The Stalprodukt S.A. Capital Group

Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2021

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

Bochnia, April 2022

Selected financial data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EURO	
	2021	2020	2021	2020
I. Net sales of products, goods and materials	4 674 169	3 321 050	1 021 118	742 267
II. Operating profit (loss)	633 247	196 084	138 339	43 825
III. Profit (loss) before taxation	617 133	223 521	134 819	49 958
IV. Net profit (loss)	528 729	183 776	115 506	41 075
- attributable to shareholders of the parent company	519 522	172 755	113 494	38 611
- net profit attributed to non-controlling interests	9 207	11 021	2 012	2 463
V. Net cash flow from operating activities	271 813	350 487	59 380	78 335
VI. Net cash flow from investment activities	-122 260	-241 044	-26 709	-53 874
VII. Net cash flow from financial activities	-93 690	-77 552	-20 468	-17 333
VIII. Total net cash flow	55 863	31 891	12 204	7 128
IX. Total assets	4 841 895	4 360 350	1 052 723	944 862
XI. Long-term liabilities	571 664	671 566	124 291	84 218
XII. Short-term liabilities	899 018	775 598	195 464	131 092
XIII. Shareholders' equity	3 371 213	2 913 187	732 968	631 270
- equity attributable to shareholders of the parent company	3 262 788	2 801 566	709 394	607 083
- equity attributed to non-controlling interests	108 425	111 621	23 574	24 188
XIV. Share capital	11 161	11 161	2 427	2 419
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	94,75	32,93	20,70	11,95
XVII. Book value per share (PLN)	604,13	522,05	131,35	112,52
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	6,00		1,31	

1. Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2020. Other comparable data is presented for the period from 1st January 2020 to 30th December 2020.
2. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
- the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 31st December 2021 and amounting to 4.5994 and 4.6148 for this 31st December 2020.
- the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.5775 for 2021 and PLN 4.4742 for 2020.
3. For profit-per-share calculation the number of 5 580 267 shares was adopted.
4. In the item XVIII the amount of the dividend for 1 share to paid out in 2020 by the Issuer.

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Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2021

CONSOLIDATED BALANCE SHEET	Note	thousand x PLN	
		2021	2020
Assets			
I. Fixed assets		**2 394 343**	**2 423 853**
1. Intangible assets other than goodwill	1	72 415	68 354
2. Goodwill		0	17 973
3. Tangible fixed assets	2	2 066 073	2 110 067
4. Right to use assets (incl. right of perpetual usufruct of	3	137 750	150 424
5. Investment real estate	4	8 027	9 837
6. Long-term financial assets		16 238	16 076
7. Other long-term financial assets	5	13 408	2 919
8. Long-term receivables		841	684
9. Deferred tax assets	6	68 543	36 884
10. Long-term prepayments		11 047	10 635
II. Current Assets		**2 447 552**	**1 936 497**
Current assets other than assets held for sale		2 447 552	1 934 664
1. Stocks	7	995 506	809 943
2. Receivables due to supplies and services and other	8	844 647	575 345
3. Cash and cash equivalents	9	492 254	436 391
4. Other short-term investments	10	115 145	112 984
Assets held for sale	11	0	1 834
Assets in total		**4 841 895**	**4 360 350**
Liabilities			
Equity capital		**3 371 213**	**2 913 187**
I. Equity attributed to shareholders of the parent company		3 262 788	2 801 566
1. Share capital	12	11 161	11 161
2. Capital from the surplus of the issue price above the nominal value / agio /	13	8 416	8 416
3. Provision for cash flow hedges / revaluation reserve /		-120 616	-4 565
4. Provision for exchange rate differences resulting from translation	14	29 314	16 052
5. Retained earnings / including uncovered losses /	15	3 334 513	2 770 502
II. Non-controlling interests / Equity attributable to	**16**	**108 425**	**111 621**
I. Long-term liabilities		**571 664**	**671 566**
1. Provision for deferred income tax	17	147 435	136 161
2. Long-term provisions / including employee benefits /	18	177 947	102 687
3. Other long-term liabilities	19	225	146
4. Long-term provision for the costs of decommissioning, rehabilitation and environmental repair costs	19a	40 000	211 610
5. Accruals and deferred income classified as fixed	19b	43 528	44 069
6. Credits and loans	20	20 376	61 936
7. Long-term liabilities due to leasing contracts	21	103 081	98 619
8. Other long-term financial liabilities	21a	39 072	16 339
II. Current liabilities	22	**899 018**	**775 597**
Short-term liabilities other than those included in groups intended for sale		899 018	775 597
1. Short-term provisions for liabilities	23	109 978	163 665

2. Credits and loans	24	62 355	56 517
3. Liabilities due to supplies and services		451 455	291 469
4. Current liabilities due to social insurance and taxes other than income tax		41 377	38 979
5. Other short-term non-financial liabilities		77 139	116 648
6. Short-term reserve for the costs of decommissioning, rehabilitation and environmental repair costs		0	66 138
7. Liabilities due to income tax		3 950	1 621
8. Liabilities due to leasing /including IFRS 16/		8 234	8 364
9. Other short-term financial liabilities		132 649	25 230
10. Accruals	25	11 881	6 966
Liabilities included in those intended for sale		0	0
Total Liabilities		**1 470 682**	**1 447 163**
Total Assets		**4 841 895**	**4 360 350**

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN	
		2021	2020
I. Net revenue from sale of products, goods and materials	27	**4 674 169**	**3 321 050**
II. Costs of sold products, goods and materials	28	**3 854 437**	**2 899 088**
III. Profit (loss) gross on sales		**819 732**	**421 962**
IV. Costs of sales		-84 886	80 390
V. General administrative costs		-161 950	152 904
VI. Other operational revenue	29	396 330	132 241
VII. Other operational costs	30	-335 979	124 825
VIII. Profit (loss) from operational activity		**633 247**	**196 084**
IX. Financial revenue	31	14 736	45 748
X. Financial costs	32	-31 013	18 302
XI. Profit on shares in associates		163	-9
XII. Profit (loss) gross		**617 133**	**223 521**
XIII. Income tax	33	-88 404	39 745
XIV. Profit (loss) from continuing operations		**528 729**	**183 776**
XV. Profit (loss) from discontinued operations		**0**	0
XVI. Profit (loss) net	34	**528 729**	**183 776**
1. Profit (loss) attributable to the owners of the parent company		519 522	172 755
2. Profit (loss) attributable to non-controlling interests		9 207	11 020

Net profit per share (in PLN / groszy per share)

Net profit (loss) per share (in PLN / groszy per share)	**35**	94,75	32,93
Earnings per share from continuing operations		94,75	32,93
Earnings per share from discontinued operations		0,00	0,00
Diluted earnings per share		94,75	32,93
Diluted from continuing operations		94,75	32,93
Diluted from discontinued operations		0,00	0,00
Weighted average number of ordinary shares		5 580 267	5 580 267
Net profit (loss) per share (in PLN / groszy per share)	35		0,93
Earnings per share from continuing operations			32,93
Earnings per share from discontinued operations			0,00
Diluted earnings per share			**32,93**
Diluted from continuing operations			32,93
Diluted from discontinued operations			0,00

TOTAL COMPREHENSIVE CONSOLIDATED INCOME for the period	**Note**	**thousand x PLN**	
		2021	**2020**
Net result		528 728	183 776
Other comprehensive income that will not be reclassified to profit or loss, after tax		0	0
Other comprehensive income that will be reclassified to profit or loss, after tax, including:		-112 317	-47 912
The effective part of the cash flow hedging in accordance with IFRS 9	36	-125 579	-59 872
gains and losses on translating items in the financial statements of the foreign operations		**13 262**	**11 960**
Other comprehensive income		**-112 317**	**-47 912**
Total comprehensive income together		**416 411**	**135 864**
Comprehensive income attributable to equity holders of the parent		416 733	128 912
Comprehensive income attributable to minority shareholders		-322	6 952

