the construction of 100 ring roads with a total length of 820.9 km.

c) Products of the Sheet Metal Service Centre

In 2020, about 11.5 thousand tonnes of sheets were sold for PLN 37.6 million, which means a decrease in volume by 13.7% compared to 2019, while the value of sales increased by 7% compared to the previous year.

The result was mainly determined by weaker domestic sales (-23%), which account for almost 90% of total sales, and 88% of domestic sales were made in the agency sales formula.

Increase in export sales to almost 13,000 tonnes resulted in an improvement of the total result obtained in this product group.

Imports of both hot-rolled and cold-rolled sheets in 2020 increased compared to 2019 - the former by 5%, and the latter by 12%, respectively.

Imported sheet metal prices fell by a few percentage points.

The main directions of import of hot-rolled strips and sheets are: The Czech Republic (26%), Germany (18%) Slovakia (12%), and Ukraine (70%). The average price per tonne in 2020 is PLN 2366 / MT.

The main directions of import of cold-rolled strips and sheets are: Germany (42%) and Ukraine (10%). The average price per tonne in 2020 is PLN 2603 / MT.

Table 5. Sales of steel service centre products

Specification	Quantity (Mg)			Net Value (PLN '000)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Country	12 448	10 245	-17,7	32 588	24 951	-23,4
Export	866	1 238	42,9	4 007	12 648	215,6
Total	13 314	11 483	-13,7	35 129	37 599	7,03

2.3 Zinc Segment

a) zinc and zinc alloys

Table 6. Summary of zinc sales

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	95 531	103 198	8,0	1 074 180	950 911	-11,5
Export	58 093	50 985	-12,2	524 773	531 051	1,19
Total	153 623	154 183	0,4	1 598 953	1 481 962	-7,3

In 2020, the sales volume of zinc and zinc products was higher than in 2019, including the volume of domestic sales increased by 8%, and export sales decreased by 12.2%.

Revenues from the sale of these products in 2020 were 10.2% lower than in the previous year due to a decrease in PLN prices of zinc by 10%.

The share of zinc in the sales revenues of the Zinc Segment's products is 83%.

Z1 zinc is mainly used as an anti-corrosion protection of surfaces by hot-dip galvanizing and electroplating. Zinc alloys are used in continuous casting lines or high-pressure casting lines, being used in the automotive industry, construction industry and household appliances.

Due to the increased lead content, Z5 zinc is used in the production of brass, bronze, as well as in galvanizing plants, as a cheaper replacement or supplementation of Z1 zinc.

The situation on the LME (London Metal Exchange) and currency market in 2020

The most important products of the Zinc Segment are: zinc (Z1 and Z5 grades and zinc alloys), lead (refined lead and flotation galena) and silver (Dore's metal).

The sale of these products is carried out in accordance with the applicable global standards. The amount of sales revenues depends mainly on the quotations of zinc and lead prices on the London Metal Exchange (LME), silver and the US dollar exchange rate. The value of the above factors is the effect of the general condition of the world economy.

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

Table 7. Change in macro parameters 2020/2019

Average prices	unit of measure	Year 2019	Year 2020	change (in %)
LME Zn	USD/t	2 546	2 267	-11,0%
LME Pb	USD/t	2 000	1 825	-8,8%

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

LBM Ag	USD/ounce	16,2078	20,5450	26,8%
exchange rate	USD/PLN	3,8399	3,8978	1,5%
Zn	PLN/t	9 763	8 798	-9,9%
Pb	PLN/t	7 680	7 099	-7,6%
Ag	PLN/kg	2 001	2 575	28,7%

The average prices of **zinc cash settlement** on the London Metal Exchange (LME) in 2020 amounted to USD 2,267 / t and were 11% lower than in 2019, when they reached an average of USD 2,546 / t.

The average prices of **lead cash settlement** on the London Metal Exchange (LME) in 2020 amounted to USD 1,826 / t and were 9% lower than in 2019, when they reached an average of USD 2,000 / t.

The average prices of **silver** on the London Bullion Market (LBMA) in 2020 reached the level of USD 20.55 / ounce (PLN 2,575 / kg), which means an increase by 29% compared to the prices in 2019 - USD 16.21 / ounce (PLN 2 001 / kg).

The average **USD / PLN exchange rate** (NBP) in 2020 amounted to 3.898 and was higher by approx. 2% compared to the average exchange rate in 2019 (3.840).

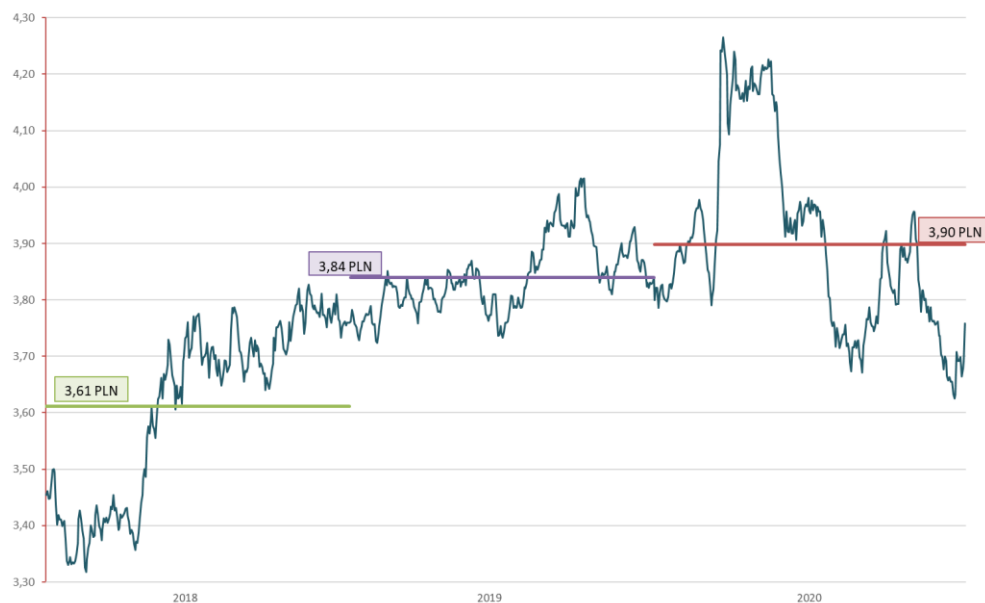
A synthetic summary of the most important macroeconomic factors for the activities of the Zinc Segment is presented in Table 7.

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

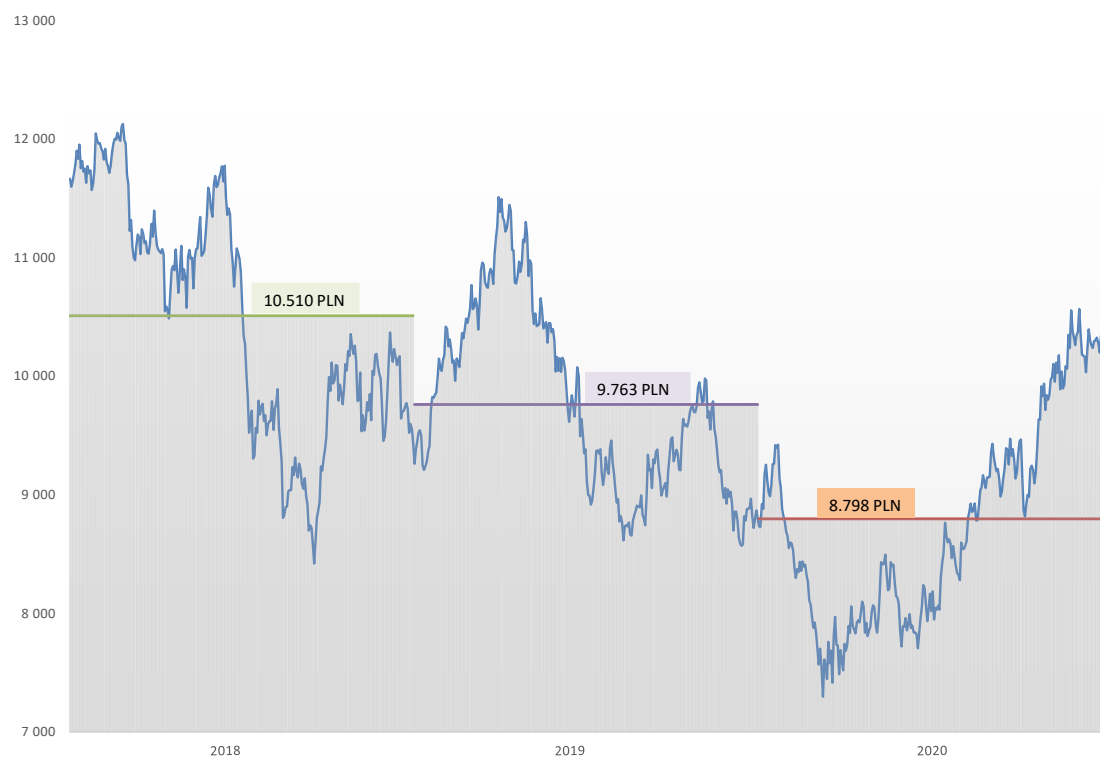


Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Exchange rate (USD/PLN) according to NBP.



Average annual zinc price in 2018 - 2020 (PLN / t) .



Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

b) lead

Table 8. Summary of sales of refined lead

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	11 535	6 695	-42,0			-79,1
Export	1 936	5 917	205,6	15 526	76 572	393,2
Total	13 471	12 612	-6,4	111 977	96 704	-13,6

Refined lead is mainly used for the production of accumulators and traction batteries, as well as for the production of lead oxides for the production of, inter alia, paints and varnishes and, to a minimum, lead alloys. Refined lead is also a raw material for the production of sheets, wires, ammunition and cables. In 2020, the Zinc Smelter "Miasteczko Śląskie" S.A. sold 35% of lead production on the domestic market on the basis of full-year and spot contracts.

c) galena flotation

Table 9. Summary of sales of galena flotation

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Country	59	0		0	0	
Export	28 418	19 198	-32,4	120 719	65 491	-45,7
Total	28 478	19 198	-32,6	120 719	65 491	-45,7

Galena flotation is produced in Poland and Montenegro, in the ZGH "Bolesław" S.A. and Gradir Montenegro d.o.o. companies. Galena is a concentrate containing approx. 60% lead. The production volume depends on the ore extraction and the lead content in the ore. In 2020, the volume of galena production at ZGH "Bolesław" decreased due to the decrease in lead content in ore.

Due to the non-negotiation of new conditions for the purchase of Pb concentrate with the current recipient, from 2Q in 2020, Gradir Montenegro sells only Zn-Pb concentrate to the "Miasteczko Śląskie" steelworks. Virtually all of Galena is sold for export. The share of lead (refined and galena concentrates) in the revenues from sales of the products of the Zinc Segment was 9%.

d) Silver (Dore metal)

Table 10. Summary of sales of Dore metal

Specification	Quantity (Mg)	Net Value (thousand x PLN)
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Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

	2019	2020	2020/2019 (%)	2019	2020	2020/2019 (%)
Export	19	20	5,3	38 830	53 610	38,1

Dorre's metal produced by HC "Miasteczko Śląskie" S.A. is a high-value useful waste produced during the refining of lead, suitable only for further processing. It is an alloy with a high content of precious metals: silver and gold.

It was sold directly to a precious metal refinery.

The share of silver in the sales revenues of the Zinc Segment's products in 2020 was 3%.

Sale of other products of the Capital Group

Sulphuric acid

The acid is produced at ZGH "Bolesław" and in Zinc Smelter "Miasteczko Śląskie" as a by-product of the sulphide concentrate roasting processes. Due to the increasing use of cheaper oxide materials in the production of zinc, the amount of sulfuric acid production and sale is decreasing. The recipients of the acid are both domestic and foreign contractors.

Sulfuric acid is very important in various industries. It is used, among others, for the production of other acids, dyes, artificial fibers, explosives, and fertilizers. It is used in the production of detergents, drugs and as an electrolyte in lead batteries. It is a frequently used reagent in laboratories.

Dolomite aggregates

Dolomite aggregates are produced in the subsidiary Boltech Sp. z oo, mainly on the basis of dolomite formed as a by-product in the process of preliminary enrichment of ore from the "Olkusz-Pomorzany" mine. Due to the end of operation of this mine, the "Ujków Stary" dolomite mine was launched in order to be able to smoothly continue the production of aggregates.

The main recipients of aggregates are road construction companies, plants producing mineral-bituminous masses and producers of road accessories.

Zinc-bearing materials utilization services.

Zinc-bearing materials are utilized by Zinc Smelter "Miasteczko Śląskie" and ZGH "Bolesław". At ZGH, disposal is carried out in the Waelz process on two waste streams. The first group is waste from zinc hydrometallurgy, while the second main waste stream is steel dust from the steel production process in electric arc furnaces. The oxide from steel dust is the input for the production of zinc at ZGH "Bolesław", while the oxide from the processing of sludge is the input for the production of zinc and lead at Zinc Smelter "Miasteczko Śląskie".

When analysing the territorial structure of sales of all the Group's products, it should be stated that there was an increase in the share of export sales in 2020 to 42%. In 2019, it was 40%.

- **Decision on the termination of mining activities by ZGH "Bolesław" S.A. in the Olkusz-Pomorzany mine**

On April 29, the Management Board of ZGH "Bolesław" SA informed the parent company about the adoption that day of the resolution on the end of zinc-lead ore extraction from the Olkusz - Pomorzany Mine on December 31, 2020. The end of extraction is understood as the submission on December 31,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

2020. declarations on the waiver of concessions for the extraction of ores from deposits: Pomorzany ”and parts of the“ Olkusz ”and“ Klucze I” deposits.

At the same time, the Management Board of ZGH "Bolesław" decided to commence the liquidation process of the "Olkusz - Pomorzany" Mine and to take all necessary steps to complete mining within the time limit indicated above.

The Management Board of ZGH "Bolesław" S.A, bearing in mind the negative social effects of the liquidation of the "Olkusz - Pomorzany" mine, will take steps to mitigate these effects as much as possible.

The cost of decommissioning the "Olkusz-Pomorzany" mine in accordance with the decommissioning program is estimated at about PLN 147 million, which was included in the balance sheet of ZGH in the form of a provision created (PLN 126.3 million) and funds accumulated on the mine decommissioning fund (PLN 20,5 million).

The total amount of contingent liabilities related to the purchase of ZGH, including those related to, inter alia, with the costs of decommissioning the "Olkusz-Pomorzany" mine, liability for mining damages and water supplies in the Olkusz region, 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 changes were made in the consolidated balance sheet. 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.

When making the decision to end the extraction of zinc-lead ore from the "Olkusz-Pomorzany" mine on December 31, 2020, the Management Board of ZGH took into account the state of resources, i.e. their quantity, quality and location in individual mining departments. The experience from the mines closed at ZGH shows unequivocally that it is impossible to "clean" the resources. Leaving only about 2 million tonnes of industrial resources as of December 31, 2020 will be an undoubted success and should be considered as a "clean" depletion. Considering the above, due to the depletion of resources, the end of production on December 31, 2020 seems fully justified.

The possibility of ending mining at the end of 2021 was analysed, but the radical changes on the market in the period December 2019-April 2020 caused by the outbreak of the coronavirus pandemic contributed to the decline in metal prices, accelerating the decision to end mining. This is because running mining activity is unprofitable under the current conditions. The closure of the mine will not adversely affect the continuation of the Company's operations.

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 (confidential information).

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

2.4. Segment of other activities

The segment of other activities, mainly covering the sale of goods, recorded a decrease in revenues in 2020 by 19.3% compared to 2019.

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

Table 11. Sales of the Capital Group's operating segments

OPERATING SEGMENTS				
Steels Segment		2019	2020	Change (2020/2019)
Segment revenues	<i>thousand x PLN</i>	873 670	706 278	-19,2%
Segment result	<i>thousand x PLN</i>	84 312	62 248	-26,2%
Segment margin	%	9,7%	8,8%	
Profiles Segment				
Segment revenues	<i>thousand x PLN</i>	655 038	565 248	-13,7%
Segment result	<i>thousand x PLN</i>	-12 662	13 048	
Segment margin	%	-1,9%	2,3%	
Zinc Segment				
Segment revenues	<i>thousand x PLN</i>	1 994 622	1 813 198	-9,1%
Segment result	<i>thousand x PLN</i>	301 743	248 270	-17,7%
Segment margin	%	15,1%	13,7%	
Segment of other operations of Stalprodukt S.A. Capital Group				
Segment revenues	<i>thousand x PLN</i>	292 939	236 326	-19,3%
Segment result	<i>thousand x PLN</i>	20 536	18 007	-12,3%
Segment margin	%	7,0%	7,6%	
Operating segments in total				
Segments' revenues	<i>thousand x PLN</i>	3 816 269	3 321 050	-13,0%
Segments' result	<i>thousand x PLN</i>	393 929	341 572	-13,3%
Segments' margin	%	10,3%	10,3%	

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

In 2020, the Group recorded sales drops in all reported operating segments. The revenues of the Sheet Metal Segment (by 19.2%), Section Segment (by 13.7%) and other activities (by 19.3%) decreased the most. Sales revenues in the Zinc Segment decreased to a much lesser extent (by 9.1%).

In terms of the obtained results, the largest decrease was recorded in Segment of Steel (by 26.2%) and, to a lesser extent, in Zinc Segment (by 17.7%). However, in the case of the Sections Segment, a significant improvement was recorded, which amounted to PLN 13,048 thousand. PLN (compared to the loss in 2019 at the level of PLN 12 662 thousand). The segment of other activities also recorded a decrease in the result by 12.3%.

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

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

Assortment	2019		2020	
	value (thousand x PLN)	share (%)	value (thousand x PLN)	share (%)
Electrical Steels Segment	873 670	22,9	706 278	21,3
Formed Profiles Segment	655 038	17,2	565 248	17,0
Zinc Segment	1 994 622	52,3	1 813 198	54,6
Other operations GK	292 939	7,7	236 326	7,1
Total	3 816 269	100,0	3 321 050	100,0

In 2020, the share of sales revenues of the Zinc Segment in total sales revenues increased (from 52.3% to 54.6%), while the share of sales of the Electrical Sheets Segment decreased (from 22.9% to 21.3%) and other activities (from 7.7% to 7.1%). In the case of the Bent Sections Segment, its share in the Group's sales (17.0%) remained at a level similar to 2019 (17.2%).

Sources of supply of materials for production

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

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

The material in strips is mainly used for internal needs of Stalprodukt, it is the charge for profiling lines for the Company's production departments located in Bochnia (Dept P2), in Kraków (Dept P3) and in

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Tarnów (Dept P4). In turn, steels in sheets are sold exclusively to Stalprodukt's external customers - both directly and through Stalprodukt's domestic distribution network.

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

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

3. Assessment of the economic and financial situation

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

Basic economic and financial figures

In 2020, revenues from the overall activity of the Stalprodukt Capital Group amounted to PLN 3,321.0 million. This means a decrease by 13% compared to 2019. The operating profit generated was PLN 196.1

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

million, while the net profit was PLN 183.8 million (in 2019, the operating profit was PLN 203.7 million, and the net profit was PLN 154.5 million).

In the discussed period, EBITDA reached PLN 362.9 million (compared to PLN 371.5 million in 2019).