Additional data is disclosed in note 36

Statement of changes in equity for the period from 1st January to 31st December 2021 and 2020	thousand x PLN							
	Share capital	Capital from the surplus of the issue price above the nominal value / agio /	Reserve for cash flow hedges / revaluation reserve /	Foreign exchange differences from translation	Retained earnings	Capital of the parent company	**Capital non-controlling interests**	**Equity in TOTAL**
Balance on this 01.01.2021 (opening balance)	**11 161**	8 416	-4 565	**16 052**	**2 770 502**	**2 801 566**	**111 621**	**2 913 186**
Error correction					**77 971**	**77 971**		**77 971**
Balance on this 01.01.2021 (opening balance)	**11 161**	**8 416**	**-4 565**	**16 052**	**2 848 473**	**2 879 537**	**111 621**	**2 991 157**
Dividend					-33 483	-33 483	-2 874	**-36 357**
Total comprehensive income for year 2021			*-116 051*	*13 262*	519 523	416 734	*-322*	**416 412**
Other changes in equity			*0*			0	*0*	**0**
Change in equity	***0***	***0***	***-116 051***	***13 262***	***486 040***	**383 251**	***-3 196***	***380 055***
Balance on this 31.12.2021 (closing balance)	**11 161**	**8 416**	**-120 616**	**29 314**	**3 334 513**	**3 262 788**	**108 425**	**3 371 213**
Balance on this 01.01.2020 (opening balance)	**11 161**	**8 416**	**46 280**	**4 101**	**2 580 498**	**2 650 456**	**106 004**	**2 756 460**
Error correction			4 817		**19 634**	**24 451**		**24 451**
Balance on this 01.01.2020 (opening balance)	**11 161**	**8 416**	**51 097**	**4 101**	**2 600 132**	**2 674 907**	**106 004**	**2 780 911**
Dividend					-2 817	**-2 817**		**-2 817**
Total comprehensive income for year 2020			-55 662	11 820	172 755	**128 913**	6 952	**135 865**
Other changes in equity				*131*	*432*	**563**	*-1 335*	**-772**
Change in equity	***0***	***0***	***-55 662***	***12 586***	***169 735***	***126 659***	***5 617***	**132 276**
Balance on this 31.12.2020 (closing balance)	**11 161**	**8 416**	**-4 565**	**16 052**	**2 770 502**	**2 801 566**	**111 621**	**2 913 187**

The amount of the error adjustment relates to the settlement of contingent liabilities created as part of the purchase price settlement in 2013 related to investments in Gradir Montenegro d.o.o. (PLN 47,165 thousand) and contingent liabilities (PLN 16,696 thousand) and severance pays for employees of the mining division (PLN 13,355 thousand).

In previous years, these amounts were disclosed in the consolidated financial statements of the capital group instead of being recognized at the subsidiary level. As at December 31, 2021, the subsidiary has recognized it at the level of the separate statement. Due to incorrect recognition in previous years, the contingent liability in the amount of PLN 77 216 thousand was terminated.

However, the remaining difference in the amount of PLN 755 thousand results from the presentation adjustment.

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN	
	2021	2020
A. Cash flow from operational activity		
Gross profit (loss)	**617 131**	**223 521**
Income tax paid	- 83 880	- 55 150
Adjustments made to reconcile profit (loss)	**- 261 438**	**182 116**
Adjustments for undistributed investment gains accounted for using the equity method	163	- 9
Amortization and depreciation adjustments	177 273	166 823
Adjustments due to unrealized gains (losses) on exchange differences	1 032	543
Corrections for interest expense	9 546	8 917
Adjustments resulting from dividend income		
Adjustments for losses (gains) on the sale of fixed assets	- 24 636	8 594
Adjustments for provisions	28 488	801
Adjustments for the decrease (increase) in the value of inventories	- 180 507	- 51 879
Adjustments resulting from a decrease (increase) in receivables	- 268 175	101 719
Adjustments for the increase (decrease) in the value of liabilities	130 489	- 56 788
Other adjustments made to reconcile profit (loss) and deferred tax	- 130 835	6 084
Deferred tax adjustment	- 4 276	- 2 689
Cash flow from operating activities	**271 813**	**350 487**
B. Cash flow from investment activity		
Sale of intangible assets and tangible fixed assets	43 625	6 365
Sale of financial assets	222 589	71 730
Dividends received classified as investing activities	-	-
Repayment of long-term loans granted	2 500	1 160
Cash inflow from interest received classified as investing activity	533	653
Purchase of intangible assets and tangible fixed assets	- 134 282	- 226 793
Acquisition of financial assets	- 257 323	- 89 120
Other investment inflows and outflows	98	- 5 039
Net cash flow from investment activities	**- 122 260**	**- 241 044**
C. Cash flow from financial activity		
Proceeds from loans classified as financial activities	3 197	-
Other financial inflows / outflows	- 6 900	- 2 662
Paid dividends classified as financial activities	- 36 094	- 2 777
Repayment of credits and loans	- 38 965	- 57 348
Payment of lease liabilities, classified as financial activity	- 4 719	- 5 210
Interest paid, classified as financial activity	- 10 209	- 9 555
Net cash flow from financial activities	**- 93 690**	**- 77 552**

Net cash flow	**55 863**	**31 891**
The effects of changes in exchange rates on cash and cash equivalents	-	-
Increase (decrease) in cash and cash equivalents	**55 863**	**31 891**
Cash and cash equivalents at the beginning of the period	**436 391**	**404 501**
Cash and cash equivalents at the end of the period	**492 254**	**436 391**
Restricted cash and cash equivalents	21 621	15 977

Cash at beginning of the reporting period represent the amount of PLN 492,254 thousand and at the end of the reporting period PLN 436,391 thousand. Operating activities consist of the basic (main) activities of the Group, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Group.
The Group's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).The Group's financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.
The inconsistency between the status changes declared in the balance sheet and status changes declared in the operating cash flow statement is related to the liabilities and arises from the exclusion of the change in the liabilities relating to the purchases of fixed assets and recognition of the same in the cash flow from investment activities as well as exclusion of the change in the credits and leasing status and recognition of the same in the cash flow from financial activities. The difference in the changes in the status of prepayments arises from the transfer of complete renovations to tangible assets. The difference in the change in inventories results from the transfer of spare parts to fixed assets. The difference in changes in provisions results from the adjustment for input tax. Restricted funds relate to the Company Social Benefits Fund and funds in VAT accounts.

Explanations for flows:
Change in liabilities:

- adjustment for the change in the balance of credits and loans	10,985
- adjustment for the change in the balance of liabilities due to the purchase of tangible fixed assets	15,481
- income tax liability	-1,224
- payment of lease liabilities	4,440
- acquisition of financial leasing	-464
- adjustment for the change in liabilities due to revaluation of financial assets with equity	-96,903
- dividend	-205
- adjustment for a change in the balance of other financial liabilities	-47,616
- other adjustments	60

total	-115,446

Change in reserves:

- reserve due to deferred income tax charged to the revaluation capital	308
- Reserves due to deferred income tax	-5,497
total	-5,188

Other adjustments to operating activities:

- change in the valuation of financial assets	7,550
- change in the valuation of other securities	853
- revaluation of the right-of-use asset	759
- exchange rate differences from the valuation	93
- impairment of shares	43
- termination of the contingent liability for mining damage related to the closure of the mine	-160,531

Transformation of the comparative data for the financial year 2020 due to error adjustment

CONSOLIDATED BALANCE SHEET	(thousand x PLN)		
	2021	2020	Data restated 2020
Assets			
I. Fixed assets	**2 394 343**	**2 423 853**	**2 423 853**
1. Intangible assets other than goodwill	72 415	68 354	68 354
2. Goodwill	0	17 973	17 973
3. Tangible fixed assets	2 066 073	2 110 067	2 110 067
4. Right to use assets (incl. right of perpetual usufruct of	137 750	150 424	150 424
5. Investment real estate	8 027	9 837	9 837
6. Long-term financial assets	16 238	16 076	16 076
7. Other long-term financial assets	13 408	2 919	2 919
8. Long-term receivables	841	684	684
9. Deferred tax assets	68 543	36 884	36 884
10. Long-term prepayments	11 047	10 635	10 635
II. Current Assets	**2 447 552**	**1 936 497**	**1 936 497**
Current assets other than assets held for sale	2 447 552	1 934 664	1 934 664
1. Stocks	995 506	809 943	809 943
2. Receivables due to supplies and services and other	844 647	575 345	575 345
3. Cash and cash equivalents	492 254	436 391	436 391
4. Other short-term investments	115 145	112 984	112 984
Assets held for sale	0	1 834	1 834
Assets in total	**4 841 895**	**4 360 350**	**4 360 350**
Liabilities			
Equity capital	**3 371 213**	**2 913 187**	**2 991 158**
I. Equity attributed to shareholders of the parent company	3 262 788	2 801 566	2 879 537
1. Share capital	11 161	11 161	11 161
2. Capital from the surplus of the issue price above the nominal value / agio /	8 416	8 416	8 416
3. Provision for cash flow hedges / revaluation reserve /	-120 616	-4 565	-4 565
4. Provision for exchange rate differences resulting from translation	29 314	16 052	16 052
5. Retained earnings / including uncovered losses /	3 334 513	2 770 502	2 848 473
II. Non-controlling interests / Equity attributable to	**108 425**	**111 621**	**111 621**
I. Long-term liabilities	**571 664**	**671 566**	**659 733**
1. Provision for deferred income tax	147 435	136 161	136 161
2. Long-term provisions / including employee benefits /	177 947	102 687	102 687
3. Other long-term liabilities	225	146	146
4. Long-term provision for the costs of decommissioning, rehabilitation and environmental repair costs	40 000	211 610	199 777
5. Accruals and deferred income classified as fixed	43 528	44 069	44 069
6. Credits and loans	20 376	61 936	61 936
7. Long-term liabilities due to leasing contracts	103 081	98 619	98 619
8. Other long-term financial liabilities	39 072	16 339	16 339
II. Current liabilities	**899 018**	**775 597**	**709 459**