In 2020, the sales profitability at individual levels was as follows (in %):

Specification	2020	2019
Return on sales	5,8	6,3
Operating return	5,9	5,3
Gross return	6,7	5,3
Net return	5,5	4,0

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

Specification	2020	2019
Return on assets	4,2	3,6
Return on equity	6,3	5,6

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

Specification	2020	2019
Acid test ratio	3,2	3,1
Increased liquidity ratio	1,9	1,9

In 2020, cash flows from operating activities amounted to PLN 350.5 million.

The assets of the Stalprodukt S.A. Capital Group in the reporting period remained at a similar level as in the previous year. Fixed assets increased by PLN 16.9 million compared to the previous year and amount to PLN 2,423.9 million.

In the discussed period, the value of current assets decreased by PLN 1.7 million.

In 2020, equity increased from PLN 2,758.0 million (2019) to PLN 2,913.2 million and accounts for 67% of the balance sheet total.

The long-term liabilities of the Stalprodukt S.A Capital Group as at December 31, 2020 amounted to PLN 388.6 million, including long-term loans and borrowings of PLN 61.9 million.

Compared to 2019, long-term liabilities decreased by PLN 141.5 million.

In long-term liabilities, the amount of PLN 296.1 million is related to the recognition of the risk related to the acquisition of ZGH "Bolesław" S.A., i.e. the costs of decommissioning the "Olkusz-Pomorzany" mine, liability for mining damage, the possibility of not recovering the funds involved in Gradir Montenegro, severance pay for employees of the mining division, claims related to the coal allowance as well as guarantees and sureties.

Short-term credits and loans at the end of 2020 amounted to PLN 36.5 million. Net working capital increased from PLN 1,317.9 million in 2019 to PLN 1,381.7 million at the end of 2020.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

The return on equity in the Stalprodukt Capital Group in the analysed period was 6.3%, and the cash balance as at December 31, 2020 amounted to PLN 436.4 million.

Assessment of the obtained results and financial situation

The results obtained by the Stalprodukt Capital Group in 2020 should be assessed as good. The Group recorded a decrease in sales revenues by 13%, the profit on sales decreased (a decrease by 20.2%), while the operating profit changed slightly (a decrease by 3.7% y / y), and the net profit increased (increase by 19.0% y / y).

The Capital Group did not experience payment gridlocks, consistently implementing the adopted policy in risk management. The parent company is also not endangered by fluctuating exchange rates due to the mostly natural hedging of this risk. On the other hand, ZGH "Bolesław" S.A. and its subsidiaries conduct an active security policy. In line with the strategy of hedging against the effects of falling prices of zinc, lead and silver and the dollar exchange rate, subsidiaries identify and assess the impact of the risk related to changes in metals prices and the exchange rate on the financial result, cash flow and balance sheet on an ongoing basis.

In 2020, there were slight changes in the shaping of assets and their financing sources. There was an increase in fixed assets by PLN 17.0 million, i.e. by 1%, while current assets decreased by PLN 1.7 million, i.e. by less than 1%. In the group of current assets, inventories increased by 7.9% and short-term receivables decreased by 13.2%.

The Group's assets remained at a similar level, while the share of financing sources in provisions and liabilities decreased by 8.8%.

In the analysed period, short-term trade liabilities related to deliveries decreased by 13.6% (PLN 291.5 million).

Equity accounts for 66% of liabilities, and payables account for 34%. The book value per ordinary share increased from PLN 494.95 to PLN 522.05 (by 5.6%).

Throughout the reporting period, the parent company and most of the companies from the Capital Group maintained good financial liquidity, as evidenced by the liquidity ratios and timely fulfilment of all obligations, both towards employees and suppliers, as well as the budget and financial institutions.

The Capital Group is not excessively indebted, the use of current loans throughout the period was moderate. In the opinion of the financing banks, the Stalprodukt Group has uninterrupted creditworthiness, and the results obtained and the transparent property and ownership situation allow it to obtain financing in various forms.

In the reporting period, the parent company and its subsidiaries renewed agreements with banks for multi-purpose credit lines aimed at securing the Group's sources of financing.

The Management Board does not expect the Group's financial situation to worsen in 2021. In order to maintain a good financial situation and liquidity, work is being carried out on the restructuring of the

Group's companies and further projects, especially in terms of acquiring new supply and sales markets, rational inventory and receivables management, and cost reduction.

The management of financial resources should be considered correct, as evidenced by the achievement of good economic indicators and the maintenance of financial liquidity and creditworthiness, as well as timely fulfilment of contracted liabilities.

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

- the coronavirus COVID-19 pandemic largely contributed to the decrease in the level of revenues from the sale of products, goods and materials achieved by the Stalprodukt Group in 2020, which amounted to 13.0%. The decrease in sales of the Sheet Metal Segment, which was lower by 19.2%, was the greatest contributor to this decrease, and to a lesser extent it concerned the Sections Segment (a decrease by 13.7%). The Zinc Segment, which has the largest share in the Group's revenues and results, also recorded a decrease in revenues (by 9.1%), but it was relatively the lowest among all operating segments;
- the Company's results were also negatively affected by the results of individual operating segments, especially the Sheets Segment, for which the decrease in the result compared to 2019 was 26.2%;
- the Group's results were positively influenced by the improvement in the Sections Segment (result of PLN 13.0 million in 2020 compared to a loss of PLN 12.7 million in 2019);
- the net result of the Group was positively influenced by 131.8% higher financial revenues, including those resulting from positive exchange differences, and 98.8% higher other operating revenues. Financial costs, lower by 20.0%, also had a positive impact on the net result.

Moreover, in the case of the Zinc Segment, the following factors had the greatest impact on its results:

- a decrease, compared to 2019, in the average annual prices of zinc and lead by 11.0% and 8.7%, respectively, and an increase in the average annual prices of silver by 26.8%;
- an increase in the average annual USD / PLN exchange rates by 1.5% compared to 2019;
- increase in electricity prices;
- fall in coke, coke breeze and gas prices.

• General economic situation in Poland and the EU

The COVID-19 coronavirus pandemic and its effects were the factor that had the greatest impact on the global economy last year, as it affected all regions of the world, including, of course, practically the entire European Union. Nevertheless, the impact of the pandemic on the level of GDP decline varied from country to country, sometimes even significantly. According to the forecasts of the European Commission of February 11, 2021, the EU economy shrank by as much as 6.3% in 2020 (the Euro area even to a slightly greater extent, i.e. by 6.8%). The Polish economy coped relatively well in this dramatic situation caused by the pandemic, as the domestic GDP decreased by approx. 2.8% compared to 2019, which was one of the better results compared to other EU countries (for comparison: GDP decline in Germany , i.e. the largest EU economy, amounted to 5%, in France - 8.3%, and in Italy - 8.8%).

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

The first wave of the pandemic and the restrictions imposed to combat the virus caused a significant decline in economic activity in Poland in the first half of 2020. While the first quarter of 2020 brought positive GDP growth (1.9%), in the second quarter, when the effects of the restrictions were fully visible, GDP contracted by as much as 8.4% y / y.

In Q3 there was a marked improvement in economic activity in Poland, although in annual terms GDP was still lower than a year earlier (by 1.5% y / y). Recovery in Q3 This was supported by the loosening of epidemic restrictions at home and abroad, the improvement in the sentiment of economic entities and support from the fiscal and monetary policy.

In Q4 2020, with the intensification of the pandemic (wave 2) and the tightening of restrictions, economic activity decreased again, although less than in Q2, which resulted in a decline in GDP in Q4 by 2.8% y / y.

- **Investment decline**

A stronger decline in 2020 was recorded in the case of gross fixed capital formation. The decline in the dynamics of investment outlays turned out to be exceptionally large compared to other macroeconomic figures. Thus, the rate of investment outlays in the economy, which was not high before the outbreak of the pandemic, decreased. The return to the positive growth rate of investments, expected from the second quarter of 2021, will not restore either the level of outlays or their share in GDP to the pre-crisis level. Throughout 2020, a decline in gross fixed capital formation by 8.4% was recorded, and in 2021 it should be expected to increase by 4.2% and by 4.8 % the following year

- **steel production level**

The coronavirus pandemic had a negative impact on all industries, including, of course, the steel industry, which had a direct impact on the level of steel production in individual regions of the world.

According to data published by the World Steel Association, the **global production of crude steel in 2020 decreased to 1.86 billion tonnes, i.e. by 0.9%**, thus, slightly, as rising production in Iran, Turkey and China almost fully cover losses in most of the other major steel-producing countries.

Total crude steel production in Asia increased by 1.5% year-on-year (to 1.37 billion tonnes) in 2020, supported by an increase in China's steel production of 5.2% (to 1.05 billion tonnes). China's share of world crude steel production has risen again. This time from 53.3% in 2019 to 56.5% in 2020.

It is estimated that Russia increased its steel production by 2.6% in 2020, reaching approximately 73.4 million tonnes. Overall, steel production in the CIS countries increased during this period by 1.5%, i.e. to 102 million tonnes.

The production of crude steel in the EU decreased by 11.8% year on year (to 138.8 million tonnes), including production in Germany dropped by 10% to 35.7 million tonnes, and in Poland it decreased by 11.9% to 7, 8 million tonnes.

In North America, steel production decreased by 15.5% to 101.1 million tonnes, and in South America by 8.4% to 38.2 million tonnes. The United States produced 72.7 million tonnes (down 17.2%) and Brazil 31 million tonnes (down 4.9%).

- **demand for steel products in Europe**

The COVID-19 pandemic has lowered steel consumption forecasts and overall economic forecasts across the EU. The lockdown measures implemented by governments, which started in earnest in March 2020, had a heavy impact on manufacturing activities and steel-using industries.

The COVID-19 epidemic hit EU industrial sectors even harder at a time when they were already undergoing a major crisis and faced major challenges. During 2019, business conditions in the manufacturing industry worsened. This downward trend gained momentum in the second half of 2019, particularly in the automotive industry, while the construction sector was doing better than other major steel-using sectors.

This led to a marked slowdown in production growth in steel-using sectors. Total production in steel-using sectors fell by 24.4% in the second quarter in 2020. In the third quarter of 2020, production in steel-using sectors rebounded from the previous quarter - thanks to the resumption of industrial activity across the EU - but a decline nonetheless year on year (-6.4%).

- **apparent use of steel**

Apparent steel use is also simply referred to as steel demand. This is the sum of deliveries of all steel products of EU producers plus imports less "receipts" to the EU, minus exports to third countries. The outbreak of the Covid-19 pandemic led to an almost complete halt in industrial activity from mid-March 2020 and took the biggest harvest at that time, but steel demand weakened earlier as a result of uncertainty in short-term business conditions, weak demand from manufacturing sectors and a reduction in inventories to record lows.

As a result of these negative pre-pandemic factors, apparent use in the EU decreased by 5.3% in 2019, compared to 2018, when the use increased by 2.6% year on year.

Throughout 2020, imports continued the trend of significant volatility (similar to 2019), with unusual monthly peaks. In August 2019, imports jumped to a record 4.4 million tonnes, after which significantly lower tonnages were imported into Europe in the following months to historically low levels, followed by more stable data and lower volatility until April 2020 (as reflected exceptionally weak demand). For some products, there was an increase in imports in July 2020 and then again from September to November it fell into a volatile trend.

Domestic deliveries of European steel suppliers fell (-8%) year-on-year in the third quarter of 2020, less than in the second quarter of the year (-28.1%). During 2019, deliveries decreased (-4.2%) compared to 2018, when they increased on an annual basis (+ 1.2%).

Apparent use is expected to decrease by 13% in 2020 (previously forecast to decrease by 14.6%) in 2020, then to recover and increase by 13.3% in 2021.

- **import of steel products to EU markets**

In the first eleven months of 2020, imports of finished steel products decreased by 17% year on year, including flat products by 16% and long products by 20%.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

According to data from November 2020, the main countries of origin for imports of finished steel products to the EU market are Turkey, the Russian Federation, South Korea, India and Ukraine. These five countries represented 65% of total EU finished steel imports. During the eleven months of 2020, despite a consistent decline in imports in 2020, Turkey remained the largest exporter of finished steel products to the EU with a 19% share of total EU finished steel imports, followed by the Russian Federation with 15% share and South Korea with 14 percent share.

In the first eleven months of 2020, imports of finished products from Turkey decreased by 31%, including flat products by 24% and long products by 51%.

In the same period, imports from China decreased by 29%. In turn, imports from the Russian Federation increased by 5% (flat products increased by 9% and imports of long products decreased by 3%).

In the first eleven months of 2020, imports of flat products decreased by 16% and long products by 42%.

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

On December 15, 2017, an agreement was signed for the purchase of shares of GO Steel Frydek Mistek a.s. based in the Czech Republic, from ArcelorMittal S.A., based in Luxembourg. The final remuneration consisting of cash payment, conditional payment and the value assigned to the signed trade agreement was up to EUR 40 million. This agreement still has consequences for the Issuer's operations, as the obligations under the commercial agreement also extended to 2020, as the third year of its validity.

Another element of the purchase price is the component defined as "Earn-out", which means the seller's right to a 50% share in the result above assumed in the valuation of the EBITDA level for the purposes of the transaction in the period of 4 consecutive years (i.e. in the period 2018-2021), subject to provisions that the total payments in this respect may not exceed EUR 3.5 million. This amount is a contingent liability.

6. Organizational and capital links with other entities

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

Stalprodukt S.A., as the parent company in the group, sets the directions for the activities and development of subsidiaries established as part of the restructuring and taken over in order to expand production, trade and service activities.

The main activities of the companies from the Capital Group are:

- production of electrical transformer sheets - parent company Stalprodukt S.A., GO Steel Frydek Mistek a.s. (since 01.01.2021 the company operates under the name GO Steel a.s.),
- production of cold-formed sections, protective road barriers as well as cut, cold- and hot-rolled sheets and strips - the parent company Stalprodukt S.A.,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- mining of non-ferrous metal ores and production of zinc and lead - ZGH "Bolesław" S.A. together with its subsidiaries:
 - Zinc Smelter "Miasteczko Śląskie" S.A. - production of rectified zinc, lead and cadmium,
 - Boltech Sp. z o.o. - energy, laboratory and mechanical-construction services, transport, equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. - zinc-lead ore extraction and concentrate production,
 - Agency for the Protection of People and Property "Karo" Sp. z o. o - protection of property and people,
- commercial activities:
 - Stalprodukt-Centrostal Kraków Sp. z o.o.,
 - Stalprodukt-Zamość Sp. z o.o.
- other production and service activities:
 - production of lightning conductors, galvanized wires and steel tapes - Cynk-Mal S.A.,
 - production of cold-rolled sheets - GO Steel Frydek Mistek a.s.,
 - production and regeneration of spare parts - Stalprodukt-Wamech Sp. z o. o.,
 - installation, repairs and maintenance of machines - Stalprodukt-Wamech Sp. z o. o.,
 - production of steel structures - STP Elbud Sp. z o. o., Stalprodukt-Wamech Sp. z o. o.,
 - galvanizing services - STP Elbud Sp. z o. o. and Cynk-Mal S.A.,
 - construction, maintenance of roads and highways - Stalprodukt-Wamech Sp. z o. o.,
 - protection of property and people - Stalprodukt Ochrona Sp. z o. o.,
 - designing of devices related to the use of renewable energy sources - AnewInstitute Sp. z o. o

Conclusion of the agreement of the company Hotel Ferreus Sp. z o. o (event after the balance sheet date)

In connection with the completion by Stalprodukt of the construction of the 5-star Ferreus Hotel in Krakow, on March 9, 2021, the agreement of Hotel Ferreus Sp. z o. o. 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. In the coming days, 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 referred to hereinabove. Due to the coronavirus pandemic, Stalprodukt withheld the launch of the hotel for several months. The exact date of commencement of operations will depend on the current and anticipated epidemiological situation related to the development of the COVID-19 coronavirus.

The facility has a permit for use granted by the County Construction Supervision Inspector - Grodzki County and a positive decision in the field of fire protection of the Municipal Commander of the State Fire Service in Krakow. In addition, preparations are underway to carry out the facility categorization process.

The hotel has a total of 71 accommodation units. The total planned expenditure on its construction based on the investor's cost estimates was determined at the level of PLN 66 million. The expenditure actually incurred amounted to PLN 58.9 million.

6.1 Changes in the size of owned shares in related companies.

In 2020, there were no changes in the amount of shares held in related entities.

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

Transactions with related entities in 2020 concern:

- sale of products and goods to companies from the Stalprodukt Capital Group,
- provision of services for Stalprodukt S.A. by subsidiaries.

These are typical and routine transactions, performed on a continuous basis, concluded on an arm's length basis within the capital group and resulting from current operating activities. There were no other significant transactions with related entities.

8. Information on credit and loan agreements concluded and terminated in 2020

a) Agreements concluded by Stalprodukt S.A.

In 2020, the Company extended the validity of the following loan agreements with annexes:

- A multi-purpose credit line agreement for an overdraft facility, guarantees and letters of credit with BNP Paribas S.A. with its registered office in Warsaw, with a limit of PLN 50,000 thousand. As part of the credit limit, a company from the Stalprodukt-Wamech Sp. z o. o. may use a sub-limit of PLN 2,000 thousand. PLN. The agreement is valid until November 24, 2021.
- Credit limit at Bank Handlowy w Warszawie S.A. for a revolving line for granting bank guarantees and opening letters of credit with a revolving limit of up to PLN 65,000 thousand. The line is for the amount of PLN 50,000 thousand for an overdraft facility and issuing guarantees and letters of credit with a term of up to 18 months and PLN 15,000 thousand for long-term guarantees up to 5 years. The agreement is valid until September 30, 2021.
- with Bank PKO BP S.A. with its registered office in Warsaw for a multi-purpose credit limit in the amount of PLN 150,000 thousand, intended for the use of an overdraft (up to PLN 90,000 thousand) and the opening of letters of credit and granting guarantees (up to PLN 40,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and GO Steel Frydek Mistek a.s. may use sublimits in the amount of PLN 10,000 thousand each. The duration of the Agreement: 13.01. 2023
- with Bank Pekao S.. with its seat in Warsaw for a credit line up to the total amount of PLN 100,000 thousand, for the overdraft limit (up to PLN 72,000 thousand) and for issuing guarantees and opening letters of credit (up to PLN 10,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and Cynk-Mal S.A. may use sublimits in the amount of respectively: PLN 13,000 thousand and PLN 15,000 thousand. The duration of the Agreement: 30.09.2021

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- with Bank Societe Generale S.A. with its seat in Warsaw for a multi-purpose credit limit in the amount of PLN 15,000 thousand, allotted to using an overdraft facility, opening letters of credit and granting guarantees (up to PLN 5,000 thousand). The duration of the Agreement: 29.04.2021

As at the balance sheet date, the following agreements were also in force:

- with Bank PKO BP S.A. with its seat in Warsaw for an investment loan in the amount of PLN 100,000 thousand, allotted to the refinancing of expenses related to the purchase of shares in GO Steel Frydek Mistek a.s. The loan granted for the period until June 30, 2023.

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

In the reporting period, ZGH "Bolesław" used credit limits in open accounts.

- ING Bank Śląski S.A. for the amount of USD 10,000 thousand ,
- Bank Polska Kasa Opieki S.A. for the amount of PLN 30,000 thousand ,
- BNP Paribas Bank Polska S.A. for the amount of PLN 20,000 thousand ,

On April 8, 2015, the Company concluded with NFOŚiGW in Warsaw, a loan agreement for co-financing the implementation of the project entitled "Construction of the Flotation Waste Processing Plant - an installation for processing in the recovery process by the flotation enrichment of post-flotation waste obtained from the sediment ponds of Zakłady Górniczo-Hutnicze" Bolesław" S.A. The loan in the amount of PLN 42,161.8 thousand was granted for the period from 01.02.2015 to 20.12.2022 and bears an interest rate of 3.5% per annum. As at December 31, 2020, the debt is PLN 21.9 million.

Due to the fact that ZGH "Bolesław" S.A. acquired on 02.01.2018 from Boltech Sp. z o.o. the organized Part of the Enterprise, i.e. the Boiler House Complex, which includes assets financed with funds from loan agreements with WFOŚiGW in Kraków, on the Agreements for the acquisition of rights and liabilities resulting from the above-mentioned loan agreements were signed on January 29, 2018:

- loan no. P/114/15/21 for financing the works called "Installation of a dust extraction system for exhaust gases from boilers located in the Bolesław boiler plant" in the amount of PLN 4,742,900 until December 15, 2022. As at December 31, 2020, the debt amounts to PLN 1,328 million.
- loan no. P/115/15/21 for financing the works called "Installation of a dust extraction system for exhaust gases from boilers located in the Dąbrówka boiler plant" in the amount of PLN 890,995.99 until December 15, 2020. As at December 31, 2020, the debt amounts to PLN 0 ,
- loan no. P/116/15/21 for financing the works called "Installation of a dust extraction system for exhaust gases from boilers located in the Olkusz boiler plant" in the amount of PLN 1,104,900.00 until December 15, 2020. As at December 31, 2019 the debt amounts to PLN 0.

As at December 31, 2020, the debt of ZGH "Bolesław" S.A. under loans is PLN 1.3 million.

In 2020, Zinc Smelter "Miasteczko Śląskie" continued cooperation in the field of current loans with the banks that credited it in 2019, i.e. ING Bank Śląski S.A., Credit Agricole Bank Polska S.A., PKO BP S.A.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

and PeKaO S.A., using three-currency credit lines up to PLN 60 million and transaction limits for treasury transactions granted by these institutions to the Company.

- Credit Agricole Bank POLSKA PLN 5,000 thousand,
- PKO BP S.A. PLN 10,000 thousand ,
- Pekao S.A. PLN 15,000 thousand ,
- ING Bank Śląski S.A. PLN 30,000 thousand.

With BNP Paribas Bank Polska S.A., BNP Paribas in London, ING Bank N.V. in the Netherlands and mBank S.A. HCM S.A. it cooperated in the field of treasury transactions within the granted transaction limits. In 2020, the Company continued to repay the loan from the National Fund for Environmental Protection - the value of capital instalments repaid in 2020 is PLN 4,460.0 thousand. As at December 31, 2020, PLN 19.1 million remains to be repaid.

In September, a decision was made on early repayment of the loan taken out at the Provincial Fund for Environmental Protection and Water Management.

To sum up, the cooperation of the Capital Group with financial institutions in 2020 was correct. This made it possible to implement the assumed investment and financial policy of the Group and to ensure stable financial liquidity.

9. Information on loans, sureties and guarantees granted by the Company in 2020

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

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

- interest-bearing loan (WIBOR 1M + margin) in the amount of PLN 20,000 thousand granted on May 24, 2010 to Stalprodukt-Profil S.A. The outstanding amount is PLN 8,000 thousand in accordance with the annex to the loan agreement of December 29, 2020, is due for repayment on December 31, 2021;
- interest-bearing loan (WIBOR 1M + margin) in the amount of PLN 20,000 thousand granted on May 24, 2010 to StalNet Sp. z o.o. The outstanding amount is PLN 9,000,000, in accordance with the annex to the loan agreement of 30.12.2020, it is due for repayment on December 31, 2021;
- interest-bearing loan (WIBOR 1M + margin) in the amount of PLN 1,400 thousand granted on December 6, 2018 to a subsidiary Anew Institute Sp. z o.o. In accordance with the Annex to the loan agreement of October 21, 2020, it is due for repayment on June 30, 2021.

As at the balance sheet date, the Company does not have any contingent liabilities other than due to performance guarantees relating to the production and installation of road barriers. As at December 31, 2020, the total amount of unexpired guarantees in this respect is PLN 16,606 thousand.

b) loans, sureties and guarantees granted by companies from the Stalprodukt S.A. Capital Group

The ZGH "Bolesław" Capital Group has contingent liabilities, including established security for liabilities resulting from contracts concluded with NCBiR, NFOŚiGW, WFOŚ and security on the assets of the Group's companies.

The contingent liabilities of the ZGH "Bolesław" Capital Group include:

- values of established sureties and guarantees, including:

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- securing contracts concluded with the National Center for Research and Development for co-financing of the following projects:
 - “Verification based on a pilot line of the new technology of ZGH Bolesław S.A. for electro-precipitation of high-purity zinc in order to increase the share of secondary raw materials in the electrolytic zinc production process to a level that is a breakthrough in the industry”, (POIR.01.01.02-00-0159/16-00) . The project amount: PLN 38,873,197. Expiry date of the obligation is on June 30, 2026;
 - “Demonstration of an innovative process for the production of Zn-Pb-Ag flotation concentrate in order to increase the recovery of Ag and Zn from sludge from the zinc roasting leaching process as a key to the effective management of mining waste after processing zinc and lead ores” (POIR.01.01.02-00- 0080/17-00). The project amount: PLN 4.976.178. Expiry date of the obligation is on March 31, 2026;
 - “Development of an innovative technology for the recovery of zinc in the shaft process from mixtures of metallurgical waste along with the treatment of post-process slags to the form of poor iron ore” (POIR.01.01.02-00-0206/17-00). Project amount: PLN 12.000.000. Expiry date of the obligation is on August 31, 2025;
 - “Innovative recovery of valuable and critical metals by recycling waste generated in zinc hydrometallurgy” (POIR.01.02.00-00-0090/19). Project amount: PLN 4.623.250. The expiry date is 31 December 2023.
- security on the assets of ZGH "Bolesław" S.A.:
- Security for the repayment of the loan to the National Fund for Environmental Protection and Water Management in Warsaw, taken out to finance the investment project "Construction of the Post-Flotation Waste Processing Plant" up to the amount of PLN 21,968.5 thousand,
- security for the repayment of the remaining amount of loans to WFOŚiGW in Krakow, taken over as a result of the purchase from BOLTECH sp. z o.o. the Complex of Heating Plant - the amount of PLN 1,329.3 thousand,
- bank guarantees granted to suppliers of materials (fine coal, fuels, electricity, zinc concentrates) - the amount of PLN 4,129.2 thousand,
- security for the contract 856 / IG / 2012 concluded with the State Treasury - Minister of the Environment for the use of geological information on the "Pomorzany" zinc and lead ore deposit for remuneration up to the amount of PLN 10,516.8 thousand,
- security in the event of negative effects in the environment and damage to the environment in connection with running a warehouse of non-secured and inert waste in the amount of PLN 9,582.10 thousand; (Marshal of the Małopolska Voivodeship).
- security on the assets of HCM S.A.:
- contractual mortgage on KW GL1T / 00094659/8 - PLN 37.0 million,
- court registered pledge on coke inventories - PLN 1.0 million,
- court registered pledge on a set of movables purchased or manufactured - PLN 37.0 million,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- assignment of rights under the insurance policy up to the amount of the loan - PLN 37.0 million;
- transfer of receivables from a term deposit account (security for the benefit of WFOŚ for a loan granted for the construction of the Acidic Sewage Neutralization Station) - PLN 20.6 million,
- HCM S.A. blank promissory notes:
- Cargosped Sp. z o. o. in Warsaw (redemption procedure) - cooperation completed;
- NFOŚiGW in Warsaw - up to the maximum amount of PLN 46,195,312.50;
- National Center for Research and Development in Warsaw - PLN 1,829,590.33 + interest;
- National Center for Research and Development in Warsaw - PLN 3,765,916.40 + interest;

Zinc Smelting Plant "Miasteczko Śląskie" S.A. did not grant any sureties or guarantees in 2020.

As at December 31, 2020, Gradir Montenegro d.o.o. has two loan agreements concluded with ZGH "Bolesław" S.A.:

- for the amount of USD 23,000,000 as at October 26, 2011, with the remaining 20 quarterly instalments of USD 750,000 each and 4 quarterly instalments of USD 500,000 each, payable in the period from 01.01.2021 to 31.12.2026. During Q1 2020, changed the repayment schedule with the relevant annex. In accordance with the new schedule, 4 instalments were repaid during the aforementioned period, for a total amount of USD 1.0 million,
- for the amount of USD 2,700,000 as of September 29, 2017, with the maturity of the remaining 2 quarterly instalments of USD 250,000 each and the first quarterly instalment of USD 200,000, repayable in the period 01.01.2021 - 31.12.2021, while during the said period, 4 instalments were repaid as scheduled, for a total amount of USD 1.0 million.

The interest rate on loans is based on the formula: 3M LIBOR plus the lender's margin, which, in accordance with the annexes signed on 01.07.2020, is 2.75%.

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

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

11. Information on own shares owned by the Company

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

12. Information on branches owned by the Company

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

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

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

The Company does not publish forecasts.

14. Assessment of financial resources management

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

15. Information on financial instruments

Detailed information on financial instruments in the scope of:

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

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

16. Assessment of possibility to implement the intended investments

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

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

17. Investment activities and research and development works

17.1 Investment activities

a) Stalprodukt S.A.

- **Investments in relation to the extending a product range**
 - a fitting machine was installed and launched on the production line no. 8 in the Segment of Bent Sections in the P4 Branch in Tarnów,
 - a band saw for the production of C-cores was purchased and launched,
 - a contract was signed for the supply, assembly and commissioning of a device for cutting Sections into exact dimensions in the Segment of Bent Sections at the P4 Branch in Tarnów. Planned delivery and commissioning at the turn of the 1st and 2nd quarter of 2021.
- **Investments in the field of construction works**

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

The construction of a five-star hotel at Kopernika Street in Krakow has been completed and an occupancy permit has been obtained.

The facility is planned to be furnished and categorized by the end of the second quarter of 2021. The commencement of the hotel's operations will depend on the epidemiological restrictions in force.

- **Projects affecting the environment and health and safety**

- a design of three new settlement plots with infrastructure was made and a building permit was obtained, the investment is scheduled to start in 2022,
- an installation for the recovery of softened water in the Transformer Sheets Department was completed and launched,
- works in the Segment of Bent Sections (Department P2 and Department P4) have been completed to monitor the media and the "Start - Stop" system.

- **Other investment works**

- the investment task related to the monitoring of process data was continued,
- the 1st and 2nd stage of works related to the installation of the SSP Fire Alarm System for the facilities of Stalprodukt S.A. were completed,
- line safety systems compliance assessment is carried out successively in all departments and branches,
- a technical design for the modernization of further 6 kV switchgear bays was completed,
- the works were launched related to the implementation of product identification using barcodes in the Segment of Bent Sections (Department P2 and Branches P3 and P4).

b) the Capital Group

The main investments, apart from the parent company, were carried out by the Zinc Segment.

In the reporting period, design and construction works were continued under key investment projects in the area of mining and metallurgy. Investment activity is focused on the implementation of projects classified into one of two categories:

- **Development projects** aimed at increasing the production volume of the technological line, maintaining production costs and adapting projects aimed at adapting the company's operations to changing standards, legal norms and regulations (including those related to environmental protection),
- **Replacement projects** aimed at maintaining the production assets in a non-deteriorated condition, guaranteeing the implementation of current production tasks.

In 2020, expenditure on non-financial fixed assets in the Zinc Segment amounted to PLN 189.4 million and was higher than in 2019 (PLN 177.1 million).

The high value of the capital expenditure incurred in 2020 results from the implementation of several "large" investment projects in the metallurgical part of the Group, including construction of a new Zinc Electrolysis Hall (put into operation on December 31, 2020) or a pilot heat recovery installation.

In Zinc Smelting Plant "Miasteczko Śląskie", construction of a hall and installation for the production of 2-ton SHG zinc blocks and ZnAl alloys, and modernization of the PSP sampling plant extraction system in order to eliminate more dust emitted during the preparation of batch cartridges in the sampling hall.

In turn, the company Gradir Montenegro incurred expenditure on works related to, inter alia, the extension of the mining field (Durdeve Vode), the construction of a pilot water purification installation, the commissioning of an additional concentrate filter press, as well as the expansion of the existing sludge pond.

The most important investment tasks carried out in 2020 in the mining area at ZGH "Bolesław" S.A. was the continuation of the task entitled "Construction of a submersible pumping station in the area of the Bronisław shaft" and implementation of the next stage of the task entitled "Construction of sedimentary ponds (up to 370 m above sea level)" in the scope of construction of the western part of sedimentary ponds.

17.2 Research and development works

b) Stalprodukt S.A.

On 21 November 2019 Stalprodukt, as the leader of the consortium (which includes the Academy of Mining and Metallurgy in Krakow as a research unit), signed an agreement with the National Centre of Research and Development, which purpose is to aid implemented by the Company R & D project entitled "Development of a non-destructive testing system carried out in a continuous manner together with the development of software controlling the operation of a linear welding machine based on the analysis of mechanical parameters of a linear welding". The project is implemented under the Intelligent Development Operational Programme The amount of financial support for expenses incurred by the Company is PLN 809 thousand, while the total value of the project is: PLN 4,071 thousand.

The aim of the project is to develop and implement a comprehensive non-destructive testing system into production technology, enabling adjustment of the parameters of the process of welding sections with high-frequency currents to ensure high quality and strength of section welding without the need for random destructive tests.

In 2020, the implementation of this project began in accordance with the scope specified in the signed contract. In March 2020, Stalprodukt received the first tranche of funding, and in October another one. The total value of funds provided in 2020 by the NCBiR for the implementation of the project was PLN 1,084 thousand, of which PLN 491 thousand went for AGH.

As part of research and development, the next stage of modernization of the M-1 wind farm with a vertical axis of rotation of 200 kW was carried out (installation of 6 high-speed generators + modification of the control software).

After the completion of repair works on the 1.5 MW B-1 wind farm, the following works were performed:

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- the generator bearing automatic lubrication systems was replaced;
- the power plant mechanisms were inspected;
- for the safety of the power plant operation, an overlay was made for the power plant control software, which enables remote supervision of the power plant from the service container;
- a cable connection of the power plant controller and the emergency stop with the container on the site was made.

On January 12, 2021, the power plant was put into operation and tests of its operation began, unfortunately it was stopped in an emergency. After analysis, it turned out that it is necessary to strengthen the upper compensator. The device is scheduled to be restarted in April-May 2021.

This project is co-financed by the National Centre for Research and Development and the European Union, and implemented jointly with a subsidiary (Anew Institute Spółka z o.o.) and the AGH University of Science and Technology in Krakow.

b) the Capital Group

Research and development works are carried out at ZGH "Bolesław" S.A. due to complex technological processes that require continuous and systematic optimization. These works were mainly related to the possibility of enrichment of alternative feeds, recovery of metals from various waste materials, management of sludge and other technological waste, the possibility of increasing the production of zinc and lead from oxide raw materials, reducing the emissions of pollutants in water and air, and the possibility of recovering waste heat.

The amount of all expenses of ZGH "Bolesław" S.A. on research and development (R&D) in 2020 (according to the GUS report - PNT-01) is PLN 66.1 million.

In 2020, as part of research and development work at ZGH "Bolesław" S.A., the following projects were implemented co-financed by the European Regional Development Fund:

1. The project entitled: "Verification based on the pilot line of the new ZGH Bolesław technology for electro-extraction of high-purity zinc in order to increase the share of secondary raw materials in the electrolytic zinc production process to a level that is a breakthrough in the industry".

As at December 31, 2020, the total amount of costs incurred for the implementation of the project is PLN 106.1 million. The amount of the subsidy received is PLN 27.4 million. Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 97.2 million, while the co-financing in the amount not exceeding PLN 38.9 million. As at December 31, 2020, the first stage of the project implementation was completed, consisting in the construction and commissioning of a pilot line (zinc electrolysis hall), enabling further research. As fixed assets of December 31, 2020, the components of the pilot line, worth PLN 101.3 million, were commissioned. The amount of the subsidy received until December 31, 2020 is PLN 27.4 million.

2. The project entitled: "Demonstration under operating conditions of an innovative process for the production of Zn-Pb-Ag flotation concentrate in order to increase the recovery of Ag and Zn from sludge from the zinc roasting leaching process as a key to the effective management of mining waste after processing zinc and lead ores". As at December 31, 2020, the amount of costs incurred for the

implementation of the project is PLN 14.1 million. The amount of the subsidy received by December 31, 2020 is PLN 4.3 million. Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 12.4 million, while the co-financing in the amount not exceeding PLN 5.0 million. On October 23, 2019, a pilot installation was commissioned for operation and further development work.

3. The project entitled: "Development of an innovative technology for the recovery of zinc in the batch process from mixtures of metallurgical waste along with the treatment of post-process slags to the form of a substitute for poor iron ore". Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 30.0 million, while the co-financing in the amount not exceeding PLN 12.0 million. In June 2019, by the decision of the Company's Management Board, the works carried out under the project were suspended. This decision resulted from the fact that further industrial research will not lead to the achievement of the assumed final results. In connection with the decision made, the final information on the project implementation was submitted to the NCBiR.
4. The project entitled: "Innovative recovery of valuable and critical metals by recycling waste generated in hydrometallurgy." Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 7.3 million, and the co-financing in the amount not exceeding PLN 4.6 million. As at December 31, 2020, the total amount of costs incurred for the implementation of the project is PLN 0.6 million. The amount of the subsidy received by December 31, 2020 is PLN 0.2 million.

Zinc Smelting Plant "Miasteczko Śląskie" S.A., as part of the INNOSTAL program, carried out two research projects:

- the planned result of the first project is the development of a computer support system for the zinc and lead production process, adapted to the capabilities and needs of the Zinc Smelting Plant in Miasteczko Śląskie;
- the aim of the second project was to develop an innovative technology for generating electricity from smelting waste gases while reducing the emission of chlorine ions in wastewater.

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

A research work was also commissioned, the purpose of which was to develop the basic parameters of the defluorination process of selected feed materials (with a high F content) along with the development of basic assumptions for the recovery of lead from post-neutralization sludge produced in Zinc Smelting Plant "Miasteczko Śląskie" S.A.

The amount of HCM expenditure on R&D in 2019 is PLN 6.8 million.

Zinc Smelting Plant "Miasteczko Śląskie" S.A. commissioned the Łukasiewicz Research Network to the Institute of Non-Ferrous Metals in Gliwice to carry out research work aimed at developing a technology for the production of raw copper and lead-bearing semi-product from copper-lead stone

Works on innovative solutions are carried out at various levels of the enterprise, using and appreciating the potential and creativity of its own staff. Employees know the specific needs best and are able to identify areas and solutions that will translate into better results and greater safety. In 2019, the proprietary Employee Ideas Program was implemented. As a result, commitment to making changes and innovations has become a daily practice of every employee. Under this Program, 14 applications were submitted. Prizes were applied for 5 employees.