Short-term liabilities other than those included in groups intended for sale	899 018	775 597	709 459
1. Short-term provisions for liabilities	109 978	163 665	163 665
2. Credits and loans	62 355	56 517	56 517
3. Liabilities due to supplies and services	451 455	291 469	291 469
4. Current liabilities due to social insurance and taxes other than income tax	41 377	38 979	38 979
5. Other short-term non-financial liabilities	77 139	116 648	116 648
6. Short-term reserve for the costs of decommissioning, rehabilitation and environmental repair costs	0	66 138	0
7. Liabilities due to income tax	3 950	1 621	1 621
8. Liabilities due to leasing /including IFRS 16/	8 234	8 364	8 364
9. Other short-term financial liabilities	132 649	25 230	25 230
10. Accruals	11 881	6 966	6 966
Liabilities included in those intended for sale	0	0	0
Total Liabilities	**1 470 682**	**1 447 163**	**1 369 192**
Total Assets	**4 841 895**	**4 360 350**	**4 360 350**

Book value	3 371 213	2 913 187	2 991 158
Number of shares	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	604,13	522,05	536,02
Diluted number of shares	5 580 267	5 580 267	5 580 267
Diluted book value per share (in PLN)	604,13	522,05	536,02

CONSOLIDATED PROFIT AND LOSS ACCOUNT	thousand x PLN		
	2021	2020	Data restated 2020
I. Net revenue from sale of products, goods and materials	**4 674 169**	**3 321 050**	**3 321 050**
II. Costs of sold products, goods and materials	**3 854 437**	**2 899 088**	**2 899 088**
III. Profit (loss) gross on sales	**819 732**	**421 962**	**421 962**
IV. Costs of sales	-84 886	80 390	80 390
V. General administrative costs	-161 950	152 904	152 904
VI. Other operational revenue	396 330	132 241	210 212
VII. Other operational costs	-335 979	124 825	124 825
VIII. Profit (loss) from operational activity	**633 247**	**196 084**	**274 055**
IX. Financial revenue	14 736	45 748	45 748
X. Financial costs	-31 013	18 302	18 302
XI. Profit on shares in associates	163	-9	**-9**
XII. Profit (loss) gross	**617 133**	**223 521**	**301 492**
XIII. Income tax	-88 404	39 745	39 745
XIV. Profit (loss) from continuing operations	**528 729**	**183 776**	**261 748**
XV. Profit (loss) from discontinued operations	**0**	0	0
XVI. Profit (loss) net	**528 729**	**183 776**	**261 748**
1. Profit (loss) attributable to the owners of the parent company	519 522	172 755	250 727

2. Profit (loss) attributable to non-controlling interests	9 207	11 020	11 021

Weighted average number of ordinary shares	5 580 267	5 580 267	5 580 267
Net profit (loss) per share (in PLN / groszy per share)	94,75	32,93	46,91
Earnings per share from continuing operations	94,75	32,93	46,91
Earnings per share from discontinued operations	0,00	0,00	0,00
Diluted earnings per share	**94,75**	**32,93**	**46,91**
Diluted from continuing operations	94,75	32,93	46,91
Diluted from discontinued operations	0,00	0,00	0,00

TOTAL COMPREHENSIVE CONSOLIDATED INCOME for the period	**thousand x PLN**		
	2021	**2020**	**Data restated 2020**
Net result	528 728	183 776	261 748
The effective part of the cash flow hedging in accordance with IFRS 9	-125 579	-59 872	-59 872
gains and losses on translating items in the financial statements of the foreign operations	**13 262**	**11 960**	11 960
Total comprehensive income together	**416 411**	**135 864**	**213 836**
Comprehensive income attributable to equity holders of the parent	416 733	128 912	206 884
Comprehensive income attributable to minority shareholders	-322	6 952	6 952

CONSOLIDATED CASH FLOW ACCOUNT	**thousand x PLN**		
	2021	**2020**	**Data restated 2020**
A. Cash flow from operational activity			
Gross profit (loss)	**617 131**	**223 521**	**301 492**
Income tax paid	- 83 880	- 55 150	- 55 150
Adjustments made to reconcile profit (loss)	**- 261 438**	**182 116**	**104 145**
Adjustments for undistributed investment gains accounted for using the equity method	163	- 9	- 9
Amortization and depreciation adjustments	177 273	166 823	166 823
Adjustments due to unrealized gains (losses) on exchange differences	1 032	543	543
Corrections for interest expense	9 546	8 917	8 917
Adjustments resulting from dividend income			-
Adjustments for losses (gains) on the sale of fixed	- 24 636	8 594	8 594

assets			
Adjustments for provisions	28 488	801	801
Adjustments for the decrease (increase) in the value of inventories	- 180 507	- 51 879	- 51 879
Adjustments resulting from a decrease (increase) in receivables	- 268 175	101 719	101 719
Adjustments for the increase (decrease) in the value of liabilities	130 489	- 56 788	**- 56 788**
Other adjustments made to reconcile profit (loss) and deferred tax	- 130 835	6 084	**- 71 887**
Deferred tax adjustment	- 4 276	- 2 689	- 2 689
Cash flow from operating activities	**271 813**	**350 487**	**350 487**
B. Cash flow from investment activity			
Sale of intangible assets and tangible fixed assets	43 625	6 365	6 365
Sale of financial assets	222 589	71 730	71 730
Dividends received classified as investing activities	-	-	-
Repayment of long-term loans granted	2 500	1 160	1 160
Cash inflow from interest received classified as investing activity	533	653	653
Purchase of intangible assets and tangible fixed assets	- 134 282	- 226 793	- 226 793
Acquisition of financial assets	- 257 323	- 89 120	- 89 120
Other investment inflows and outflows	98	- 5 039	- 5 039
Net cash flow from investment activities	**- 122 260**	**- 241 044**	**- 241 044**
C. Cash flow from financial activity			
Proceeds from loans classified as financial activities	3 197	-	-
Other financial inflows / outflows	- 6 900	- 2 662	- 2 662
Paid dividends classified as financial activities	- 36 094	- 2 777	- 2 777
Repayment of credits and loans	- 38 965	- 57 348	- 57 348
Payment of lease liabilities, classified as financial activity	- 4 719	- 5 210	- 5 210
Interest paid, classified as financial activity	- 10 209	- 9 555	- 9 555
Net cash flow from financial activities	**- 93 690**	**- 77 552**	**- 77 552**
Net cash flow	**55 863**	**31 891**	**31 891**
The effects of changes in exchange rates on cash and cash equivalents	-	-	-
Increase (decrease) in cash and cash equivalents	**55 863**	**31 891**	**31 891**
Cash and cash equivalents at the beginning of the period	**436 391**	**404 501**	**404 501**
Cash and cash equivalents at the end of the period	**492 254**	**436 391**	**436 391**
Restricted cash and cash equivalents	21 621	15 977	15 977

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

1. General information

Company's identification data

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

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

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

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

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

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

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

The consolidated financial statements are presented for the year 2021, and comparable financial data for the year 2020.