In total, the ZGH "Bolesław" Group spent PLN 66.4 million on R&D in 2020, and in 2019 it was PLN 47.0 million.

18. Information on employment, payroll and training

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

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

For many years, Stalprodukt has been planning to strengthen its position on the transformer sheet market. This operating segment is of key importance in terms of its impact on Stalprodukt's individual results. A few years ago, the Issuer signalled the possibility of taking over one of the foreign producers of transformer sheets. Such a potential step was assumed in the directions of development of the Stalprodukt Capital Group for 2011-2015 announced by the Management Board of the Company in May 2011. This scenario of the strategy implementation became possible in 2017, when a 100% purchase agreement was signed. shares of GO Steel Frydek Mistek as based in the Czech Republic, belonging to the ArcelorMittal concern. The transaction was successfully closed on February 28, 2018, and from March 1, 2018, the results of this entity are consolidated within the Stalprodukt Group. The consequence of this takeover is the increase in the production capacity of transformer sheets from 100 thousand. t / year up to 150 thousand. tonnes / year, as well as extending the Group's production offer with previously unproduced cold-rolled sheets. Actions were taken to use the synergy effects between Stalprodukt S.A. and GO Steel Frydek Mistek a.s. Among other things, the marketing and pricing policy within the Group, and the purchases of input materials for both companies are made jointly from the same supplier (using the economies of scale). Moreover, thanks to the transaction, Stalprodukt gained access to cold-rolled sheets, which are used for the production of cold-formed sections.

For several years, the company has also been implementing a project to launch the production of high-quality transformer sheets (so-called HiB). Thanks to regular trials and continuous improvement of the process, the Company systematically gains an increase in the share of products with the highest quality parameters. This issue is particularly important from the point of view of the EcoDesign Directive, and especially the entry into force in July 2021 of its 2nd stage (the so-called Tier 2).

The strategy for the Zinc Segment, announced in 2016, is being gradually implemented. The most important elements of this strategy are:

- a) obtaining a license to exploit the "Klucze I" deposit and extending the period of operation of the Olkusz-Pomorzany mine until 2020;
- b) commissioning of a post-flotation waste processing plant;
- c) merger of the companies ZGH "Bolesław" S.A. and Bolesław-Recycling sp. z o.o.;
- d) construction of a new bathtub hall.

The exploitation of the ore from part of the "Klucze I" deposit allowed to extend the operation of the mining part until 2020 (previous plans assumed production until 2017). In 2020, the Management Board

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020

Statement of the Management Board on the activities of the Capital Group

of ZGH "Bolesław" S.A. decided to discontinue mining activities and start, at the beginning of 2021, the process of decommissioning the "Olkusz-Pomorzany" mine (detailed information on this subject is presented in Chapter I point 2.3 of this Report).

In 2016, the company ZGH "Bolesław" S.A. completed the investment project entitled "Construction of a post-flotation waste processing plant". The new installation started the production of blend concentrate in January 2017. In the first year of operation, the installation gained nearly 10,000. tonnes of concentrate. The target production volume is approx. 20 thousand. tonnes of concentrate / year). It should be added that technical and economic works are underway on the possibility of producing a selective concentrate from post-flotation waste for the needs of the steelworks in Bukowno (currently the installation produces Zn-Pb concentrate, sold to the "Miasteczko Śląskie" Zinc Smelting Plant). This is particularly important from the point of view of securing the purchases of concentrate after the closure of own mine.

As planned, as part of simplifying the organizational structure of the Zinc Segment, on April 3, 2017, the companies Bolesław-Recycling Sp. z o.o. and ZGH "Bolesław" S.A. in accordance with the Merger Plan, i.e. by transferring all the assets of the acquired company Bolesław-Recycling Sp. z o. o. to the acquiring company ZGH "Bolesław" S.A. without creating new shares and increasing the share capital of the acquiring company.

Since 2017, the company ZGH "Bolesław" has been implementing a key investment called "Construction of a new Bathtub Hall", the purpose of which was to replace the old, worn-out facility with a new facility using the latest technical and technological solutions in the field of zinc production. The new Bathtub Hall was put into operation at the end of 2020 (the Issuer published relevant information in the current report no. 24/2020 of 18.12.2020.) It is a fully automated facility, ensuring a 1.5% lower energy consumption in production and a significant improvement in working conditions at the "zinc stripper" position.

The implementation of this investment will allow the company to increase the production capacity of electrolytic zinc from 80 to 100 thousand. tonnes per year. Moreover, it will be possible to increase the share of secondary raw materials in the production of zinc by electrolysis.

Overview of strategic options

On October 9, 2020, the Supervisory Board approved the motion of the Stalprodukt Management Board regarding the initiation of the strategic options review process by the Company (confidential information provided in the form of a current report No. 20/2020 on the same day). The purpose of this review will be to select the most advantageous way to achieve the long-term goal of the Company, which is the development of the Stalprodukt Group leading to the maximization of value for the current and future shareholders of the Company.

Among the considered action scenarios, the following should be mentioned:

- sale of assets or individual operating segments of the Issuer (after prior separation to a separate entity);
- sale of other areas of activity carried out by the Group (individual entities or assets themselves);
- concluding a strategic alliance with a supplier of batch products (especially one that can provide high-quality charge for the production of transformer sheets, including HiB grade),
- establishing a joint-venture with a selected partner,

- maintaining the current scope of activity while implementing the necessary restructuring measures.

The Issuer's Management Board will also consider other strategic options that may arise during this process. So far, no binding decisions have been taken related to the selection of any of the potential strategic options. The Management Board of the Company does not prejudge whether any decisions in this regard will be made in the future. The Issuer will inform publicly about further decisions in accordance with applicable law.

It should also be emphasized that such a review is particularly important in the context of the decision taken by the Management Board of ArcelorMittal Poland SA on October 8, 2020 to permanently close the raw material part of the Krakow steel plant. Despite the fact that the blast furnace and steelworks were suspended for many months and it did not disturb the functioning of the Issuer's "steel" segments, in the long term, this fact may have a negative impact on the functioning of the supply chain of batch products for the Company's production needs. This negative impact may appear in particular in the supply of hot-rolled products for the production of transformer sheets. Therefore, the Company welcomes the declaration of ArcelorMittal Poland on the development of production of these types of steel in the steel plant in Dąbrowa Górnicza.

20. Characteristics of external and internal factors significant for the development of the Issuer's enterprise and its Group

External factors significant for the Group's development

- **GDP level and economic situation**

The assessment of the first months of 2021, as well as the occurrence of the next (already third) wave of the COVID-19 coronavirus indicate that the global economy (including, of course, Poland) will remain heavily influenced by the pandemic for the next several (or even several) months. Subsequent drastic restrictions in the functioning of economic entities introduced by the Polish government will undoubtedly have a negative impact on the pace of economic development in 2021 and perhaps also in the following years. High hopes are attached to a mass vaccination program that can effectively reduce the number of new coronavirus cases and thus the extent of the pandemic.

According to the forecast of the European Commission, Poland should quickly recover from the collapse caused by the coronavirus and already in 2021 its economy should grow at a rate of 3.1%, which is a slightly lower rate than the average for the entire Union, which should amount to approx. 3, 7%. Some economists (e.g. Bank Pekao S.A.) predict, however, that Poland will recover from the recession caused by the coronavirus at an even faster pace, thanks to which the GDP growth in 2021 will reach up to 4.0%.

- **Inflation and exchange rates**

Experts of the NBP macroeconomic survey expect that in the years 2021-2022 the average annual inflation will be lower than in 2020 and will be close to the NBP's inflation target (2.5%). The central scenarios for these years are quite well outlined and amount to 2.5% and 2.6%, respectively. Typical scenarios of macroeconomic development considered by experts situate inflation in the range of 2.0% -

3.0% in 2021 and 1.9% -3.4% in 2022.

However, according to some analysts, the NBP pursues a policy of zloty depreciation to improve the competitive position of exporters, and the record-low nominal and negative real interest rates are aimed at increasing current consumption and reducing the debt burden on private entities and the public sector (inflation tax imposed on depositors and bondholders). The negative effects of this policy will be postponed (financing ineffective investment projects, deterioration of the banking sector's condition, gradual loss of confidence in the financial sector or escape into risky assets). As a result of this policy, the NBP and the MPC may strive to increase inflation even above the inflation target in the coming quarters and to a relatively weak PLN compared to EUR and USD. The marked depreciation of the zloty, observed at the end of March 2021 and the increase in exchange rates to levels not recorded for many months or even years (EUR / PLN exchange rate at 4.65 and USD / PLN 3.90 PLN) make such a scenario very likely.

- **The level of demand for steel products**

For 2021, the Eurofer Association assumes that if the pandemic unfolds around the third quarter of 2021, the entire year should bring a moderate recovery.

Forecasts for the demand for large welded tubes from the oil and gas sector remain very poor. Major regional projects that could benefit large EU pipe producers have been halted, and little progress has been made in the past few months in addressing the political and commercial issues hampering the completion of some specific pipeline projects. The recent collapse in global oil demand and oil prices, which are struggling to return to profitable levels, exacerbates this difficulty.

Eurofer forecasts that demand in other segments of the smaller diameter steel tube market will remain quite weak, even after a return to normal business conditions. However, even a small increase in demand is expected to have a positive impact on production from Q2 2021, provided the economic scenario does not deteriorate as a result of another external shock. It is also assumed that the demand from the construction sector should increase, while the demand for pipes from the automotive and engineering sectors will remain rather weak, even if these sectors return production activity to historically high levels. and disruptions in supply chains will be finally resolved. Import pressure on the EU steel tube markets will remain high, especially in the commodity segment.

According to Eurofer's preliminary forecast, the production of steel pipes will decline for the third year in a row in 2020, at a much faster pace than in 2019 and will amount to (-15.2%) compared to (-0.3%) in 2019. On the other hand, a recovery of 8.4% is projected for 2021, followed by an increase of 5.1% in 2022.

Forecast for sectors using steel for 2021-2022

The pandemic and related blockages have had a huge impact on the production of steel-using sectors, including plant closures. Other consequences include reduced efficiency (permanent or temporary) and massive disruptions in supply chains.

Despite the removal of the blocking measures and the resumption of industrial activity, uncertainty about

the future remains high as the pandemic is not over and continues to have a direct impact on lowered confidence and growth prospects.

This was especially true during the next wave of the pandemic that hit Europe in the beginning of the fourth quarter of 2020, and after another new blockade (albeit with no impact on industrial activity).

These factors mean that economic growth and world trade will remain constrained and vulnerable to volatility until at least Q2 2021. This will have a direct impact on export-oriented sectors (in particular the automotive industry). It will also affect EU investments through a seriously weakened level of business confidence. It is also hoped that the likely smaller negative growth in construction compared to other sectors could cushion negative trends in other sectors that use steel.

Total production of steel-using sectors will decline by (-11%) in 2020, to regain growth of (+ 7.4%) in 2021 and grow more moderately in 2022 (+ 4.1%).

Zinc market prospects in 2021

When trying to define the prospects for the zinc market in 2021, it should be noted that the prices of this raw material, apart from fundamental conditions (production, demand), are significantly influenced by the issues of capital allocation by investors. Thus, when analyzing the prospects of the zinc market, particular attention should be paid to these issues in conjunction with the Covid-19 pandemic situation.

The price increases that took place in the last year were to a large extent caused by the investment of capital in the commodity markets by financial investors. The main reasons for this state of affairs were and are several factors, the dominant of which are those not directly related to the zinc market, but rather to the general sentiment of investors and increased risk appetite. It is worth mentioning that the first quarter of 2020 was the beginning of a pandemic, a period of increasing fear and uncertainty both in markets and among societies around the world. So the base effect will make a big part in these comparisons. One year after the start of the pandemic, the situation seems to be partially under control, incl. thanks to the worldwide vaccination campaign and adaptation to the sanitary regime and existing conditions. Investment funds boldly invest funds in risky assets, base metals, stock exchanges, currencies, and this is additionally supported by the action of financing economies by the FED, ECB and other central banks.

Concentrates market

Apart from the prices of zinc itself and the stocks on exchanges, the main factors influencing the zinc market, and thus the profitability of operations in the Zinc Segment, are primarily the levels of TC fees, i.e. fees charged by mills from concentrate suppliers. Last year's TC fee levels were the highest in 10 years and were set at a level close to USD 300 / t. They resulted from the belief that the zinc market would be in the period of an excess supply of concentrates. However, the expected increase in production in mines did not come, which was mainly due to the fact that large countries supplying concentrates were hit by blockades related to the COVID-19 pandemic. The rise in prices was expected to drive a wave of new and restarted mines. Analysts from ILZSG in their forecasts for 2020 predicted an increase in production in the zinc mine by almost 5%. In fact, global production fell 5.9% last year. In 2021, an improvement in the situation of mines can be expected, which will result, on the one hand, from favorable TC fees, and on the other hand, from the improving pandemic situation.

Inventory status

The low flexibility of the concentrate market is not as significant as it is in the case of the copper market, where Chinese steel mills are even forced to stop due to lack of feedstock. In the case of zinc, production is increasing despite the limited availability of concentrates. Chinese production of refined zinc is increasing, resulting in a 7% increase in production year on year. LME warehouses systematically record inflows of inventories.

Despite last year's slump in production, global refining production grew by 1.2%, according to ILZSG, which estimates the market saw an oversupply of 533,000 tonnes of metal in 2020. Part of this surplus is traded outside exchange stocks.

Summary

When analyzing both fundamental and capital factors, it is difficult to define the prospects for the zinc market in 2021 in view of the dynamic situation in the world. Assuming that the pandemic situation stabilizes, we can expect an increase in the production of concentrates and the production of metallic zinc, which will translate into a further gradual increase in inventories. In this case, the zinc price will tend to decline. However, currently the main factor described in the introduction is the situation on the capital markets and it will mainly affect the price level of all metals, including zinc.

The most important internal factors in the development of the Stalprodukt Group include:

- the need to achieve a significant increase in the production share of high grades of transformer sheets (HiB). Considering the market trends (including the entry into force of the 2nd stage of the EcoDesign Directive), it is a necessary condition for the improvement of the Company's competitive position;
- cost optimization and better use of the potential (including in particular production capacity) of the Sections Segment;
- further optimization of the functioning of the domestic distribution network after the organizational changes that took place in mid-2018 (taking over the off-site warehouses from Stalprodukt Centrostal Kraków and including them in the structure of Stalprodukt's marketing director);
- obtaining a high proportion of raw materials (zinc concentrates) from recycling;
- the need to optimize energy consumption and reduce its costs.

21. Description of significant risk factors and threats, specifying the extent to which the Issuer and its Group are exposed to

a) macroeconomic environment

The results of the Company's operations are strongly dependent on the general economic situation on the local market and in European Union countries, especially the development of sectors such as construction and industry.

Due to the 3rd wave of the coronavirus pandemic in Q1 of 2021 and the dynamic increase in the number of cases, the economic situation and the macroeconomic environment will continue to be

largely influenced by this factor in 2021. Economic figures such as gross domestic product, unemployment, the level of demand and the size of investments will be particularly vulnerable to the negative impact of the pandemic.

While 2021 is projected to see a significant rebound in economic growth following last year's pandemic slump, the actual level of economic growth is difficult to predict.

More information on the impact of the COVID-19 corona virus epidemic on the Issuer's operations is provided in section 22.

b) dynamic increase in prices of input products

Launched in Q4 of 2020, a dynamic upward trend in the prices of charge materials (especially hot-rolled sheets in coils), caused mainly by the reduction of supply in the first half of the 2020, as a result of the economic downturn caused by the COVID-19 pandemic, it brought the prices of these products to record levels (the prices of hot-rolled sheets in northern Europe exceeded at the end of Q1. of 2021 the level of 850 EUR / tonne). Such a high level of prices of input products will significantly increase the production costs of products in both segments of the Company. At the same time, this creates a risk that such a high cost increase will not be fully translated into the prices of finished products.

c) the situation on the market for the supply of source materials and measures to protect the EU market

The measures introduced to protect the EU market against excessive steel imports in the form of quantitative quotas and duties imposed after exceeding the permissible import volumes, limit the access of EU processors to competitively priced input materials (mainly hot-rolled sheets, which are the basic material used in the production of cold-rolled sheets or products such as pipes and Sections). As a consequence, it leads to unfavourable price relations between the purchase costs of input materials and the prices of finished products. This causes a decline in margins and a deterioration in the profitability of many processing companies.

For several years, the company has been aware of these problems, especially in relation to the Sections Segment. A particularly difficult situation concerns the products of service centres, i.e. those with a relatively low degree of processing. It is very difficult to compete effectively in this market, especially with the local sheet metal producer (ArcelorMittal).

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

d) the end of the protection period for the EU transformer sheets market

Measures to protect the EU market against excessive import of transformer sheets introduced by the European Commission in 2015 for a period of 5 years. Although their effectiveness was quite limited, it should be expected that their expiration will result in an even greater influx of material, especially

from such directions as Russia or China, which are the world's largest sheet metal producers. Consequently, competition in this market will intensify. Therefore, the Company made an attempt to extend the protective measures applicable so far by submitting - together with another EU producer - an application for an expiry review procedure, i.e. a review of the expiry of the applicable market protection measures.

(e) further increases in production costs, especially electricity prices

Due to the nature of technological processes, Stalprodukt is an energy-consuming company. Rising electricity prices due to the outdated energy infrastructure in Poland, based mainly on coal-based energy, will have a negative impact on the Company's profitability in the coming years. Additionally, the prices of CO₂ emission allowances have been rising in recent months, reaching In 2021, a record level of EUR 43 / tonne, which means an almost threefold increase in the last 12 months. This is an additional factor that has an adverse effect on the Company's future financial results.

f) the ever increasing costs of the EU's climate policy

EU and domestic steel producers are burdened with the costs of the climate policy, mainly due to the need for significant investments aimed at reducing CO₂ emissions (decarbonisation) and the growing prices of CO₂ emission allowances. With high energy consumption of processes in metallurgy, it causes a significant increase in the costs of steel production and a decrease in the competitiveness of EU producers, which often leads to the phenomenon referred to as "carbon leakage", i.e. relocation of production by companies to other countries with less stringent emission reduction regulations. It was this factor among others that decided to close the raw material part of the Krakow steelworks owned by ArcelorMittal Poland S.A. This policy indirectly puts in a privileged position for producers from outside the European Union who are not subject to the above-mentioned EU regulations. At the same time, it gives them a significant cost advantage, which they take advantage of by offering increasing amounts of steel products on the EU market at significantly lower prices. The solution proposed by industry experts would be the introduction of the so-called Carbon footprint tax for such suppliers, but the Commission's action in this regard is too slow and ineffective.

g) the risk of an industrial accident

Due to the specific nature of the business and the related threats, Stalprodukt S.A. is exposed to events that may affect the safety of people and the environment. The plant is currently not classified as an increased or high risk of an industrial accident, as shown by the *Analysis of the plant's notification*. Despite this, the Plant declares to maintain a safety management system in which there are: Breakdown Prevention Program and elements of the management system required by the Environmental Protection Law.

In addition, the Company has a document regulating the procedure in the event of a breakdown- "Instructions for counteracting serious industrial failures at Stalprodukt S.A. in Bochnia". The purpose of the instructions is to ensure the identification and prevention of potential hazardous events that may affect people and the natural environment, and to define emergency procedures that limit the effects of these potential events.

h) the problem of possible flooding and supplying the inhabitants of the Olkusz region with drinking water after the end of mining activities .

In connection with the decision made to terminate mining activities, the authorities of ZGH "Bolesław" have been discussing with the municipalities of Bukowno, Olkusz, Bolesław and Klucze for several years regarding the effects of the mine liquidation. The most important issues are the supply of drinking water in the Olkusz region after the completion of pumping water from the mine and the occurrence of possible flooding in the areas affected by the mining activities of the liquidated mine, which may result in future claims for compensation by owners to the local government or to Zakłady Górniczo -Hutnicze "Bolesław" S.A. (the issue of court proceedings regarding the supply of drinking water to Olkusz is described in point 29 of this Report).

In terms of the occurrence of possible flooding after the completion of mining activities, hydrogeological studies were prepared by scientists from AGH in Krakow, defining the areas of Bukowno, Olkusz, Klucz and Bolesław at risk of flooding.

The studies clearly show that, with the exception of the areas after the former opencast mining of the deposits, where the flooding will be anthropogenic, the remaining areas at risk of flooding will be of a reconstruction nature and will not bear any signs of mining damage. Hence, ZGH "Bolesław" should not be liable for damages in this respect.

i) termination of mining activities by ZGH "Bolesław" S.A.

Production of zinc in the ZGH Group until 2020 was based on own concentrates from the "Olkusz-Pomorzany" zinc-lead ore mine and the "Gradir Montenegro" mine in Montenegro, on sulphide concentrate from flotation waste, own oxides from steel dust and other zinc-bearing materials, and on purchased inputs - mainly imported.

Due to the depletion of the deposit and putting the "Olkusz-Pomorzany" Mine into liquidation on December 31, 2020, the missing part of the mine's own concentrate will be replaced by imported concentrates. The business strategy based on the recycling of zinc-bearing materials, developed for several years, the launch of a post-flotation waste processing plant and establishing contacts for the supply of concentrates with several independent companies significantly reduce the risk of problems with obtaining feedstock for the needs of the Bukowno smelter after the end of operation of the own mine.

j) risks related to financial instruments

Other risks resulting from financial instruments, i.e. credit and contract risk, liquidity risk and market risk, are described in detail in the Additional and explanatory information to the financial statements (Item 7: Financial instruments and risk management assessment) .

22. The impact of the COVID-19 coronavirus on the Issuer's operating activities and financial situation

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

a) Sheet 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, the sudden increase in demand for oriented sheets could even be felt in Europe. The effects of a sudden increase in demand resulted from the expected disruptions in supply chains operated by suppliers from outside Europe. The change in demand caused by the pandemic, however, 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 client 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) Sections Segment

The Sections segment was most affected by the situation related to the closing 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 Sections 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. It mainly concerned companies of Stalprodukt 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.

Analysing the epidemiological situation in the last quarter of 2020 and observed in Q1 of 2021, the third 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 at the level recorded in 4Q. 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, and this was relatively good (unlike the situation of galvanizing plants in Western Europe, which mainly serve the automotive industry, and therefore they felt 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 market prices of zinc.

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 tub 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 for some time (about 1 month) the produced zinc will be of lower quality. However, this has not happened 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.

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

In 2020, there were no significant changes in the management principles of the company and its capital group.

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

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

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

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

	Basic salary	Performance bonus	Remuneration due to performing functions in the authorities of subordinated entities	Total
Piotr Janeczek	852 251	367 598	131 000	1 350 849
Józef Ryszka	871 838*	69 580	25 845	967 263
Łukasz Mentel	445 557	183 799	114 988	744 344
Total	2 169 646	620 977	271 833	3 062 456

* including retirement severance pay of PLN 343,400

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

	Allowance	Remuneration due to performing functions in the authorities of subordinated entities	Total
Janusz Bodek	47 982	14 000	61 982
Stanisław Kurnik	33 745		33 745
Sanjay Samaddar	0		0
Magdalena Janeczek	84 710		84 710
Agata Sierpiska-Sawicz	78 096		78 096
Romuald Talarek	78 096		78 096
Total	322 629	14 000	336 629

* Mr. Janusz Bodek served as the Chairman of the Supervisory Board until 15 June 2020

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

statement.

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

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

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

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

a) executives:

Full name	Current number of Stalprodukt S.A. shares (as of 31 December 2020)
Piotr Janeczek	115 053
Józef Ryszka*	504
Łukasz Mentel	100

* As at the date of submitting the resignation from the position of a Member of the Stalprodukt Management Board,
i.e. 29 April 2020

b) officers:

Full name	Current number of Stalprodukt S.A. shares (as of 31 December 2020)
Stanisław Kurnik	2 900

* Mr. Stanisław Kurnik has been a member of the Stalprodukt Supervisory Board since 15 June 2020. The other members of the Supervisory Board did not hold any shares of Stalprodukt S.A.

In the period from the date of submission of the previous periodic report, there were no changes in the ownership of the Issuer's shares by management and supervisory personnel.

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

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

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

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

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

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

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

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

On 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow 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.

On July 28, 2020, ZGH "Bolesław" S.A. filed a cassation appeal against the above judgement. However, on January 27, 2021 in the case of court reference number III CSK 191/20 the Supreme Court in Warsaw refused to accept it.

The above state means that ZGH "Bolesław" S.A. is not entitled to any further legal remedies to question the above-mentioned judgements. Therefore, it was finally and legally settled that ZGH "Bolesław" S.A. is liable for damages to Przedsiębiorstwo Wodociągów i Kanalizacji for the effects of water relations related to the future shutdown of the Olkusz-Pomorzany Mine drainage and the resulting cessation of water supply to its channels and for possible contamination of groundwater.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

In this state, the case will be referred to the District Court in Krakow, which will decide on the amount of compensation to be due from ZGH "Bolesław" S.A.

Pursuant to the lawsuit, the Przedsiębiorstwo Wodociągów i Kanalizacji is claiming PLN 64,604,143.05. The company points out, however, that the aforementioned company incurred expenses for the construction of a new drinking water supply system worth approx. PLN 30 million gross, and the above system is now effectively supplying the Olkusz region with water. In this state, in the opinion of the Company, the existing water supply system constitutes an alternative solution to the existing water supply with the Company's mine water.

In the opinion of the Company, the amount of possible compensation calculated as the value of the constructed water supply system should be reduced by:

- value of VAT, as the injured enterprise is a VAT taxpayer;
- community funding for this system in the amount of approximately PLN 18 million;
- the value of expenditure on investments strictly related to water supply activities (e.g. water treatment).

In this state of affairs, it is currently impossible to precisely define the possible amount of the awarded damages. In the opinion of the Company, the value of the possible compensation should amount to no more than about PLN 4-8 million. However, as a precaution, the ZGH "Bolesław" S.A. made a write-down for the above claim in the amount of PLN 15 million.

Moreover, it should be mentioned 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, with the costs of decommissioning the "Olkusz-Pomorzany" mine and liability for mining damage. 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".

30. Information on the control system of employee shares schemes

The Company does not operate the employee shares schemes.

31. Information on the selection of an audit firm

Indication:

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

The contract with the audit firm Polscy Biegli Sp. z o.o. was concluded on 3 July 2020 for a period of two years and includes an annual audit and a review of semi-annual separate and consolidated financial statements of Stalprodukt S.A.

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

The company used the services of a selected auditing company to audit and review financial statements for the financial years 2018 and 2019.

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

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

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

The remuneration for the audit company was:

- for the review of the semi-annual separate statement – PLN 20,000;
- for the review of the semi-annual consolidated statement – PLN 18,000.

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

- separate financial statement – PLN 50,000;
- consolidated financial statement – PLN 25,000.

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

This Declaration on the application of corporate governance by Stalprodukt S.A. in 2020 has been prepared on the basis of Article 49 (2a) of the Act of 29 September 1994 on Accounting (consolidated text Journal of Laws of 2019, item 351) and § 70 (6)(5) of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognising information required by the law of a non-member state as equivalent (i.e. Journal of Laws of 2018, item 757).

a) indication

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

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

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

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

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

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

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

The company did not declare the following principles and recommendations:

✓ **Principle I.Z.1.16:**

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

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

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

✓ **Principle I.Z.1.20. :**

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

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

✓ **Principle III.Z.4.**

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

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

✓ **Principle IV.Z.2.**

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

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

✓ **Principle VI.Z.4.**

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

Pursuant to rule VI.Z.4. contained in the document "Code of Best Practice for WSE Listed Companies 2016", after being adopted by the Annual General Meeting (Resolution No. XXXIX / 11/2020 of 15 June 2020), the rule is fully applied by the Company.

In accordance with the Act of 16 October 2019 amending the Act on public offering and the conditions for introducing financial instruments to organized trading and on public companies and certain other acts (Journal of Laws of 2019, item 2217, as amended). The company has adopted the "Remuneration Policy for Members of the Management Board and Supervisory Board of Stalprodukt SA" (Resolution of the OGM No. XXXIX / 11/2020 of 15 June 2020),

On 9 October 2020, the Supervisory Board adopted a resolution on the introduction of new rules and criteria for remunerating Members of the Management Board of the Company in accordance with the adopted "Remuneration Policy" - "Regulations for Benefits and Remuneration of the Management Board of Stalprodukt S.A.".

In accordance with the above-mentioned Act, the Supervisory Board will prepare a Report on the remuneration of Members of the Management Board and Supervisory Board for 2019-2020, which will later be submitted for review by a certified auditor. Then, the General Meeting will adopt a resolution on the Report. This report will be made available on the Company's website.

At the same time, the company will correct the EBI report with the recently submitted corporate governance statement, taking into account the above change.

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

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

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

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

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

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

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

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

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

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

- STP Investment S.A. holding 1,529,319 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,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- 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.

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

There are no securities giving special control rights.

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

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

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

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

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

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

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

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

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

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

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

1. *Dismissal of the President of the Management Board.*
 2. *Review and approval of the Company's annual financial report, Management Board's annual report on the Company's activities, and also the Capital Group's consolidated financial report.*
 3. *Adoption of the "Remuneration Policy for Members of the Management Board and Supervisory Board".*
 4. *Giving opinions on remuneration reports for Members of the Management Board and Supervisory Board*
 5. *Deciding on how to distribute profits or how to cover losses.*
 6. *Granting a vote of approval to the Company's governing bodies.*
 7. *Amendments to the Company's Articles of Association.*
 8. *Increase or decrease of the Company's share capital.*
 9. *Change in the Company's object of operations.*
 10. *Company's merger or transformation.*
 11. *Company's liquidation, selection of liquidators and division of Company's property after the liquidation.*
 12. *Issuance of bonds.*
 13. *Decisions regarding claims for compensation of the damage suffered at the time of Company's formation and in course of managerial and supervisory activities.*
 14. *Deciding on the use of supplementary capital and raising and purpose of capital reserves.*
 15. *Other competences described as exclusive powers of the General Meeting of Shareholders by virtue of the Code of Commercial Companies, except for the expression of consent to the purchase and disposal of immovable property, perpetual usufruct, or share in the immovable property, which were delegated to the competency of the Supervisory Board.*
- k) **description of the issuer's management, supervisory or administrative bodies and their committees, together with an indication of the composition of these bodies and the changes that have occurred in them during the last financial year, including. l**

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Management Board

The Management Board of the Company operates based on the provisions of the Commercial Companies Code, the Articles of Association and the Regulations of the Management Board approved by the Resolution of the Supervisory Board No. 12/XII/2020 of 9 October 2020. According to § 16 of the Articles of Association, the Management Board of the Company consists of two to four persons appointed for a three-year term by the Supervisory Board.

In 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

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

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

Supervisory Board

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

The Supervisory Board in 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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- Agata Sierpińska-Sawicz - Member of the Supervisory Board
- Romuald Talarek - Member of the Supervisory Board

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

The specific duties of the Supervisory Board include (**§ 28 of the Articles of Association**):

1. *Election of the President and Members of the Management Board. Dismissal of the Members of the Management Board, except for the President of the Management Board.*
2. *Assessment of the financial report, Management Board's report on the Company's activities and Management Board's conclusions on profit distribution or covering of loss for the previous reporting year.*
3. *Reviews of periodic quarterly reports with the right of making remarks and requesting explanations from the Management Board, checking the books of accounts and Company's cash assets, at all times at their own discretion.*
4. *Reporting to the General Meeting of Shareholders on the fulfillment of duties in the fiscal year concerned.*
5. *Suspending the President and/or Members of the Management Board from duties for important reasons.*
6. *Delegating its Members to temporary performance of the activities of the Management Board Members who cannot perform their activities.*
7. *Approving of the Management Board Rules and Company's enterprise organizational rules.*
8. *Expressing consent to the acquisition by the Company of stocks or shares in another company and to transfer the same.*
9. *Expressing consent to the Company's making in-kind contribution to another company.*
10. *Expressing the consent to the conclusion by the Company of a long-term agreement obligating the Company to a payment exceeding the value of 10% of the equity.*
11. *Expressing the consent to the disposal of the Company's fixed assets, whose value exceeds 1% of the equity and donation exceeding the amount of PLN 50,000.*
12. *Adopting by resolution Company's business plans upon the Management Board's motion.*
13. *Selection of the certified auditor to carry out the audit of the Company's financial report.*
14. *Adopting "The rules of benefits and remuneration of the Management Board", in accordance with the "Remuneration Policy for Members of the Management Board and Supervisory Board" approved by the General Meeting, containing detailed remuneration principles and criteria.*
15. *Submitting to the General Meeting an annual report on the remuneration of members of the Management Board and the Supervisory Board starting from the year after the adoption of the "Remuneration policy for members of the Management Board and the Supervisory Board.*
16. *Appointment of the Audit Committee (if such an obligation results from the generally applicable provisions of law). In such a case, the Supervisory Board adopts the regulations of the Audit Committee, in which it specifies the detailed principles of its functioning.*
17. *Expressing consent to the acquisition and transfer of real estate, perpetual usufruct or share in the real estate.*
18. *Developing a procedure for periodical assessment of significant transactions with related entities within the meaning of the Act of 16 October 2019 amending the Act on public offerings and conditions*

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

governing the introduction of financial instruments to organized trading, and on public companies and certain other acts (Journal of Laws of 2019, item 2217).

19. *Assessing and approving the conclusion of significant transactions with related entities referred to in paragraph 18 above.*
20. *Submission of periodic reports on the assessment of significant transactions of the Company, referred to in para. 18 above.*

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

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

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

-people who meet the statutory independence criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

- in accordance with the regulations applicable to the Company, the entity authorised to conduct the audit is selected by the Supervisory Board, acting on the recommendation of the Audit Committee;
- it is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an entity authorised to carry out analysis from among a specified category or list of entities authorised to carry out analysis;
- The Supervisory Board when making the final selection, and the Audit Committee at the stage of preparing recommendations, is guided by the following guidelines regarding the entity authorised to carry out the analysis:
 - price proposed by the entity authorised to carry out the analysis;
 - ability to provide a full range of services specified by Stalprodukt S.A. (analysis of unit statements, analysis of consolidated statements, inspections, etc.);
 - previous experience of the entity in the analysis of statements of units with a business profile similar to the Stalprodukt S.A. Group;
 - entity's previous experience in examining the statements of public interest units;
 - professional qualifications and experience of persons directly involved in the conducted analysis;
 - availability of qualified experts in the field of specific issues in financial statements, such as the valuation of actuarial provisions, valuation of derivative instruments, analysis of tax issues,
 - ensuring that the analysis is conducted in accordance with the International Standards on Auditing and Assurance Services and compliance with the International Standard on Quality Control 1;
 - confirmation of the independence of the entity authorised to carry out the analysis as early as at the stage of the selection procedure, this confirmation should apply to Stalprodukt S.A. Group

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

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

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

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

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

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

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

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

In 2020, the Audit Committee held four meetings.

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

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

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

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

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

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

Part III. Declaration on non-financial information

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

1. Management area

1.1. Description of the business model and strategic development directions

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020

Statement of the Management Board on the activities of the Capital Group

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

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

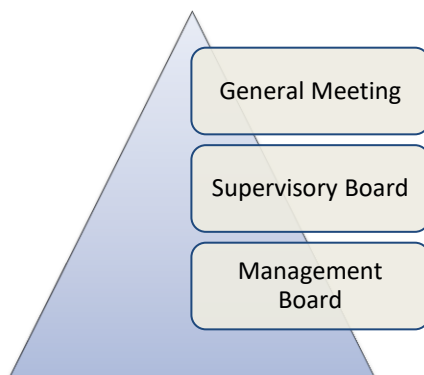
The company has been planning to strengthen its position on the transformer sheet market for many years. This operating segment is crucial from the point of view of the impact on Stalprodukt's unit results. This scenario of strategy implementation became possible in 2017, when a contract was signed for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

1.2. Managerial governance

- Stalprodukt S.A.

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

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



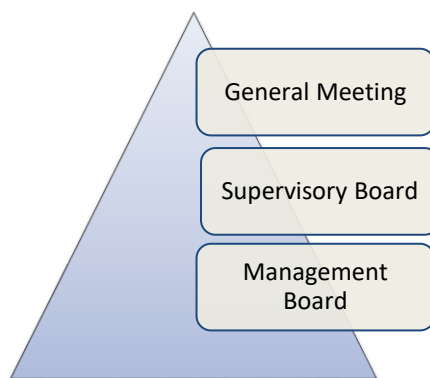
Until 28/04/2020, the Management Board of the Company consisted of 3 people. In connection with reaching the retirement age and acquiring the right to retire, one of the members of the Management Board resigned. Therefore, the Management Board of the Company currently consists of 2 people.

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

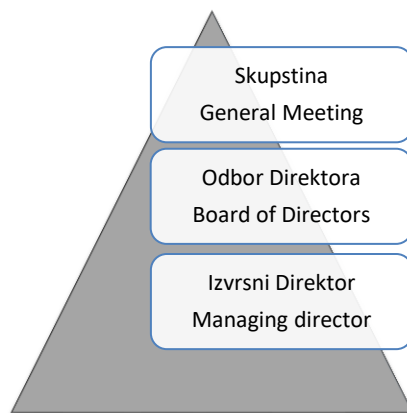
- ZGH "Bolesław" Group

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

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



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



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

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

- Other companies of the Stalprodukt Capital Group

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020

Statement of the Management Board on the activities of the Capital Group

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

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

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

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

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

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

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

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

Due to 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 board structure, with the statutory director and the management board) to a two-tier board structure system (in which the management board and the supervisory board operate), so the system also known in Poland under the provisions of the Commercial Companies Code.

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

1.3 Key non-financial effectiveness indicators

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

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

In 2019-2020, the above-mentioned indicators for the parent company and for the entire Capital Group were as follows:

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Indicator	Capital Group	
	2020	2019
Revenue per employee (thousand x PLN)	545,3	589,4
Energy consumption per unit of revenue (GJ/PLN 1 thousand)	3,3	3,00

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

The performance indicators for the ZGH "Bolesław" Group were as follows:

	2020	2019
Zinc production per employee (t Zn / average employment).	46	46
Electricity consumption / for zinc production (GJ / t Zn)	14	14
Coke and coal consumption / for zinc production (GJ / t Zn)	32	33
CO ₂ emissions / for zinc production (t CO ₂ / t Zn)	3.7	3.8

1.4. Social and environmental risk management

- Stalprodukt S.A.