Composition of Management Board's and Supervisory Board

In the period from 1 January to 31 December 2021, 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

In the period from 1 January to 31 December 2021, The Supervisory Board included:

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

Certified Auditor

Polscy Biegli Sp. z o.o.

Ul. Bema 87 lok U3

01-233 Warszawa

Banks

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

Listing on the regulated market

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

Significant Shareholders of the Parent Company

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

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders, i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,

- FCASE Sp. z o.o. Sp. k. holding 300,010 shares, accounting for 5.38 %-share in capital and 1,500,050 votes, accounting for 12.30 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579,652 shares, accounting for 10.39 %-share in capital and 1,095,488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1,066,100 shares, accounting for a 19.10 %-share in capital and 1,066,100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

Subsidiary

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

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting	share-holding of the parent company
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100.00	100.00	100.00
2.	Stalprodukt-Centrostal sp. z o.o. – in liquidation	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100.00	100.00	100.00
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100.00	100.00	100.00
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100.00	100.00	100.00

7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	Go Steel a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	100.00	100.00	100.00
10.	Hotel Ferreus Sp. z o.o.	Kraków	hotel services	subsidiary	full consolidation	09.03.2021	100,00	100,00	100,00
11.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
12.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary compnany	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
13.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92.82	92.82	88.11
14.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99.61	99.61	94.56
15.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	80.00	74.29	80.00
16.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	shares held by Stalprodukt S.A./personal links	not applicable	not applicable	19.51	19.51	19.51
17.	StalNet Sp. z o.o.	Kraków	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	28.00	28.00	28.00
18.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	personal	not applicable	not applicable	0.00	0.00	0.00
19.	STP Investment S.A.	Bochnia	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00
20.	FCASE Sp. z o.o. Sp. k.	Myślenice, Jawornik	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00
21.	ArcelorMittal Sourcing a société en commandite par actions	Luxembor	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00

In comparison to 2020, constituting a comparable period to this financial statement, the following changes occurred in the structure of the Issuer's Capital Group:

1. In connection with the entry into force in the Czech Republic on January 1, 2021 of the amendment to the Act on Commercial Companies 33/2020 Sb and in order to avoid problems related to the interpretation of the new regulations, Stalprodukt S.A., as the sole shareholder of GO Steel Frydek-Mistek a.s., made the decision to change

the existing system of the internal structure of the company (the so-called one-tier one, with the statutory director and the management board) to a dual system (in which the management board and supervisory board operate), i.e. a system also known in Poland under the provisions of the Commercial Companies Code In connection with the above, on December 16, 2020, the necessary changes were made to the statute of GO Steel Frydek Mistek a.s., with the simultaneous change of the company's name to GO Steel a.s. The changes entered into force on January 1, 2021.

2. Due to the completion by the Company of the construction of the 5-star Ferreus Hotel in Kraków, on March 9, 2021, the articles of association of the company Hotel Ferreus Sp. z o.o. were drawn up. The share capital of this company is PLN 500 thousand and is divided into 500 shares with a nominal value of 1 thousand PLN each, which were fully covered by Stalprodukt S.A. as its sole partner.
   On June 17, 2021, the National Court Register registered the company. The company Hotel Ferreus Sp. z o.o. was established to conduct hotel activities on the basis of a lease agreement for the facility in question. Due to the coronavirus pandemic, the Company withheld the launch of the hotel. The currently expected date of commencement of operations is the 1st quarter of 2022. The facility has a permit for use by the County Construction Supervision Inspector - Grodzki County, and a positive position in the field of fire protection of the Municipal Commander of the State Fire Service in Krakow. The hotel has a total of 71 accommodation units. The total planned expenditure on its construction based on the investor's cost estimates was determined at the level of PLN 66 million. The expenditure actually incurred amounted to PLN 58.9 million. Despite the establishment of the special purpose vehicle, the Issuer's Management Board does not rule out other forms of running the hotel business (i.e. directly by Stalprodukt S.A.).
3. On September 29, 2021, the General Meeting of Shareholders of Stalprodukt - Centrostal Kraków Sp. z o.o. adopted a resolution to put the company into liquidation. This decision is a consequence of the optimization of the distribution channel started in 2018. On June 28, 2018, an agency agreement was signed with Stalprodukt -Centrostal Kraków Sp. z o.o. Pursuant to its terms, the purchases and sales were not made for the subsidiary's own account, but for and on behalf of Stalprodukt. At that time the first stage of reorganization of the distribution business also took place, i.e. the takeover of the warehouses from Stalprodukt-Centrostal Kraków and their inclusion in the structures of the Stalprodukt's marketing director division.
   In turn, on October 1, 2021, Stalprodukt took over the commercial teams in their structures and the scope of their tasks, thus the activity of the subsidiary as an Agent was terminated.

The changes introduced in the distribution of the Profiles Segment products are aimed at improving the efficiency of finished goods warehouse management and reducing the costs related to the sales network, as well as increasing the segment's sales efficiency.

In the opinion of the Management Board, this decision does not constitute a discontinuation of operations in accordance with the International Accounting Standards.

2. Compliance with the International Financial Reporting Standards

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

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

Assumptions for the Continuation of Economic Activities

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

Functional and Presentation Currency

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

Consolidation Method

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

Compliance with International Financial Reporting Standards

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

Assumption of continued business activity

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

Functional currency and presentation currency

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

Consolidation method

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

Hedge accounting method

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

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

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

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

3. Accounting principles (policy) applied

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

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

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

Fixed assets

a) As at the date of implementing the IAS, in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company adopted the valuation of property, plant and equipment used so far at fair value and decided to use this value as the expected (alleged) cost as at that date. The revaluation was carried out by the company itself with the participation of technical services, based on its own technical and market knowledge, taking into account the previous period of use of the assets, their degree of wear and tear, improvements made, modernisation and repairs. The following useful lives and depreciation rates were adopted for property, plant and equipment used by the Company before the date of the IAS for property, plant and equipment: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), general-purpose machinery and equipment 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).
The difference (surplus) on account of initial revaluation (revaluation) was recognized in equity as retained profit,

b) items of property, plant and equipment qualifying for recognition as an asset, initially (at the time of taking over for use) are estimated at purchase price or production cost. The initial value of property, plant and equipment includes their purchase price or production cost plus all costs directly attributable to the purchase and adaptation of the asset to its usable condition. The initial value of fixed assets is increased by the amount of expenditure incurred for their improvement (alteration, extension, reconstruction, modernisation),

c) after initial recognition as an asset, an item of property, plant and equipment is carried in the balance sheet according to the cost model, i.e. the cost of acquisition or production less the amount of accumulated depreciation and any accumulated impairment losses. The reduction in depreciation does not apply to land and the right of perpetual usufruct of land, in relation to which no depreciation write-offs are made,

d) each part of an item of property, plant and equipment with a cost that is significant in relation to the cost of the item as a whole and the useful life of that part that is significantly different from the expected useful life of the item as a whole shall be depreciated separately,

e) fixed assets with a unit initial value of up to PLN 10 000 are written off as costs at the moment they are taken into operation,

f) other fixed assets or their separate and significant components are depreciated using the straight-line method on the basis of rates estimated on the basis of their expected useful life, taking into account their residual value, if it is a significant amount. Residual value is the estimated amount an entity would obtain from disposal of an asset after deducting the estimated costs of disposal if the assets were of the age and condition expected to exist after the end of its useful life. No significant residual values have been recognized for the fixed assets used so far. With regard to new investments in machinery and equipment, the Company adopts the period of their economic usefulness of 10 – 20 years.

Depreciation rates are subject to annual verification of their compliance with the economic useful life of fixed assets.