Stalprodukt S.A., due to the specific nature of its operations and the related threats, is exposed to the occurrence of events that may affect the safety of people and the environment. All social and environmental aspects related to the conducted activity have been identified.

The plant is currently not classified as high risk of industrial breakdown, nor is it included in the category of increased risk of industrial breakdown. Despite this, the Department declares to maintain a safety management system in which the following operate: Breakdown Prevention Program and elements of the management system required by the Environmental Protection Law. On the premises of the Plant, exercises are carried out to check the means, equipment and personnel to eliminate the effects and combat potential environmental threats.

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- ZGH „Bolesław” Group

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

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

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

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

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

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

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

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

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

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

- Other companies of Stalprodukt Capital Group

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020

Statement of the Management Board on the activities of the Capital Group

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

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

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

1.5. Ethics management

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

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

The regulations contained in the above documents simultaneously meet the requirements and recommendations regarding the scope of non-financial reporting, principles resulting from the document "Good practices in public companies 2016", as well as guidelines on corruption policy and whistle-blower protection included in the document "Recommended standards for compliance management system in the field of counteracting corruption and protection system for whistle-blowers in companies listed on the markets organized by the Warsaw Stock Exchange S.A.", developed from the initiative of the Compliance Committee of the WSE.

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

2. The environmental area

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

All elements of the companies' activities that may have an impact on the environment have been identified. Taking into consideration the specificity of the industries belonging to the Capital Group, we are particularly aware of their significant impact on the environment. The impact of environmental aspects

identified in the Capital Group's entities is constantly monitored and the activities aimed at limiting harmful impact on the environment are performed.

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

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

- Stalprodukt S.A.

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

The Integrated Management System at Stalprodukt S.A. leads to the improvement of the system, production and management processes as well as the manufactured products and is implemented by:

- constant optimization of cooperation with customers and suppliers based on the results of monitoring and analysis of their needs, expectations and satisfaction with cooperation with our company,
- continuous modernization of processes by undertaking organizational and investment projects aimed at reducing costs while maintaining high quality of products,
- acting in accordance with legal and other regulations relating to our business,
- constant improvement of the level of qualifications, knowledge and awareness of the company's staff, as well as subcontractors,
- continuous improvement of the working environment so that it is perceived by the company's staff as friendly and enabling the optimal implementation of the IMS Policy,
- development of internal IT systems conditioning the proper flow of information,
- analysis of non-conformities, determining their causes and introducing appropriate actions,
- application of technologies compliant with the best available techniques (BAT),
- limiting the consumption of raw materials, materials and energy,
- reducing the emission of pollutants into the environment,
- minimizing the amount of generated waste and proper handling of it,
- preventing the occurrence of environmental threats in emergency situations,
- maintenance and continuous improvement of the Integrated Management System compliant with ISO 9001 and ISO 14001.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Information on environmental activities is disseminated to company employees, people working for or on behalf of the company, our suppliers and recipients, and shared with other interested parties.

The management of the company undertakes to provide the resources necessary to achieve the objectives of the IMS Policy and to undertake actions that guarantee the fulfilment of the requirements of the Integrated Management System functioning in the company and its continuous improvement.

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

Administrative decisions held by Stalprodukt S.A. in 2020:

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

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

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

Within the statutory deadline, statements are submitted to the offices in the field of waste management, packaging management, water and waste water management, gas and dust emission, as well as in the

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

scope of pollutant release and transfer (PRTR). The statements of accrued and paid fees for using the environment are also forwarded to Marshals' Offices.

In 2020, the following administrative decisions regarding the use of the environment were obtained:

- Decision - monitoring methodology plan for the installations of the Transformer Sheets Department;
- Decision – monitoring methodology plan for the plant's boiler room installation.

- ZGH „Bolesław” Group

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

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

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

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

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

The currently used technologies meet international standards. What confirms this state of affairs is the fact that ZGH Bolesław S.A. is the holder of ISO: 9001: 2015 and 14001: 2015 certificates, and HC "Miasteczko Śląskie" is the holder of ISO: 9001:2015 certificates and EN-ISO50001.

The scope of the system includes: production of zinc and zinc alloys, sulphuric acid, recovery of zinc-bearing waste and production of zinc-lead concentrates, production and sale of heat, sale and distribution of electricity and gaseous fuels, and the implementation of laboratory services in accordance with ISO 17025: 2018. In 2020, the Company began preparations for the implementation of a health and safety management system in the structure of the Company. The planned date of certification of the new integrated system is June 2021.

Boltech Sp. z o. o. implements the quality policy in accordance with the following standards:

- for zinc products ISO 9001: 2015; ISO 14001: 2015; ISO 45001: 2018,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- for aggregates PN - EN 13043, PN - EN 1342,
- for transport based on industry quality certificates.

There are no certified quality management systems in Gradir Montenegro.

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

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

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

and sectoral environmental decisions:

- Permit for generating waste for the Mining and Processing Part of the ZGH Bolesław S.A., valid until January 2025,
- Permit for waste generation for the Bolesław Boiler House, valid until September 2028,
- The decision authorizing the operation of the mining waste disposal facility, valid until April 2022,
- Permit for the production of mining waste obtained from the mining waste disposal facility, valid until June 2027,
- Permit for waste treatment in the recovery process in the Olkusz-Pomorzany Mechanical Treatment Department, valid until January 2025,
- Permit for waste treatment in the recovery process at the mining waste disposal facility – settling ponds, valid until January 2025,
- Mining waste management programme approved by decision of 30 November 2017,
- Permit for generating waste including processing in the process of recovery by flotation enrichment of waste falling within code 01 03 81 obtained (extracted) from the mining waste disposal facility – settling ponds for flotation waste at the ZGH "Bolesław" S.A. Flotation Waste Processing Plant, valid until July 2027,
- Permission for extraction of mining waste obtained from the eastern part of ZGH Bolesław S.A. mining waste neutralization facility granted for an indefinite period.
- Permit for discharging the following amounts of gases and dusts into the atmosphere through the boiler room installation:
 - "Dąbrówka" and "Olkusz" - valid until December 2025
 - "Bolesław" - valid until December 2029.
- Decision – Integrated permit for industrial waste water treatment plant (OSP), valid for an indefinite period
- the permit required under Water Law Act for the drainage of the mining plant - of the western part of the Pomorzany region by pumping out through the Dąbrówka and Mieszko shafts, for the intake of water from the mining plant drainage from the intake No. 2 - Dorotka, and the discharge of sewage constituting a mixture of water from the mine drainage into the Biała

- river through the Dąbrówka Canal , of post-flotation waters from sediment ponds and treated domestic wastewater from the treatment plant at the Dąbrówka shaft, valid until January 2025;
- the permit required under Water Law Act for the drainage of the mining plant - eastern drainage basin area of Pomorzany, Olkusz region, sub-level and Olkusz region by pumping out through Chrobry, Stefan and Bronisław shafts, intake of water from mining plant drainage, intake No. 1 located in the pump chamber at the Stefan and Bronisław shafts and the on-shore intake WP2 and the discharge into the Baba River through the South Canal of sewage constituting water from mining plant drainage, valid until January 2025;
 - the permit required under Water Law Act for the drainage of the mining plant with a deep water intake located in the shaft of the liquidated Mieczysław shaft and for the collection of water from the mine drainage from the intake located in the shaft of the liquidated Mieczysław shaft, valid until January 2025.

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

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

- Integrated permit for installations for the production of non-ferrous metals from metal ores, concentrates or recovered products as a result of metallurgical and chemical processes of 28 March 2012 – decision of the Marshal of the Silesian Voivodeship No. 726/OS/2012 amended by decisions No. 1723/OS/2013 of 5 August 2013, No. 2706/OS/2014 of 24 November 2014 and No. 1296/OS/2015 of 25 June 2015,
- Integrated permit for the hazardous waste landfill of 4 November 2014 – decision of the Marshal of the Silesian Voivodeship No. 2240/OS/2014 amended by decision No. 2382/OS /2014 of 4 December 2014,
- Permit required by Water Law Act of 29 March 2013 - decision of the Marshal of the Silesian Voivodeship No. 780/OS/2013,
- Permit for greenhouse gas emissions from 4 October 2018 - decision of the Marshal of the Silesian Voivodeship No. 03078/OS/18 (replacing the authorisation No. 00322/OS/17 of 1 February 2017),
- greenhouse gas emission permit of February 1, 2017 - decision of the Marshal of the Silesian Voivodeship No. 00322 / OS / 17, amended by decisions No. 03078 / OS / 18 of October 4, 2018 and No. 175 / OS / 2020 of January 21 2020.

- Other companies of Stalprodukt Capital Group

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Stalprodukt Zamość sp. z o.o.

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

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

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

STP Elbud sp. z o.o.

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

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- Permit for discharge of gases and dust into the air for the installation for painting steel structures in the Product Galvanizing Department in Bukowno,
- Permit for generating waste for the installation for painting steel structures in the Product Galvanizing Department in Bukowno.

Cynk-Mal S.A.

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

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

- Decision integrated permit, Reg. No. DM.S.IV.7650-2858/08/10, L.dz.IV/LS/7660-46/352-III/09/10, Decision No. PZ 184/2010. of 20 August 2010,
- Modification of the decision, integrated permit, DOW-S-IV.7222.108.2014.LS, L.dz. 690/12/2014, Decision No. PZ 184.1/2014 of 4.12.2014,
- permit for the production of waste (sector permit) - the application was submitted to the Marshal's Office on July 23, 2020, in the letter No. DOW-SV.7221.100.2020.AT of January 29, 2021, a new deadline for settling the matter was set until March 31, 2021 ;
- the permit required under Water Law Act for the discharge of rainwater cleaned by the sand trap from the site to the drainage ditch - the application was submitted to the Management of the Drainage Basin in Legnica on 09/10/2020, from the information of October 20, 2020, the deadline for considering the application is about 4 months;
- Permit required by Water Law Act for special use of water, i.e. water intake from the underground water inlet (drilled well No. 1), Ref. No. OŚR.6210/8/2005 of 22.07.2005.

GO Steel Frydek Mistek

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

2.1 Consumption of raw materials and other materials

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

Organisational unit	Type of material	Unit	Consumption	
			2020	2019
Stalprodukt S.A.	Hot rolled steel	thousand x Mg	265,1	294,9
	Cold rolled steel	thousand x Mg	17,7	19,3
	Galvanized steel	thousand x Mg	2,7	4,8
	<i>The cost of used materials in relation to net revenue from the sale of products</i>	%	67,5	68,5
ZGH „Bolesław” Group	Ore mined from the "Olkusz-Pomorzany" mine	thousand x Mg (wet weight)	1 507	1 586
	Ore mined from the Gradir Montenegro mine	thousand x Mg (wet weight)	578	594
	Ore purchased	thousand x Mg (wet weight)	30	34
	Sulphide concentrates from import	thousand x Mg (Zn)	48,8	38,0
	Concentrates from flotation waste ⁽¹⁾	thousand x Mg (Zn)	3,6	4,4
	Own oxides from steelmaking dusts ⁽¹⁾	thousand x Mg (Zn)	31,4	32,0
	Oxides from import ⁽¹⁾	thousand x Mg (Zn)	44,0	44,0
	Concentrates from sludge	thousand x Mg (Zn)	6,7	6,5
	Dusts and other zinciferous waste ⁽¹⁾	thousand x Mg (Zn)	7,6	14,8
	<i>Value of external raw materials used as % of income</i>	%	39	41
Other companies of the Capital Group	Hot rolled steel sheets	Mg	84 147	90 360
	Steel	Mg	20 159	29 712
	Zinc	Mg	2 428	2 829
	Paints	Mg	52	135
	Hydrochloric acid	Mg	152	182
	Pickling acids	l	1 141 885	1 168 269

¹ – from recycling

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Stalprodukt S.A.

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

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

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

ZGH "Bolesław" Group

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

In 2020, the ZGH "Bolesław" Group had the last active zinc and lead mine "Olkusz-Pomorzany" in Poland, producing concentrates for both Huta Bolesław and HC "Miasteczko Śląskie". In the face of shrinking zinc and lead ore deposits, the Company has focused its raw material policy on improving its production technology based on recyclable materials. This approach allows to reduce the amount of waste and reduce the use of primary raw materials. The new Zinc Electrolysis Hall in the Bolesław smelter put into operation on December 31, 2020 will enable the production of zinc in 50% from recycled feedstock.

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

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

The advantage of the ZGH "Bolesław" Group is having 3 basic technologies used for the production of zinc, i.e. the electrolysis process, the Imperial Smelting Process and the Waelz process for the treatment of zinc waste. Due to the fact that the production of zinc in the ZGH "Bolesław" Group is carried out on the basis of very close technological connections between production companies - the products of one company are the charge for another company.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Other companies of Stalprodukt Capital Group

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

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

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

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

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

2.2. Fuel and energy consumption

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

Organisational unit	Type of fuels and energy	Unit	Consumption	
			2020	2019
Stalprodukt S.A.	Electricity	GJ	575 223	657 575
	Natural gas, propane and butane	GJ	574 965	640 271
	Bituminous coal	GJ	283 685	361 914
	Fuels	GJ	3 676	4 400
	Heating oil	GJ	2 245	1 849
ZGH „Bolesław” Group	Electricity ⁽¹⁾	GJ	2 274 703	2 274 126
	Coking coal and coke breeze ⁽²⁾	GJ	4 269 773	4 438 112
	Natural gas	GJ	1 204 935	1 193 699
	Bituminous coal	GJ	840 508	873 654
	Thermal energy	GJ	540 510	512 780
	Heating oil	GJ	4 598	3 844
Other companies of the Capital Group	Electricity	GJ	109 586	116 686
	Natural gas, propane and butane	GJ	347 447	379 265
	Thermal energy	GJ	7 569	7 427
	Fuels	GJ	4 268	1 919

¹ - use mainly by ZGH "Bolesław" S.A.

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

Stalprodukt S.A.

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

ZGH „Bolesław” Group

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

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

- reducing energy consumption by investing in modern machines, devices and technologies,
- development of network infrastructure improving energy security,
- organizational and legal activities:
 - creating actively free electricity market through the management of the Chamber of Industrial Energetics and Energy Customers, establishment and management of the operations of the Forum of Electricity and Gas Customers, cooperation with the Energy Regulatory Office and the Ministries for Economy and the Environment,
 - establishment of the Electricity Management Department,
- works on the recovery of processing heat from the Waelz process,
- works on high-efficiency cogeneration.

Other companies of Stalprodukt Capital Group

The highest energy consumption is generated by GO Steel Frydek Mistek and Cynk-Mal S.A., which are responsible for the consumption of over 86% of the total energy consumed by the remaining companies of the Capital Group.

2.3 Water consumption

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

Organisational unit	Water characteristics and origin	Unit	Consumption	
			2020	2019
Stalprodukt S.A.	Water supply network	m ³	31 000	33 116
	Surface water intake	m ³	685 760	737 120
	Water consumption for social and living purposes	%	4,3	4,3
	Processing water consumption	%	95,7	95,7
ZGH „Bolesław” Group	Water supply network	m ³	10 007	9 685
	Underground water	m ³	11 640 984	11 262 779
	Water consumption for social and living purposes	%	2,5	2,6

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

	Processing water consumption	%	97,5	97,4
Other companies of the Capital Group	Water supply network	m ³	188 659	19 959
	Surface water intake	m ³	1 992 997	2 357 728
	Water consumption for social and living purposes	%	5,1	5,2
	Processing water consumption	%	94,9	94,8

Stalprodukt S.A.

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

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

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

	Unit	2020	2019
Water collected from the Raba river	m ³	685 760	737 120
Reused water	m ³	251 383	267 124
% of water reuse	%	37	36

The highest demand for water is reported by the Electrical Sheets Segment.

ZGH „Bolesław” Group

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

MINE	DEPARTMENT FOR MECHANICAL TREATMENT OF Zn-Pb ORES FLOTATION WASTE PROCESSING PLANT	WASTE SETTLING POND	DEPARTMENT FOR MECHANICAL TREATMENT OF Zn-Pb ORES FLOTATION WASTE PROCESSING PLANT
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MINE	STEELWORKS TECHNOLOGICAL PRODUCTION PROCESS	INDUSTRIAL SEWAGE TREATMENT PLANT
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Other companies of Stalprodukt Capital Group

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

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

2.4. Biodiversity protection

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

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

2.5 Emissions into the atmosphere

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

Organisational unit	Emissions type	Unit	Emissions	
			2020	2019
Stalprodukt S.A.	CO ₂	Mg	57 346	67 864
	CO	Mg	102	127
	Dusts	Mg	2,7	3,2
	SO ₂	Mg	83	104
	NO _x	Mg	43	57
	Aromatic hydrocarbons and aliphatic hydrocarbons	Mg	0,86	0,88
	Hydrofluorocarbons	Mg	0,034	0,055
	Sulphuric acid	Mg	0,2	0,2
ZGH „Bolesław” Group	CO ₂	Mg	592 428	605 078
	CO	Mg	4 448	4 281
	Dusts	Mg	44	38
	SO ₂	Mg	1 206	1 088

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

	NO _x	Mg	230	229
	Zinc	Mg	3,0	4,7
	Lead	Mg	1,1	1,1
Other companies of the Capital Group	CO ₂	Mg	1 746	1 879
	CO	Mg	11,9	26,72
	Dusts	Mg	0,94	0,84
	NO _x	Mg	10,46	10,92
	Chlorine	Mg	1,39	1,02*
	Zinc	Mg	0,03	0,04
	Ammonia	Mg	0,20	0,15

Stalprodukt S.A.

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

- decarburization annealing furnaces, dryers, stress relief annealing furnaces and a normalizing annealing furnace,
- blasting processes,
- sulphuric acid digestion processes,
- cold rolling of steels processes,
- hydrogen production,
- installations for the production of cold-formed steel sections and sheet metal.

Additional sources of emissions in the Company are also:

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

The following methods are used to reduce atmospheric emissions:

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

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

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

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

ZGH „Bolesław” Group

The extraction of Zn-Pb ore and then its processing and production of zinc are inextricably linked to the environmental impact. The Capital Group implements a programme of systematic reduction of process emissions to the environment in all its components. The result of these activities is the achievement of emission parameters in accordance with the European Union legislation and national law. Industrial

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

installations meet stringent emission standards, and the condition of atmosphere protection equipment and the impact of activities on the environment is systematically controlled by state environmental protection services. The high level of environmental protection is confirmed by obtaining and maintaining sector decisions and integrated permits.