Their residual values, if any, are also subject to verification,

g) fixed assets under construction are valued at the total costs arising directly from their acquisition or production, less impairment losses, if any. Fixed assets under construction are not depreciated until their construction is finished and they are delivered for use,

h) costs of overhauls of fixed assets are capitalised and depreciated in periods equal to the overhauls cycles. Costs of current maintenance of fixed assets and their maintenance affect the financial result of the period in which they were incurred,

i) intangible assets are recognized if they are identifiable, controlled and it is probable that in the future they will result in an inflow of economic benefits to the Company that may be directly related to such assets. An intangible asset is initially measured at cost (of acquisition or production). Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. The general principles for determining initial cost are similar to those for other assets (property, plant and equipment, stock). Intangible assets are carried in the balance sheet at cost less depreciation and accumulated impairment losses (the historical cost model). They are depreciated on a straight-line basis over their useful lives, which should be determined reliably. Intangible assets with an indefinite useful life are not amortised, but tested for impairment. As at the balance sheet date, the useful life of intangible assets is subject to verification,

j) In case of occurrence of premises indicating the possibility of loss of value of owned components of tangible fixed assets and intangible assets, a test for loss of value will be conducted, and the established amounts of revaluation write-offs will decrease the balance sheet value of the asset to which they refer and will be included in the profit and loss account. The amount of revaluation write-downs is determined as the surplus of the balance

sheet value of these components over their recoverable value. Recoverable value corresponds to the higher of the following value: net selling price or value in use measured by the generated cash flows of a given asset or cash-generating unit, discounted to its present value using a discount rate reflecting current market prices, the time value of money and the risk related to the given asset.
The amounts of recognized revaluation write-downs are reversed if the reasons for their creation have ceased to exist. The effects of reversal of write-downs are recognized in the profit and loss account as other operating income,

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

l) investment properties are valued as fixed assets according to the cost model, ie purchase price or production cost, reduced by the amount of accumulated depreciation (depreciation) and accumulated impairment write-offs,
ł) long-term financial assets in related parties (shares, stocks) are measured at cost less impairment losses,

m) tangible assets used on the basis of financial leasing contracts, which transfer to the beneficiary basically all benefits and risks associated with the possession of assets, are shown in the balance sheet in accordance with the cost model, as are all assets of the tangible assets. Lease charges are divided between financial expenses and reduction of outstanding liability. Financial charges are recorded directly in the profit and loss account. Fixed assets used on the basis of a financial lease contract are amortized during their useful life. Lease agreements in which all risks and profits are retained by the lessor are qualified as operational lease contract. The costs of leasing fees is charged on a linear basis to profit and loss account throughout the effective term of the contract,
n) in accordance with IFRS No. 3, the negative goodwill of a company at the time of its formation is written off once into revenues. Negative goodwill which occurred before the date of transition to the IAS was removed from the balance sheet and written off in full into the undivided result from previous years, thus increasing equity. The negative goodwill that arose after 1 January 2004 is directly charged to the profit and loss account (increase of the financial result).

Current assets

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

The value of stock sale is measured at the weighted average cost
The cost of finished products and work in progress includes the cost of direct materials, labour and other costs, as well as an appropriate margin for indirect production costs determined on the basis of normal production capacity utilisation, excluding borrowing costs.
The following are not classified as manufacturing costs:
- costs resulting from unused manufacturing capacity and manufacturing losses,
- administrative costs not related to bringing the product to the form and location as at the valuation date.

Any write-downs of stock to the net realisable value and any losses in stock are recognized as operating expenses in the period in which the write-down or loss occurred. If the circumstances that caused the decrease in the value of stock cease to exist or if there is clear evidence of an increase in the value of net realisable value, the amount of the previously made write-down is restored (reversal of the write-off). The amount corresponding to the recovery of stock due to an increase in the net realisable value shall be recognized as a reduction in the cost of stock recognized in the profit and loss account during the period in which the recovery occurs.
The Group keeps records of the quantity and value of materials. It is allowed to write off materials in the costs of purchase without any quantitative and value records, provided that the materials are delivered for use immediately after their purchase.
Spare parts for machinery and equipment with an expected service life (of over one year) are presented in the balance sheet under item tangible fixed assets,
a) receivables and short-term trade claims – are recognized according to the amounts initially invoiced, taking into account write-offs for bad debts, charged to other operating costs.
Receivables denominated in foreign currencies are measured at the balance sheet date at the closing rate at that date, while transactions in foreign currencies are measured at the spot exchange rate at the transaction date. Foreign exchange differences resulting from the valuation are recognized in the profit and loss account of the period in which they arise (financial revenue/costs).
In accordance with the adopted accounting principles (policy), impairment losses are created for the following
- domestic receivables not paid within 6 months and export receivables over 9 months,
- disputed receivables and receivables relating to liquidation and bankruptcy proceedings, as well as composition and settlement proceedings,
- interest on receivables, accrued but not paid.

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

Liabilities

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

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

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

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

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

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

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

1.4. Provisions are created if there is:

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

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

- a temporary difference in income tax expense due to the difference during the recognition of income as earned or expense as incurred under the balance sheet and tax laws and regulations,
- employee benefits (retirement severance pay),
- other provisions for expected or probable losses from business operations, which have a significant impact on the financial result, while observing the materiality principle.

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

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

1.5. Prepayments and accruals

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

Profit and loss account

1. Revenues from sales include the fair value of revenues from the sale of products, goods and services less the value added tax.

Revenue is recognized in two material categories:

- sales of products (including services),
- sales of goods and materials.

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

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

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

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

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

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

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

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

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

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

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

Selling expenses include trade costs, representation and advertising costs.

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

5. The financial result is also influenced by:

- other revenues and operating costs indirectly related to the activity
  including gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, creation and release of provisions for future risk, penalties, fines and damages, receipt or transfer of donations,

- financial income due to dividends (shares in profits), interest, gains on disposal of investments, revaluation of investments, surplus of positive foreign exchange differences over negative ones,
- financial cost due to interest, gains on disposal of investments, revaluation of investments, surplus of negative foreign exchange differences over positive ones,
- mandatory charges of the financial result under corporate income tax.

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

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

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

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

Professional judgement, estimates and assumptions

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

a) write-offs updating the value of receivables (note 8b, note 8c),
b) write-offs updating the value of inventories (note write-downs),
c) provisions for retirement benefits (notes 18),
d) deferred tax assets and liabilities (note 6ai 6b, note 17 I 17'),
e) periods of depreciation of fixed assets,
g) derivative instruments (notes regarding explanations regarding balance sheet items, note 10, 21, note 5b,)
h) other provisions (notes 18).
The entities analysed the estimates and their changes as at the balance sheet date.

Principles of preparation of consolidated financial statement

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

- the consolidated balance sheet has been prepared by aggregating all asset and liability items of the consolidated entities and eliminating related to mutual settlements, retained earnings in stock and the value of shares in subsidiaries in connection with their share capitals,

- the consolidated profit and loss account and the statement of comprehensive income were prepared by aggregating all items of revenue and expenses for the reporting period of consolidated entities and excluding turnover from mutual transactions and profits retained in inventories,

- the statement of changes in equity has been prepared by aggregating all items of changes in equity of consolidated companies relating to transactions with owners and excluding mutual transactions,

- the consolidated statement of cash flows has been prepared by aggregating all items of the accounts for the reporting period and excluding them from the consolidation procedures of the balance sheet and the profit and loss account.

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

The consolidated net result includes:

- profit/loss on business activity, also under other operating revenues and operating costs,
- result on financial operations,
- write-off of subsidiaries goodwill,

- mandatory charges of the financial result under corporate income tax,
- share in net profits (losses) of subsidiaries measured by the equity method,
- profit (loss) of minority.

4. Changes to the applied accounting principles (policy)

The accounting principles applied to prepare these financial statements are consistent with those applied to the financial statements of the entity for the year ended December 31, 2020.
The changed standards and interpretations that are applied for the first time in 2021, do not have a significant impact on the financial statements of the Company.

Amendments to the International Financial Reporting Standards effective from January 1, 2021

On January 14, 2021, the EU Commission approved the changes proposed by the International Accounting Standards Board in:

- IAS 39 "Financial Instruments: Recognition and Measurement" (the changes concern temporary deviations from the application of specific hedge accounting requirements),
- IFRS 4 "Insurance Contracts" (the changes concern the determination of the basis for determining the contractual cash flows as a result of the interest rate benchmark reform),
- IFRS 7 "Financial Instruments: Disclosures" (the changes concern disclosures related to the reform of the interest rate benchmark),
- IFRS 9 "Financial Instruments" (here the changes concern the measurement at amortized cost and temporary deviations from the application of specific requirements of hedge accounting),

IFRS16 "Leasing" (the changes concern temporary exceptions related to the reform of the interest rate benchmark). Approved by the IASB for application after April 1, 2021, amendments to IFRS 16 "Leasing" - simplification regarding changes resulting from lease agreements in connection with COVID-19 2021

As it could be seen, most of these changes are due to the reform of the interest rate benchmark. The term "interest rate benchmark reform" refers to a market-wide reform of replacing the interest rate benchmark with alternative benchmarks (identified, inter alia, in the July 2014 Financial Stability Board Report "Reforming Major Interest Rate Benchmarks").

The EU Commission regulation implementing these changes will enter into force on February 3, 2021 and will apply at the latest at the beginning of the first financial year beginning on or after January 1, 2021.

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

New standards and interpretations published but not yet effective.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee:

Approved by the IASB for use after January 1, 2022:

- Amendments to IFRS 3 "Business Combinations" - update of references to the Conceptual Framework 2022
- Amendments to IAS 16 "Property, plant and equipment" - revenues from products produced in the period of preparation of property, plant and equipment for the commencement of operation 2022
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - explanations on costs recognized in the analysis of whether the contract is an onerous contract 2022
- Annual amendment program 2018-2020 - the amendments clarify and specify the guidelines of the recognition and measurement standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples to IFRS 16 "Leasing" 2022

Approved by the IASB for use after January 1, 2023. IFRS 17 "Insurance Contracts" and amendments to IFRS 17 2023:

- Amendments to IAS 1 Presentation of financial statements - classification of liabilities as short-term or long-term
- amendments to IAS 1 "Presentation of Financial Statements" and Guidelines of the IFRS Board on disclosures about accounting policies in practice - the issue of significance in relation to accounting policies
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of accounting estimates
- Amendments to IAS 12 Income Taxes - Obligation to Recognize Deferred Tax on Transactions, i.e. leasing
- Amendments to IFRS 17 "Insurance Contracts" - first application of IFRS 17 and IFRS 9

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

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

5. Explanatory notes to the financial statement

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

Intangible assets

NOTE 1a - INTANGIBLE ASSETS	thousand x PLN	
	2021	2020
a) development costs	49 007	50 803
b) other intangible assets	23 408	17 551
Total intangible assets	**72 415**	**68 354**

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

In the opinion of the Company, as at December 31, 2021, all the conditions set out in IAS 38 Intangible Assets were met for the components of intangible assets to be recognized as arising from development work.
These conditions are:
a) the technical feasibility of completing the intangible asset so that it is fit for use or sale;
b) the intention to complete the intangible asset and use or sell it;
c) its ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits. Among other things, the entity may prove that there is a market for the products created by the intangible asset or for the asset itself, or, if the asset is intended to be used by the entity, the utility of the intangible asset;

e) the availability of appropriate technical, financial and other resources to complete the development work and use or sale of the intangible asset;
f) the possibility of a reliable determination of the expenditure incurred during development works that can be assigned to this intangible asset.

Goodwill	gross value on BO	Write-off of the goodwill on BO	Creating a write-off	goodwill on BZ
The goodwill of Gradir Montenegro	108 228	90 255	17 973	0

In 2021, after an impairment test for goodwill, a decision was made at the subsidiary Gradir Montenegro to increase the goodwill impairment loss. The main reasons for increasing the amount of the write-down were changes in the technical and economic assumptions of mining assets in the scope of, inter alia, lifespan of the mine, the volume of metal production and the abundance of deposits. Goodwill was written off in the amount of PLN 17,973 thousand.

1b NOTE - Changes of intangible assets (by group type)	thousand x PLN				
	a	b		c	
	cost of completed development works	concessions, patents, licenses and similar values, including:		other intangible assets	Intangible assets, total
			- computer software		
I. gross value of intangible assets at the beginning of the period	**62 378**	**30 002**	**10 346**	**74 221**	**166 601**
1. increase (due to)	**1 071**	**1 203**	**520**	**165 142**	**167 416**
- purchase	*957*	*564*	*486*	*24 578*	*26 099*
- investments		*266*	*34*		*266*
- value of right of perpetual usufruct					*0*
- obtaining free-of-charge CO_2 emission allowances				*140 937*	*140 937*
- other					
- consolidation correction-	*114*	*373*		*-373*	*114*
2. decrease (due to)	**79**	**327**	**46**	**63 277**	**63 683**
- sale				*7*	*7*
- liquidation	*79*	*327*	*46*		*406*
- reclassification (from investments)					*0*
- obtaining free-of-charge CO_2 emission allowances				*58 013*	*58 013*
- other decreases				*5 257*	*5 257*
II. gross value of intangible assets at the end of the period	**63 370**	**30 878**	**10 820**	**176 086**	**270 334**
1. accumulated amortization (depreciation), at the beginning of the period	**11 574**	**15 511**	**7 399**	**71 160**	**98 245**
2. depreciation for the period (due to)	**2 788**	**1 968**	**928**	**94 918**	**99 673**
a) depreciation allocated to the costs	*2 788*	*2 228*	*975*	*40*	*5 056*
b) amortization of CO2 emission allowances				*158 213*	*158 213*
b) decrease due to sale				*7*	*7*
c) decrease due to liquidation		*320*	*47*	*63 269*	*63 589*
d) decreases - other		*-60*	*0*	*60*	*0*
e) decreases due to reclassification and consolidation adjustment					*0*
III. accumulated amortization (depreciation) at the end of the period	**14 362**	**17 479**	**8 326**	**166 077**	**197 918**
1. write-offs for permanent loss of value at the beginning of the period					**0**
- increases					*0*
- decreases					*0*
2. write-offs for permanent loss of value at the end of the period	**0**				**0**
IV. net value of intangible assets at the end of the period	**49 008**	**13 399**	**2 494**	**10 009**	**72 416**

NOTE 2a - TANGIBLE FIXED ASSETS	thousand x PLN	
	2021	**2020**
1. fixed assets, including:	**1 993 362**	**1 970 978**
a) land	32 335	32 007
b) buildings, premises, civil engineering objects	723 461	676 265
c) plants and machinery	1 195 607	1 219 267
d) means of transport	20 000	24 388
e) other fixed assets	21 960	19 051
2. fixed assets under construction	**72 711**	**138 511**
3. advances for fixed assets under construction	**0**	**578**
Tangible fixed assets, total	**2 066 073**	**2 110 067**

As of the balance sheet day, the undermentioned real properties owned by the ZGH "Bolesław" S.A. Capital Group, are encumbered by the following mortgages acting as property collaterals:
- contractual mortgage (KWGL1T/00094659/8) a mounting to PLN 37 thousand,
- contractual mortgage (ownership right to the industrial building) amounting to PLN 46,195 thousand.

Also tangible fixed assets transfer agreement is in force as of the balance sheet day:
- vibration roller AV 20-2 No ser. 10891 year of production 2008 valued at PLN 66 thousand,
- vibration roller AV 85-2 No ser. 106698/0339 year of production 2008 valued at PLN 199 thousand.

Other tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.
Tangible fixed assets were measured at cost, i.e. purchase price (production cost) less accumulated depreciation (amortisation) charges. As at the balance sheet date, an impairment loss for property, plant and equipment was made in the amount of PLN 385 thousand. (A building at Wadowicka Street).

In the reporting year, the production volumes increased by less than 1%. At the same time, due to the lack of external and internal premises, in the opinion of the Company, there were no factors causing the necessity to make write-offs for impairment of segment assets.

As at December 31, 2021, the amount of the impairment loss on fixed assets under construction was PLN 8,363 thousand. The revaluation write-off was created in previous years in connection with the suspension of investment tasks related to the Construction of the New Bath Hall and the Extension of Ługownia (in terms of the jarosite junction). In the financial year 2017, a decision was made to continue the construction of a new hall. Compared to the original concept, however, the location, technology and scope of the project have changed. Therefore, the machines and devices for which the write-down was made were only partially used in the investment in question, which was completed and put into operation on December 31, 2020. In 2021, in connection with the transaction of sale of current rails that were not used as part of the investment, a write-down of PLN 5,317 thousand was used.

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

OTE 2c – BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousand x PLN	
	2021	2020
1. own assets	1 984 073	1 970 978
2. used under other agreements	9 288	0
Total balance sheet fixed assets	**1 993 362**	**1 970 978**

Right to use assets

NOTE 3a - RIGHT TO USE ASSETS / INCLUDING PUWG /	thousand x PLN	
	2021	2020
1. right of perpetual usufruct of land	121 662	125 911
2. used on the basis of a lease IFRS16	16 088	24 513
Right to use assets / including PUWG /, together	**137 750**	**150 424**

In accordance with IFRS 16, the right to use assets includes the right of perpetual usufruct of land and the right to use machinery and means of transport / i.e. financial leasing of technical equipment, machines and means of transport /.