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

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

Other companies of Stalprodukt Capital Group

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

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

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

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

2.6 Waste management

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

Organisational unit	Waste type	Unit	Amount	
			2020	2019
Stalprodukt S.A.	Hazardous waste	Mg	1 849	1 876
	Waste other than hazardous	Mg	30 326	34 293
	<i>Total waste</i>	<i>Mg</i>	<i>32 175</i>	<i>36 169</i>
	Stored waste	Mg	721	708
	Waste recovered	Mg	1 362	1 214
	Waste sent to recovery organisations	Mg	30 092	34 247
ZGH „Bolesław” Group	Hazardous waste	thousand x Mg	171,8	150,7
	Waste other than hazardous	thousand x Mg	1 117,8	1 245,8
	<i>Total waste</i>	<i>thousand x Mg</i>	<i>1 289,6</i>	<i>1 396,2</i>
	Stored waste	thousand x Mg	47,5	57,0
	Waste recovered	thousand x Mg	1 241,7	1 338,7
Other companies of the Capital Group	Hazardous waste	Mg	1 574	2 079
	Waste other than hazardous	Mg	14 319	16 733
	<i>Total waste</i>	<i>Mg</i>	<i>15 893</i>	<i>18 812</i>

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Stalprodukt S.A.

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

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

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

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

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

ZGH „Bolesław” Group

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

Other companies of Stalprodukt Capital Group

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

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

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

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

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

Organisational unit	Waste water	Unit	Amount	
			2020	2019
Stalprodukt S.A.	Total amount of water and waste water	thousand of m ³	1 377	1 502
	Discharged	thousand of m ³	394	453
	Treated	thousand of m ³	983	1 049
ZGH „Bolesław” Group	Total amount of water and waste water	thousand of m ³	112 180	114 523
	Discharged <i>including mine water</i>	thousand of m ³	108 403 107 055	110 915 110 549
	Treated	thousand of m ³	3 777	3 608

Stalprodukt S.A.

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

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

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

ZGH „Bolesław” Group

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

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

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

Other companies of Stalprodukt Capital Group

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

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

2.7 Other environmental aspects

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

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

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

2.8 Enhanced environmental responsibility

- Stalprodukt S.A.

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

Applied Integrated Management System compliant with international standard ISO 9001 and ISO 14001 enables us to identify the most important elements of the interaction between the company and the environment and to take constructive actions in the areas of design, production, product delivery and waste disposal. This system is integrated into the overall management system of the company.

Environmental activities are planned and implemented, which mainly concern:

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

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

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

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

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

- demonstrating compliance with the requirements concerning the product,
- ensuring compliance of Integrated Management System Policy with specific requirements,
- continuous improvement of Integrated Management System Policy.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

During internal audits and data analysis, opportunities for system improvement are identified. Implementation of corrective and preventive actions allows to restore the effectiveness of Integrated Management System Policy and reduces the probability of problems in the future. Strategic actions for continuous improvement are undertaken during the review of the top management of Stalprodukt S.A.

- ZGH „Bolesław” Group

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

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

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

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

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

Gradir Montenegro based in Montenegro

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

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

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

Water

The company draws water for the technological process from nearby streams and brooks. Its availability varies depending on the season. In addition, process water from the sedimentation ponds is used, which is re-directed to the process after settling and sedimentation. Gradir does not use water from the water supply system in its production activities.

At the end of 2017, the Company began activities related to the implementation of the water treatment plant construction project, the aim of which is to purify water from flotation ponds and, optionally, old drifts, and to increase the share and possibility of its use in the process. The project will be carried out in stages, and one of the initial stages is the construction of a pilot plant that will track the parameters and efficiency of the process in relation to the conditions in the mine. At the end of 2018, the construction phase of the pilot installation was completed, and then the monitoring of its operating parameters and treatment efficiency began and continued. After collecting the conclusions from the work to date and making the necessary changes, in 2019, further monitoring of the operation of the pilot water treatment installation was carried out, on the basis of which the final concept of the industrial installation will be developed. This monitoring was carried out until the end of the first quarter of 2020, and then in the second quarter of 2020, a feasibility study was prepared for the project on an industrial scale. After

analysing the document and other technical and economic conditions, it was decided to temporarily suspend the project implementation until the Company's financial situation improved. During this time, based on the received feasibility study, the Company will commission the installation design and apply for the necessary permits.

Emissions to the atmosphere

The production activity of Gradir is not directly related to the emission of harmful substances into the atmosphere. The only factor that can be mentioned in this area is the periodic dusting during strong gusts of wind, occurring in dry seasons, on the slopes of the open pit and the emission of diesel fumes resulting from the use of mining machinery.

Waste

At Gradir Montenegro, the main 'waste material' is flotation tailings stored in tailings ponds.

In addition, waste sensu stricto are used oils, greases and other petroleum substances that are used in mining machines (engines, hydraulics, gears) and technological devices (hydraulics, lubrication-cooling), used filters, plastic parts, as well as used batteries. Neutralized of the above-mentioned materials is outsourced, and the total cost of disposal services for 2020 was EUR 2,273.

Environmental policy

The environmental policy of Gradir is aimed at adapting its activities to the growing requirements for environmental protection, which result from legal regulations aimed at unifying standards in this area with EU requirements. These actions are enforced by opening new pre-accession treaties.

In the nearest future, the Company's environmental policy provides for ordering water management on the premises of the plant by launching a water purification installation, which will allow for better use of water resources and more effective management of its availability.

In Gradir Montenegro, there were no serious accidents with an environmental effect, and no violations of environmental protection regulations, in relation to which administrative proceedings would be initiated. In 2020, no penalties were imposed on the Company for violating the conditions of using the environment.

- Other companies of Stalprodukt Capital Group

Stalprodukt Zamość sp. z o.o.

Environmental activities are planned and implemented, which mainly concern:

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

STP Elbud sp. z o.o.

The development of the company with simultaneous reduction of the impact on the natural environment is one of the elements of the strategy of STP Elbud sp. z o.o. The environmental management system applied in accordance with the international standard ISO 14001 enables us to identify the most important

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

elements of the interaction between the company and the environment and to take constructive actions in the areas of design, production, product delivery and waste disposal. The environmental management system is integrated into the overall management system of the company.

Environmental activities are planned and implemented, which mainly concern:

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

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

Cynk-Mal S.A.

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

- application of production technology in accordance with the principles of the Best Available Technique (BAT),
- adherence to the technological regime, the use of automatic regulation and control of the technological process parameters,
- Minimising water consumption through:
 - monitoring water consumption by means of water meters installed at the supply point for each plant,
 - sequencing process tanks in such a manner as to eliminate unnecessary rinsing,
 - the use of three pickling tanks in a cascade (overflow) configuration to reduce rinse water consumption,
 - the use of cascade rinsing,
 - the use of post-rinsing water and the water from the acid vapour absorber to prepare a new hydrochloric acid bath,
- The protection of the soil and water environment through:
 - conducting the manufacturing process in sealed process tanks,

- positioning plants and storage locations for chemicals in rooms equipped with sealed and properly shaped floors (slopes, thresholds),
- positioning process tanks containing solutions which are particularly dangerous for the environment (acid pickling), as well as storage tanks for acid and acidic solution (post pickling) in sealed, undrained sumps equipped with pumps to enable pumping of spilled liquids to tanks designed to collect waste acids,
- The reduction of the amount of substances emitted to the atmosphere through:
 - the addition of substances (inhibitors) limiting the evaporation of hydrogen chloride (at the narrow strip galvanising line),
 - the air-tight sealing of the process at the wire and wide strip galvanising line,
 - pickling in closed tanks equipped with extraction systems at the narrow strip galvanising line, fluxing is done in a tank equipped with a lid, galvanising in a covered tank equipped with an extraction system (lids opened for loading and unloading),
 - chrome plating with the use of rollers (without dipping in tanks) – the emission of chromium compounds is reduced to a minimum,
 - the use of sheet heating in a nitrogen and hydrogen atmosphere in a continuous induction furnace,
 - the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 25 mg/m³ in chlorine equivalent) for purifying the air from the narrow strip pickling tanks, wire pickling tanks, as well as hydrochloric acid tanks,
 - the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 10 mg/m³ in chlorine equivalent) for purifying the air from the wide strip pickling tanks,
 - the purification of the air from above the narrow strip galvanising tank and the wire galvanising tank with a shared fabric filter,
 - fitting the grit-blasting machine used for cleaning sheet surface with a fabric filter,
- Minimising the amount of generated waste through:
 - the sound management of materials and raw materials,
 - maximising the pickling properties of acids by extending the pickling time and reducing the acid concentration level,
 - the absence of raw material treatment processes (e.g. degreasing in solvents, chromium+6 passivation), which are the source of deleterious hazardous waste,
 - the use of additives (inhibitors) extending the service life of the process solutions (pickling acids and flux),
 - the use of waste rinse water and waste water from the acid vapour absorber in the process of preparing the pickling solutions,
 - transferring the generated waste first to recovery and only then for disposal – only to recipients with appropriate waste management licences.

GO Steel Frydek Mistek

With environment protection being one of the main priorities for the company, GO Steel FrýdekMístek is very active in this respect. Apart from meeting legal and statutory obligations, the company engages in additional activities aimed at taking care of its immediate surroundings. It primarily involves adherence to noise limits and meeting all statutory obligations relating to the management of chemicals and mixtures, as well as ensuring compliance with REACH and CLP. What is more, the company complies with ADR

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

and RID regulations. The obligations resulting from the Packaging Act are fulfilled within the framework of the EKO-KOM association.

3. Social and employee area

3.1. Using public aid and public sector contracts

- Stalprodukt S.A.

In 2020, Stalprodukt S.A., at the time of preparing this statement, used public aid in the amount of PLN 988,079.97 (according to the nominal value). This was operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration, while in 2018, in connection with the relief obtained from renewable energy certificates of origin OZE (which was actually recognized in September 2019 for 2018), the company received funding in the amount of 1 PLN 373,079 (at nominal value).

- ZGH Group "Bolesław"

Public aid in the form of subsidies or non-returnable benefits and a reduction in the amount of the fee (at nominal value) granted to the companies of the ZGH "Bolesław" Group in 2020 amounted to PLN 28.4 million, compared to PLN 9.1 million in 2019.

In 2020, public contracts for the Capital Group were performed by Boltech (due to the merger with Przedsiębiorstwo Robót Drogowych S.A.) for the amount of PLN 6.5 million; in 2019, the value of public contracts in this company amounted to PLN 9.1 million.

- Other companies of the Stalprodukt Capital Group

Public aid granted to other companies of the Capital Group (acc. to its nominal value) in 2020 amounted to PLN 21,886.53 (de minimis aid), and PLN 200,472 mainly as reimbursement, i.e. aid in the form of subsidising wages for the recruitment of disabled employees, in 2019, the aid amounted to PLN 275,843 (de minimis aid). This consisted predominantly in reimbursement, i.e. aid in the form of subsidising wages for the recruitment of disabled employees. Moreover, one of the companies received de minimis aid in the nominal value of PLN 194,382.

3.2. Level of employment and level of remuneration

The employment structure by positions

		year 2020						year 2019					
	Type of position	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil law contracts
Stalprodukt S.A.	Management staff	3	44		0	47		3	51	0	1	53	
	White-collar	60	170		8	222	1	67	180	0	15	232	
	Blue-collar	29	1096		10	1115		34	1185	0	92	1127	
	total	92	1310	0	18	1384	1	104	1416	0	108	1412	5
Grupa ZGH Bolesław	Management staff	14	103	0	5	113	6	15	109	0	6	118	5
	White-collar	180	561	3	49	480	17	183	394	5	61	512	19
	Blue-collar	115	2347	9	384	2277	80	122	2705	38	481	2307	87
	total	309	3011	12	438	2870	103	320	3208	43	548	2937	111

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Other companies of STP Capital Group	Management staff	23	30	0	4	45	0	23	33	0	2	54	2
	White-collar	108	174	9	32	245	34	105	166	2	32	222	34
	Blue-collar	21	1012	9	110	911	119	22	1078	16	141	959	70
	total	152	1216	18	146	1201	153	150	1277	18	175	1235	106

Employment structure by gender

		2020				2019			
	Employees by gender	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	women	0	5	87	0	0	13	91	2
	men	0	13	1297	1	0	95	1321	3
	total	0	18	1384	1	0	108	1412	5
ZGH „Bolesław” Group	women	0	35	271	13	7	40	273	14
	men	0	405	2597	90	36	508	2664	97
	total	0	440	2868	103	43	548	2937	111
Other companies of STP Capital Group	women	0	26	123	20	14	29	120	13
	men	0	120	1078	133	3	147	1115	93
	total	0	146	1201	153	17	176	1235	106

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

The most popular form of employment in the whole Capital Group is the contract for an indefinite period. Their share both for Stalprodukt S.A. amounts to 99% of all contracts, in the ZGH "Bolesław" Group amounts to 86% of all contracts, and for the remaining companies the share of this form of employment is 88%.

As compared to the previous year, there has been a decrease in the number of employees at Stalprodukt S.A. of over 8%. The number of employees at ZGH "Bolesław" Group has decreased by approximately 6%. The decrease in employment in the ZGH Group is mainly due to the liquidation of the "Olkusz-Pomorzany" Mine on 31 December 2020. In other Companies, employment has decreased by 4% as compared to 2019.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Employment structure by age

		2020				2019			
	Division by age	women	men	Blue-collar positions	White-collar positions	women	men	Blue-collar positions	White-collar positions
Stal produkt S.A.	up to 30 years	8	152	144	16	9	170	164	15
	31-50 years	54	774	649	179	52	810	684	178
	>51 years	30	384	332	82	43	436	371	108
ZGH „Bolesław” Group	up to 30 years	29	391	376	44	35	467	452	50
	31-50 years	149	1666	1449	366	152	1738	1517	373
	>51 years	131	954	845	240	133	1003	858	278
Other companies of STP Capital Group	up to 30 years	16	157	144	29	14	154	140	28
	31-50 years	82	512	389	202	88	554	444	198
	>51 years	54	546	442	158	49	568	380	237

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

Newly employed employees by age and gender

		2020			2019		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years				1	1	2
	31-50 years	2	0	2	1	1	2
	>51 years				0	0	0
ZGH „Bolesław” Group	up to 30 years	3	7	40	8	104	112
	31-50 years	5	56	61	19	175	194
	>51 years	11	45	56	8	112	120
Other companies of STP Capital Group	up to 30 years	6	22	28	5	36	41
	31-50 years	8	27	35	11	42	53
	>51 years	3	11	14	7	21	28

Dismissed employees by age and gender

		2020			2019		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	1	18	19	0	33	33
	31-50 years	0	37	37	2	29	31
	>51 years	12	53	65	10	32	42
ZGH „Bolesław” Group	up to 30 years	2	42	44	1	34	35

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

	31-50 years	5	108	113	5	91	96
	>51 lat	23	185	208	14	105	119
Other companies of STP Capital Group	up to 30 years	1	39	40	3	33	36
	31-50 years	10	39	49	7	36	43
	>51 lat	8	66	74	8	36	44

479 and 649 employees were made redundant in the entire Capital Group in 2019 and 2020, respectively. The percentage of the dismissed in the total number of employees at Stalprodukt is 9%, and in the ZGH "Bolesław" Group it is 11%.

Employment of people with disabilities

	2020		2019	
	Number of people with disabilities	Employment share [%]	Number of people with disabilities	Employment share [%]
Stalprodukt S.A.	4	0,29	4	0,26
ZGH „Bolesław” Group	35	1,05	36	1,02
Other companies of STP Capital Group	41	2,97	44	3,06

Due to the nature of the Capital Group's operations and difficult working conditions, there were 88 people with disabilities employed in 2020 were 80 people, in 2019 there were 84 people. The total amount of contributions to PFRON in the entire Capital Group was PLN 780 thousand.

Average remuneration (PLN)

	2020		2019	
	Average remuneration regardless of gender		Average remuneration regardless of gender	
Stalprodukt S.A.		5 216		5 575
ZGH „Bolesław” Group	Average remuneration regardless of gender	6 718	Average remuneration regardless of gender	6 542
Other companies of STP Capital Group	Average remuneration regardless of gender	5 047	Average remuneration regardless of gender	5 197

In Stalprodukt S.A., the average annual remuneration in comparison to 2019 decreased by about 6% (due to the epidemiological situation), in the ZGH "Bolesław" Group by 3%, while in the other companies by 3%.

3.3. Relations with the employees and freedom of association

- Stalprodukt S.A.

There are two trade unions in Stalprodukt S.A.: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A. s and MOZ NSZZ "Solidarność". In 2020, the ratio of employees belonging to trade unions was about 17%, and in 2019 it was about 18%.

In the Company, no collective dispute was initiated in 2020.

Social activities

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

- non-returnable financial and material or material aid in the form of hardship benefits (aid to persons who have been affected by individual random events, long-term (chronic) illness or death of the closest family members);
- aid in the form of repayable loans for home, flat renovation, house construction; change (from a smaller to a larger one) of a cooperative or temporary type of flat,
- co-financing for leisure organized in the form of colonies, camps, winter camps, holidays,
- co-financing for individual leisure, the so-called "wczasy pod gruszą",
- co-financing for cultural and educational activities (e.g. admission tickets for cultural and educational events, to the cinema, stage performances, concerts),
- co-financing for sports and recreation activities (rallies, trips, sports events for children).

- ZGH „Bolesław” Group

Depending on the company, the ZGH "Bolesław" Group has from 1 to 7 trade union organizations. The unionisation rate in 2020 was around 46%, and in 2019 it was around 54%.

In 2020 there were no strike actions.

Social activities:

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

- Other companies of Stalprodukt Capital Group

In the other companies of Stalprodukt Capital Group, there are five trade unions: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A., MOZ NSZZ "Solidarność", Komisja Zakładowa NSZZ Solidarność 80,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

NSZZ Solidarność and OS Kovo. The share of employees belonging to unions in 2020 was about 36% and in 2019 was about 35%.

Social activities

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

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

3.4 Occupational health and safety (OHS)

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

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

- Stalprodukt S.A.

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

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

The company declares taking all actions aimed at:

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

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

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

Human causes are the most frequent causes of accidents at work in 2019-2020. Examples include above all incorrect employee behaviour (in particular due to surprise reaction when facing an unexpected event, insufficient focus on the performed activity, neglecting a hazard).

Specification	2020	2019
Total number of accidents at work	9	16
Accident frequency indicator (number of accidents/number of people employed x 1000)	6,43	10,54
Number of heavy accidents	0	0
Number of fatalities	0	0
Total number of days of inability to work among employees due to accidents	597	908
Accident severity indicator (number of days of inability/1 accident)	66,33	56,75
Number of cases of occupational diseases reported.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	196	256
Number of work stations at which the level of assessed occupational risk is unacceptably high (i.e. actions are necessary to reduce the risk level)	0	0

- ZGH „Bolesław” Group

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

Such activities include, among others:

- additional OHS and fire training (weekly, monthly),
- technical inspection of equipment, compliance with technical tests and approvals,

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

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

The most common cause of accidents are activities performed by the injured person at the time of the accident: stumbling, slipping, and being overwhelmed.

Specification	2020	2019
Total number of accidents at work	19	19
Accident frequency indicator (number of accidents/number of employees x 1000)	5,7	5,4
Number of heavy accidents	0	0
Number of fatalities	0	0
The total number of days of inability to work due to accidents	1 303	1 519
Accident severity rate (number of days of incapacity/1 accident)	69	80
Number of diagnosed cases of occupational diseases.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	419	490
Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary)	0	0

- Other companies of Stalprodukt Capital Group

In all other companies of the Stalprodukt Capital Group, there are appropriate health and safety regulations regulating work safety. In addition, all legal provisions covering the scope of health and safety issues are applied.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

Specification	2020	2019
Total number of accidents at work	6	13
Accident frequency rate (number of accidents/number of employees x 1000)	4,3	10,0
Number of severe accidents	0	0
Number of fatal accidents	0	0
Total number of days of incapacity for work for employees caused by accidents	361	690
Accident severity rate (number of days of incapacity/1 accident)	60,2	53,08
Number of diagnosed cases of occupational diseases.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	295	295
Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary)	0	0

3.5 Development of education

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

- Stalprodukt S.A.