Initial value of the lease of machinery and equipment	Net value as at the balance sheet date	Carrying amount of the perpetual usufruct right assets	Fee for the perpetual usufruct right	Amortization of the perpetual usufruct right	Interest on the lease of the perpetual usufruct right	Amortization of the perpetual usufruct right. lease under IFRS 16	
30 151	16 088	121 662	6 533	1 552	4 703		111 315
						Including:	
						long-term	103 081
						short-term	8 234

NOTE 3b - CHANGE OF THE RIGHT TO USE ASSETS / INCLUDING PUWG	thousand x PLN	
	2021	2020
I. gross value of the right-of-use asset at the beginning of the period	**168 923**	**127 451**
1. increases (due to)	**20 243**	**43 135**
- purchase	*186*	*289*
- investment		
- PWUG valuation	*2 300*	
- admission from research and development		
- exchange differences	*1 669*	
- requalification	*16 088*	*24 583*
- consolidation adjustment		*5 779*

2. decreases (due to)	**25 661**	**1 663**
- sale	*13*	*1 414*
- liquidation		
- other reductions	*25 648*	*249*
II. gross value of the right-of-use asset at the end of the period	**163 505**	**168 923**
1. accumulated depreciation (depreciation) at the beginning of the period	**18 499**	**3 535**
2. depreciation for the period (due to)	**7 256**	**14 964**
a) depreciation charged to costs	*6 597*	*14 998*
b) decrease due to sale		*28*
d) decrease, increase OTHER	*-659*	
e) decrease due to reclassification and consolidation adjustments		*6*
III. accumulated depreciation (depreciation) at the end of the period	**25 755**	**18 499**
1. impairment write-offs at the beginning of the period		
- increases		
- decreases		
2. write-offs due to permanent loss of value at the end of the period		
IV. the net value of the right-of-use asset at the end of the period	**137 750**	**150 424**

Depreciation of lease fixed assets according to IFRS16 in 2020 for technical equipment and machinery amounts to PLN 3,523 thousand, and for means of transport PLN 416 thousand.

NOTE 4 - CHANGE IN INVESTMENT PROPERTY	**thousand x PLN**	
	2021	**2020**
balance at the beginning of the period	**9 836**	**10 678**
2. *increases*	**0**	**0**
- reclassification to long-term investments	0	
- entry from investments	0	
- valuation in accordance with IFRS 16 perpetual usufruct right	0	
- real estate purchase	0	
a) *from investments*	0	
3. *decreases*	**1 809**	**842**
a) depreciation	1 451	*842*
b) decommissioning (sale) of facilities	0	
c) reclassification to fixed assets	**358**	
4. *balance at the end of the period*	**8 027**	**9 836**

The value of investment properties is not impaired. The value disclosed in the statement of financial position is lower than its fair value.

The investment properties of the ZGH Bolesław S.A. capital group include: the initial gross value of the investment properties, which is: PLN 7,237 thousand, the accumulated depreciation calculated until December 31, 2021 is: PLN 4,715 thousand. Depreciation rate: from 3.34% to 10.00% determined according to the anticipated period of use. Total rental income for 2020 amounted to PLN 565 thousand. The value of investment properties is not impaired. The value disclosed in the statement of financial position is lower than its fair value.

Investments accounted for using the equity method

NOTE 5a - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	thousand x PLN	
	2021	2020
Shares in Stalnet Sp. z o.o.	16 238	16 076
Investments accounted for using the equity method, together	**16 238**	**16 076**

NOTE 5b – OTHER LONG-TERM INVESTMENT	thousand x PLN	
	2021	2020
1. stocks and shares	180	442
2. long-term loans	221	443
3. other long-term financial assets	13 007	2 034
Other long-term investment, total	**13 408**	**2 919**

NOTE 5b - *CHANGES IN LONG-TERM FINANCIAL ASSETS (BY TYPE GROUPS)*	thousand x PLN	
	2021	2020
1. *balance at the beginning of the period, including:*	**2 917**	**10 024**
a) shares or stocks	*440*	*480*
b) loans granted	*443*	*613*
c) other securities	*2 033*	*8 931*
d) other long-term financial assets	*0*	*0*
2. *increases (due to)*	**12 880**	**832**
a) in-kind contribution	*0*	*0*
b) purchase of shares	*0*	*832*
c) other long-term financial assets	*12 880*	*0*
d) valuation of securities	*0*	*0*
e) loans granted	*0*	*0*
3. *decreases (due to)*	**2 389**	**7 937**
a) reclassification of securities to short-term	*0*	*170*
b) reclassification of the loan from long-term to short-term	*221*	*0*
c) sale of shares	*43*	*7 767*
d) reclassification of other financial assets to short-term	*1 907*	*0*
e) transfer to investments in associates	*0*	*0*
f) derecognition of the valuation by equity method	*0*	*0*
g) an impairment loss on investments	*218*	
4. *balance at the end of the period*	**13 408**	**2 919**

NOTE 5c – STOCKS OR SHARES IN AN ASSOCIATED COMPANY										
Lp.	thousand x PLN									
	a	b	c	d	e		f	g	h	i
					including:					
	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	book value of shares		- capital held	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
1.	StalNet Sp. z o.o.	Bochnia	Internet commerce	39	57 445	200	28.00	28.00		

NOTE 5d - Shares in other entities					
	thousand x PLN				
	a	b	c	d	e
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares	Percentage of capital held
1.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products	80	19,51
2.	Other			362	

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

Long-term receivables

Long-term receivables as at December 31, 2021 in the amount of PLN 841 thousand and as at December 31, 2020 in the amount of PLN 683 thousand are construction deposits related to the performance of road works during the warranty period.

Deferred tax assets

NOTE 6a - Change in assets due to deferred income tax	thousand x PLN	
	2021	2020
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	**36 834**	**38 521**
a) attributed to the financial result	*32 451*	*34 918*
b) attributed to equity	*4 383*	*3 604*
2. Increases	**35 905**	**7 124**
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	*6 813*	*5 594*
- appearance of temporary differences	*1 399*	*5 594*
b) attributed to equity in respect of negative temporary differences (due to)	*29 092*	*1 530*
3. Decreases	**4 089**	**8 761**
a) attributed to financial result of the period in respect of negative temporary differences (due to)	*4 089*	*8 343*
- reversal of temporary differences	*4 022*	*8 343*
- changes of tax rate	*0*	*0*
b) attributed to equity in respect of negative temporary differences (due to)	*0*	*418*
4. Balance of assets due to deferred income tax, at the end of the period, including:	**-106**	
5. Total deferred tax assets at end of period, including:	**68 543**	**36 884**
a) attributed to the financial result	*35 068*	*32 168*
b) attributed to equity	*33 475*	*4 716*

Note 6b - Deferred tax asset by title	2021				2020			
	19%	**19%**	**9%**	**9%**	**19%**	**19%**	**9%**	**9%**
	Calculation basis	Asset amount	Calculation basis	Asset amount	Calculation basis	Asset amount	Calculation basis	Asset amount
Interest	0	0	0		1	0		
Exchange rate differences on balance sheet valuation	3 347	636	0		3611	686		
Revaluation write-offs	5 381	1 022	0		6 774	1 287		
Lease liabilities	4 948	940	0		7 604	1 445		
Establishing a reserve	102 408	19 458	0		116 155	22 069		
Inventory valuation	13 108	2 491	0		3 762	715		
Provision for the purchase of CO2 emission rights	0	0	0		51	10		
Derivative transactions	65 002	12 350	0		2 684	510		
Unpaid salaries, mandate contracts, business trips and social security contributions	21 404	4 067	0		11 830	2 248		
Depreciation	14 217	2 701	8 043	724	21 374	4 061	1 686	152
The difference from the valuation of the purchased shares	1 049	199	0		1 049	199		
Revenue from correcting invoices issued in the following year	0	0	0		4 466	849		
Valuation of hedging transactions with equity	99 088	18 827	0		6 184	1 175		
Tax loss	5 323	1 011	0			0		
Others	21 643	4 112	0		5 569	1 058		
Tax loss	0	0	0			0		
Total	**356 918**	**67 814**	**8 043**		**191 113**	**36 312**	**1 686**	
Gross value of deferred tax assets	**67 814**	**67 814**	**724**	**724**	**36 312**	**36 312**	**152**	**152**
Gross deferred tax asset (19%)	34 339		0		32 011			
Gross deferred tax asset (9%)	0		724				152	
Gross deferred tax asset recognized in equity	33 475		0		4 301			