For the sake of satisfaction with the work performed, the Company invests in the professional development of employees and a good atmosphere at work. It creates friendly conditions that make it easier for its employees to acquire knowledge, improve qualifications and use various forms of education. Constant replenishment of knowledge and skills as well as improvement of qualifications is consistent with the company's strategy. The acquired qualifications are used by employees in the position held or will be used in the future. Facilitating the improvement of qualifications creates a positive assessment in the Company towards the studying employees. Continuous improvement of professional qualifications becomes a necessity. The need for continuous learning is related to technological and organizational changes and in order to ensure a sufficiently high level of security, therefore knowledge must be constantly supplemented and updated.

Stalprodukt S.A. helps in the professional development of its employees in various ways. For example, with employees who, on their own initiative, undertake postgraduate studies or training at specialized courses, in accordance with the scope of their professional activities, contracts are concluded to improve qualifications, granting co-financing up to 50% of the price of studies. The company also undertakes to

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

grant training leave and to reimburse the costs of the delegation if the training or studies take place in another city.

Training in Stalprodukt is conducted on the basis of an annual training plan. The training plan covers all organisational units of the Company. Due to the situation as it happened at the beginning of 2020 and still ongoing, i.e. the epidemic in the country, the Company has not implemented the assumed training plan, only training courses were conducted that resulted from the urgent needs of the Company. Training companies gave up the traditional form of training and offered on-line training. In 2020, 32 training courses were conducted in which employees of various professional levels participated.

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

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

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

	2020	2019
Number of persons trained	219	802

- ZGH „Bolesław” Group

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

The companies organise:

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

Continuous learning and acquiring new skills, as well as the professional development are in line with the Group's strategy. Employees put their newly acquired qualifications into practice on their current positions or will do so in the future. It has become a must to continuously improve one's professional qualifications.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

The need for continuous learning is linked to technological and organisational changes, as it also helps ensure a sufficiently high level of safety, and therefore knowledge must be constantly updated and expanded. The most important item in the training budget is the expenditure on obligatory training and examinations regarding H&S, mine rescue, energy production, as well as vocational training and courses related to the nature of the industry.

	2020	2019
Number of persons trained	2 076	4 147

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

In the Capital Group in 2020, 47 employees improved their professional qualifications by participating in various forms of further education.

- Other companies of Stalprodukt Capital Group

All other companies of the Stalprodukt S.A. Group they also enable employees to improve their qualifications through training and courses.

3.6 Managing diversity

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

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

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

3.7 Human rights

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

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

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

In 2020, two alleged mobbing cases were reported in Stalprodukt S.A. Upon investigating the reported cases, the committee decided that no mobbing took place. There were no cases of discrimination, mobbing or sexual harassment in other companies of the Capital Group.

3.8 Child and forced labour

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

3.9 Local communities and social engagement

- Stalprodukt S.A.

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

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

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

Stalprodukt S.A. is one of the largest companies operating in Małopolska region and a large employer, employing at the end of 2020 1400 employees. Therefore, the Management Board of the Company, being aware of its responsibility, treats CSR issues, and above all good relations with the local community (in addition to increasing the value of the company), as a priority.

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020

Statement of the Management Board on the activities of the Capital Group

The most important projects in the area of corporate social responsibility supported financially by the Company in 2020 include:

- donation for the Association for the Disabled People "Drop of Kindness" (the organization of the "Integration Painted with Sound" Festival).
- support for the project of building a hospice in Tarnów.

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

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

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

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

- ZGH „Bolesław” Group

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

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

- Responsible business
- Social partnership
- Caring for traditions

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

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

In order to promote and preserve the knowledge about the history and traditions of lead and zinc mining in the region of Bukowno for future generations, ZGH "Bolesław" S.A. created an interactive exhibition "Zinc Knowledge Mine" at its plants. In the Company's opinion, this history and knowledge of traditions should be saved from oblivion, especially as the mining industry in the Bukowno region, at the end of 2020 years in the area passes into history.

One of the pillars of corporate social responsibility is the Zakłady Górniczo-Hutnicze "Bolesław" Foundation established in 2018, which conducts charity works. In September 2020, the Foundation received the status of a public benefit organization, therefore it is possible to support the Foundation by paying 1% of PIT [Personal Income Tax] for its activities. This activity is focused on health prevention, promotion of sport, culture and science, ecology and environmental protection, as well as popularization of the heritage and mining and metallurgical traditions of the Olkusz-Bolesławski region.

In 2020, ZGH "Bolesław" S.A. granted support in the form of donations to schools, foundations organizing charity campaigns, public benefit organizations and for parishes - as usual on the occasion of industry holidays. Donations were also made to hospitals and other entities for purposes related to prevention of the Coronavirus epidemic (PLN 144.2 thousand in total, i.e. 35% of all donations).

When making donations, the interests of companies, employees employed in companies belonging to the Group, as well as the involvement of potential recipients in activities for the benefit of the local community were taken into account. Taking into account the above, donations were made to entities operating in and for the inhabitants of the Olkusz region, the successful rate of whom are employed by the companies that belong to the Capital Group.

On the other hand, the activities of ZGH in the field of advertising and sponsorship assume the allocation of most of the funds to the implementation of planned activities aimed, on the one hand, at promoting the Company and the Olkusz land, and, on the other hand, at supporting cultural, sports, scientific and social projects. The amount allocated in 2020 by ZGH "Bolesław" S.A. under sponsorship is PLN 181.5 thousand. Including to support the 1st-league women's handball team - PLN 90.0 thousand.

In 2020, the total value of donations, sponsorship and other forms of social involvement of ZGH "Bolesław" is PLN 588.6 thousand (including the biggest recipients - PLN 190 thousand).

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

environment in mind, we transform natural resources and recycled raw materials into high-quality products for customers around the world.

The values we follow in our activities are:

- People
- Safety
- Development
- Responsibility
- Transparency

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

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

In 2020, the implementation of the Scientific Project entitled "Assessment of the mineral balance in children environmentally exposed to lead" implemented under the project "Mechanisms of the toxic effect of lead on the human body". The aim of the project is to determine the basic parameters of blood counts and macronutrients in children, such as iron, calcium, magnesium and vitamin D, as well as to supplement the deficiencies of these elements in the case of their occurrence. This will allow us to answer the question to what extent supplementing the deficiencies in the body with macro- and microelements and vitamin D in children will allow to reduce the concentration of lead in the blood and reduce the effects of its toxicity. The project was implemented by the Foundation for Children "Miasteczko Śląskie" and the Eko-Prof-Med Medical Center. The implementation of the task was entirely financed by Huta Cynk "Miasteczko Śląskie" Spółka Akcyjna.

In addition, in Huta Cynku "Miasteczko Śląskie" SA in 2020, the following activities were undertaken in the field of cooperation with the local community:

- cooperation with local companies conducting business activity in the areas adjacent to the Company (Feniks Tartak, Euromebel, PPHU Koral),

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

Donations and sponsorship are measurable contributions to the local community. In 2020, the Capital Group companies supported various forms of social involvement (health care, education, promotion of sports, local initiatives) with the amount of over PLN 1,106.2 thousand.

- Other companies of Stalprodukt Capital Group

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

3.10 Counteracting corruption

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

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

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

- Stalprodukt S.A.

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

The principles contained in it include, inter alia:

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

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

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

- ZGH „Bolesław” Group

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

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

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

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

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

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

- Other companies of Stalprodukt Capital Group

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

3.11 Product and consumer safety

- Stalprodukt S.A.

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

A document adopted by the parent company "Stalprodukt's task" contains the most important values that the Company's employees are guided by in their activities. These include: quality of products and processes, meeting customer expectations, increasing shareholder value, timely fulfilment of commitments, excellent cooperation with suppliers, environmental protection, ethics and culture.

Construction products manufactured by Stalprodukt S.A. are manufactured on the basis of harmonised technical specifications included in the standards:

- PN-EN 1317-5+A2:2012 Road restraint systems -- Part 5: Product requirements and evaluation of conformity for vehicle restraint systems,
- PN-EN 10219-1:2007 Seamless hollow sections made of non-alloy and fine structural steel - Part 1: Technical delivery conditions,
- Steel sections made of cold, open, structural steel in grades S235, S275, S355, JR, J0, J2 according to PN-EN 10025-2:2007 and S420M according to PN-EN 10025-4:2007, made according to PN-EN 10162:2005,
- PN-EN 10025-1:2007 Hot-rolled products of structural steel - Part 1: General technical delivery conditions.

The rules of marketing or making construction products available on the domestic market, the rules of controlling construction products marketed or made available on the market and the jurisdiction of the authorities to perform administrative tasks and obligations resulting from Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011 are specified in the Act of 16 April 2004 on construction products (consolidated text Journal of Laws of 2016, item 1570).

Other products manufactured by Stalprodukt S.A., in particular metal sheets, are manufactured on the basis of standards:

- PN-EN 10107:2014 Electrotechnical steel sheets and strips with grain oriented delivery. in the fully processed state,
- CEI IEC 60404-8-7 Ed 4.0 2017 Magnetic materials - Part 8-7,
- A 876-17:2017 Standard Specification for Flat-Rolled, Grain-Oriented, Silicon-Iron, Electrical Steel, Fully Processed Types.

- ZGH „Bolesław” Group

Zinc and lead are important bulk commodities whose trade has a long tradition and is quite well organised. There are internationally recognized trade rules for both zinc and metal concentrates. There are global exchanges of these metals, a network of warehouses, ports and other infrastructure components to trade zinc and lead in both processed and crude forms.

The sales offer of the ZGH "Bolesław" Group includes the following products:

- Zinc grade Z1 (SHG) with a minimum zinc content of 99.995%. Zinc produced in ZGH Bolesław in the form of tiles weighing 27 and 34 kg packed in packages with a weight of 900-

1000 kg and blocks weighing about 700 kg, 900 kg Eurojumbo blocks of 1,000 kg. Zinc produced by HC "Miasteczko Śląskie" is cast in plates weighing about 25 kg and dimensions 480 x 240 x 40 mm, then formed into packages of 44 pieces weighing about 1,000 kg and in jumbo blocks 2,000 kg and blocks 1440 mm with a weight of about 620 kg. SHG's zinc from ZGH and HCM zinc is registered at the London Metal Exchange.

- Zinc in grade Z5 (Good Ordinary Brand) with a zinc content of 98.5%. Zinc produced by HC "Miasteczko Śląskie" is cast in plates weighing about 25 kg and dimensions 480 x 240 x 40 mm, and then formed into packages of 44 pieces weighing approximately 1,000 kg.
- Galvanizing alloys
 - for continuous galvanizing with aluminum content: from 0.2% to 1% (so-called CGG continuous galvanizing grade), cast in blocks.
- Alloys are produced in ZGH "Bolesław" and HC "Miasteczko Śląskie"
 - for continuous galvanizing with ZnAlSb antimony, produced in blocks weighing approx. 700 kg. Manufactured in ZGH "Bolesław".
 - with nickel "Wegal Mod" for single galvanizing, in the form of blocks weighing about 900 kg and 25 kg tiles. The chemical composition is adapted to the client's needs, with the supervision and participation of the Institute of Non-Ferrous Metals in Gliwice. They are manufactured in ZGH "Bolesław".
- Zinc-aluminum alloys ZnAl (ZAMAK) - ZL5, ZL3, ZL2, ZL 2A
 - Alloys are produced in BOLTECH Sp. z o.o Cast alloys in the form of pig sows with a weight of approx. 8-10 kg. Pig sows arranged in bundles of 64 pieces.
- Zinc anodes - acc. to PN-EN1179 - rolled, balls with diameter of hemispheres 30x12 mm, ribbed bars with elliptical cross-section 52/77 mm.
- Refined lead is produced in HC "Miasteczko Śląskie" S.A. The amount of production depends on the content of lead in the purchased primary charges (mined). Refined lead is mainly used for the production of batteries and traction batteries, as well as for the production of lead oxides, used to produce, among others, paints and varnishes, and to a minimum degree of lead alloys. Refined lead is also a raw material for the production of steels, wires, ammunition and cables.

Lead Pb 970R (H20POLSKAMS) is certified by the London Metal Exchange. It is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, placed in packages of 25 pieces each with a weight of about 1,000 kg.

Lead Pb 985R is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, put into packages of 25 pieces each with a weight of about 1,000 kg.

Lead STP06002 is the answer to the needs of leading battery manufacturers. Reduced Ag content to max. 0.0010% and Bi up to the max. 0.0120% compared to lead PB985R according to PN-EN12659 guarantees longer battery life.

Lead STP06002 is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, put into packages of 25 pieces each with a weight of about 1,000 kg.

- Dore metal produced by HC "Miasteczko Śląskie" is a high-value usable waste generated during lead refining, suitable only for further processing (jewellery, electronics). It is a high silver alloy with admixtures of copper, lead and gold. It is cast in the form of anodes (plates) weighing about 16 kg.

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

- Flotation galena (lead concentrate about 62% Pb) - obtained in the process of flotation enrichment of lead zinc ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro.
- Blenda bulk (collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of zinc-lead ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro.
 - The bulk blenda is consumed entirely by Huta Cynku MIASTECZKO ŚLĄSKIE, which produces zinc and lead in the ISP process.
- Reflot (a collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of post-flotation waste in ZGH "Bolesław". The reflow is used entirely by Huta Cynku MIASTECZKO ŚLĄSKIE,
- Lead zinc concentrate with increased silver content - obtained from flotation of metallurgical sludge, used in HC MIASTECZKO ŚLĄSKIE to produce, among others, Dore's metal (silver) as well as zinc and lead.
- Lead-zinc concentrate - obtained from sludge processing in the Waelza process, used in HC MIASTECZKO ŚLĄSKIE.
- Lead sulphate - a by-product obtained in the process of purification of zinc oxide from chlorine and fluorine at the Bolesław Chemical Plant. It is used in HC MIASTECZKO ŚLĄSKIE for the production of so-called Dore metal (silver) and lead.
- The sulphuric acid is produced in ZGH "Bolesław" and in Huta Cynku "Miasteczko Śląskie" as a by-product of the process of roasting sulphate concentrates.
 - The sale of acid takes place in rail tankers.
- Dolomite aggregates are produced in the subsidiary Boltech Sp. z o.o., based on dolomite produced as a by-product in the process of initial enrichment of ore from the "Olkusz-Pomorzany" mine.

The main recipients of aggregates are road building executive companies, plants producing mineral-bituminous compounds and manufacturers of road accessories.
- Refined cadmium is a product obtained in the process of zinc rectification in HC "Miasteczko Śląskie". It is cast in blocks with dimensions of 1400 x 300 x 246 mm and weight approx. 670 kg.
- Utilisation services for zinciferous materials

Utilisation of zinciferous materials is carried out by ZGH "Bolesław" and Huta Cynku "Miasteczko Śląskie". At ZGH "Bolesław", the utilization includes two waste streams. The first group consists of wastes from zinc hydrometallurgy, while the second basic waste stream is steelmaking dust from the steel production process in electric arc furnaces.

In 2020, no procedures concerning product and service safety were violated in any company of the Capital Group.

There were no administrative proceedings instigated against the Company by the Office of Competition and Consumer Protection.

3.12 Marketing communications

Communication is a key element in achieving socially responsible objectives. However, one of the basic strategic objectives of Corporate Social Responsibility is to build transparent, long-term and lasting relations with all interested parties in the process of Stalprodukt activity.

Building lasting relationships is the result of satisfaction on the one hand, and the effect of understanding needs and responding to identified needs on the other.

For many years, the Company has been conducting an annual survey of "Satisfaction, Loyalty and Trust of Stalprodukt Group's customers". It is carried out by means of a survey sent to customers. The survey consisted of two parts. The aim of the first part is to determine satisfaction, loyalty and trust levels and, consequently, to calculate a synthetic index that should reach a certain threshold level, set in the quality objectives for each year. If the synthetic indicator is lower than assumed, corrective and corrective actions are required.

In 2020, the synthetic index was 88.8 points and was one point lower than in the previous year. This is a high level, the index was set at 85 points in the plan of quality objectives.

The second element of the survey is a list of attributes that are assessed in terms of their importance and fulfilment by Stalprodukt and its competitors. These are attributes related to price, quality of products and services, timeliness, speed of response to inquiries and complaints, technical support, wide range of products, etc. According to the respondents, the most important attributes are: all time-related attributes and price. Continuous improvement is necessary in areas where the implementation differs from the importance and / or evaluation of the competition.

Among the strengths of Stalprodukt are professional service and relations with traders, which are always highly rated.

In 2020, there were no cases of non-compliance with marketing communication regulations and codes, including advertising, promotion and sponsoring, in the entire Capital Group.

No proceedings were conducted before the Office of Competition and Consumer Protection in this area.

3.13 Protection of privacy

The companies of Stalprodukt Capital Group have in place the legally required policies and procedures related to the protection of personal data resulting from the Regulation on the protection of personal data.

In 2020, there were no events related to the leakage of personal data or unauthorised use of employee or customer data.

3.14 Product labelling

- Stalprodukt S.A.

Proper labelling of products is one of the most important issues in customer relations. All products manufactured by Stalprodukt S.A. are appropriately marked (label or tag with appropriate scope of

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2020
Statement of the Management Board on the activities of the Capital Group

information depending on the product and agreed requirements with the customer). In addition, each product is labelled in accordance with applicable internal instructions and procedures.

- ZGH „Bolesław” Group

In terms of quality, the basic products of the ZGH "Bolesław" Group, i.e. zinc and lead, have been precisely and clearly described in the standards applicable to all suppliers. In Europe, the PN-EN 1179 and the PN-EN 12659 standards are the major reference documents for all zinc and lead suppliers, respectively.

As the Group's products meet the requirements of the EN standards and have been registered on the London Metal Exchange, they can be sold on any market in Poland and worldwide.

In addition, zinc plates are marked permanently with the following inscriptions embossed on the casting moulds:

- In the case of ZGH "Bolesław" S.A. - ZGH Z1
- In the case of HC "Miasteczko Śląskie" S.A. - HCM SHG 99,995 or HCM GOB 98,5.

Zinc blocks and zinc alloy blocks are marked with a label including the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture and bar code.

Refined lead ingots feature permanent marks embossed on the casting moulds with the following inscription: H 20 POLSKA MS, each ingot has a stamped heat number and lead grade information; additionally, each package is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Dore silver in the form of ingots is marked with a permanently stamped heat number and a letter designation of the alloy. Additionally, each ingot is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Refined cadmium blocks are marked on the top with a permanent heat number, and a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

- Other companies of Stalprodukt Capital Group

Marking of products in other companies of the Capital Group is carried out depending on the conducted activity and the type of offered products.

In 2020, there were no cases of non-compliance related to incorrect product labelling. No proceedings were instigated in this respect.

Bochnia, 30 April 2021

Łukasz Mentel
Member of the Board
Financial Director

Piotr Janeczek
Chairman of the Board
Chief Executive Officer