Exchange differences from conversion	0		5				6	
The net value of the deferred tax asset	**67 814**		**729**		**36 469**		**152**	
The value of the deferred tax asset recognized in equity in the period	33 475				415			

In connection with the creation of a provision in the subsidiary ZGH "Bolesław" S.A., as part of the cost update, it was found that the closure of the mine and the cessation of its drainage may cause mining damage in the next dozen or so years related to raising groundwater and flooding in forest areas. Therefore, the Company created a provision for this purpose in the amount of PLN 73,500 thousand. At the same time, the Company did not recognize a deferred tax asset, justifying that in the case of a deferred tax asset, each title constituting the basis for its calculation should be considered individually, taking into account: - predictions as to the possibility of reducing the income tax liability in the future, and - the possibility of recognizing it as tax deductible costs from the point of view of tax law. In the opinion of the Company, in accordance with the currently applicable provisions of the law on income tax from legal persons, the payment of possible compensation due to flooding of forest areas, made pursuant to the provisions of the civil law, raises considerable doubts as to the possibility of being classified as tax deductible. This is due to, inter alia, from the fact that tax costs include costs incurred in order to generate revenues, as well as those aimed at securing or maintaining the source of revenues.

CURRENT ASSETS OTHER THAN ASSETS HELD FOR SALE

Inventory

NOTE 7 - Inventory	**thousand x PLN**	
	2021	**2020**
1. materials	482 966	274 570
2. semi-finished products and work in progress	248 700	296 445
3. finished products, including:	236 469	231 682
4. goods	27 372	7 246
5. advance payments for deliveries	0	0
Inventory, total	**995 506**	**809 943**

As at the balance sheet date, the following charges of inventory apply for regarding materials – a registered pledge agreement to the amount of PLN 20,000 thousand for the benefit of PNB Paribas S.A. and up to PLN 15,000 thousand for Bank Handlowy, and up to PLN 100,000 thousand for Bank PKO BP S.A. and up to PLN 35,000 thousand for Bank Pekao S.A. due to protection of the granted credit limits.
In ZGH, registered pledges of up to PLN 1 million rest on coke inventories to secure the long-term coke sales agreement in favor of Jastrzębska Spółka Węglowa.

Revaluation write-offs	Opening balance	Creation	Solution	Closing balance
Finished goods and materials	7 035	32 014	25 821	13 228

Trade and other receivables

NOTA 8a - TRADE AND OTHER RECEIVABLES	thousand x PLN	
	2021	2020
1. short-term receivables	778 712	512 891
2. short-term prepayments	65 935	62 454
Trade and other receivables, total	**844 647**	**575 345**

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

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

NOTE 8b - Short-term receivables	thousand x PLN	
	2021	2020
1. trade receivables, maturing:	699 199	442 446
- up to 12 months	*701 155*	*442 127*
- above 12 months	*44*	*319*
2. receivables from tax, subsidy, customs, social security and other benefits	55 054	60 641
3. claimed at court	0	0
4. other	22 458	9 805
Net short-term receivables, total	**778 712**	**512 891**
- write-downs of receivables	11 926	12 321
Gross short-term receivables, total	**790 638**	**525 212**

NOTE 8c - Change in short-term receivables write-down	thousand x PLN	
	2021	2020
Balance at the beginning of the period	**12 188**	**12 835**
1. increase (due to)	**662**	**1 641**
a) provision for doubtful receivables	662	1 641
b) consolidation of the ZGH Capital Group	0	0
2. decrease (due to)	**923**	**2 155**
a) cancellation	119	9
b) release of provision (reserve) for doubtful receivables	14	840
c) exchange rates differences	226	1 049
d) adjustment	92	0
e) payment	473	257
Balance of short-term receivables write-downs at the end of the period	**11 926**	**12 321**

NOTE 8d - Gross short-term receivables (currency structure)	thousand x PLN	
	2021	2020
1. in Polish currency	**232 136**	**246 340**
2. in foreign currencies (according to currencies converted into PLN)	**558 502**	**278 872**
a) in EURO	*60 273*	*33 918*
converted into PLN	**278 123**	**156 377**
b) in USD	*67 580*	*3 275*
converted into PLN	**274 589**	**12 306**
c) in CZK	31 299	*59 016*
converted into PLN	**5 790**	**110 190**
Short-term receivables, total	**790 638**	**525 212**

NOTA 8e - Trade receivables (gross) – maturing as at the balance day:	thousand x PLN	
	2021	2020
up to 1 month	*444 751*	*243 048*
above 1 month up to 3 months	*191 606*	*116 274*
above 3 months up to 6 months	*6 394*	*2 184*
above 6 months up to 1 year	*0*	*603*
above 1 year	*1 202*	*290*
overdue receivables	*67 173*	*92 368*
Trade receivables, total (gross)	***711 127***	***454 767***
trade receivables write-downs	*11 926*	*12 321*
Trade receivables, total (net)	***699 199***	***442 446***

The normal course of sale is related to the period of payment of receivables up to 3 months.

NOTE 8f- Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousand x PLN	
	2021	2020
up to 1 month	*37 440*	*87 451*
above 1 month up to 3 months	*13 081*	*5 963*
above 3 months up to 6 months	*3 725*	*433*
above 6 months up to 1 year	*459*	*1 957*
above 1 year	*12 468*	*10 931*
Trade receivables, total (gross)	**67 173**	**106 734**
trade receivables write-downs	*11 926*	*12 321*
Trade receivables, total (net)	**55 247**	**94 413**

NOTE 8g - Disputable and overdue receivables

The total amount of gross short-term receivables, i.e. PLN 711,127 thousand, overdue receivables amount to PLN 67,173 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of PLN 11,926 thousand was covered by write-downs. The remaining receivables were not subject to write-downs due to the fact that are justified by the strategy and marketing policies of the parent company and secured by bank guarantees and promissory notes.

NOTE 8h - Short-term accruals	thousand x PLN	
	2021	2020
1. active cost accruals, including:	**65 684**	**36 379**
a) costs of insurance and subscription	*2 397*	*2 349*
b) staged repairs	*207*	*0*
c) research and development works	*368*	*445*
d) other	*54 259*	*23 638*
e) subsidies from the National Center for Research and Development	*0*	*0*
f) costs of preparing new production	*8 304*	*9 755*
f) energy reimbursement settlement	*149*	*192*
***2. others* accruals**	**252**	**26 075**
Short-term accruals, total	**65 935**	**62 454**

In the item other, the amount of PLN 23,438 thousand is the bonus accepted for settlement in time on the purchase of the charge and PLN 30,620 thousand compensation for the increase in electricity prices with the ZGH "Bolesław" group.

Cash and cash equivalents

NOTE 9a - Cash and cash equivalents	thousand x PLN	
	2021	2020
1. cash in hand and at bank	300 802	323 844
2. other cash	191 452	112 547
Cash and cash equivalents, total	**492 254**	**436 391**

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

NOTE 9b - CASH AND ITS EQUIVALENTS (currency structure)	thousand x PLN	
	2021	2020
1. in Polish currency	**378 087**	**357 120**
a) including funds on the VAT account	*14 180*	*8 767*
2. in foreign currencies (according to currencies converted into PLN)	**114 167**	**79 271**
a) in EURO	*19 065*	*11 323*
converted into PLN	**87 976**	**52 156**
b) in USD	*5 279*	*7 177*
converted into PLN	**21 489**	**26 965**
c) in CZK	*25 363*	*801*
converted into PLN	**4 692**	**140**
3. other currencies	**10**	**10**
Cash and other cash equivalents, total	**492 254**	**436 391**

Other short-term investments

NOTE 10 - OTHER SHORT-TERM INVESTMENTS	w tys. zł	
	2021	2020
1. derivative financial instruments	2 081	18 504
2. short-term securities	*96 070*	76 770
3. short-term loans	*14 721*	17 221
4. RES purchase certificates	*2 273*	489
Other short-term investments, total	**115 145**	**112 984**

Assets held for sale

Assets held for sale - as at December 31, 2021 - were not present.

Revaluation write-offs

Revaluation write-offs	Opening balance	Creation	Solution	Closing balance
Finished goods and materials	7 035	32 014	25 821	13 228
Fixed assets				
Receivables				
Together				

NOTE 11 - Share capital of the parent company (structure)								
thousand x PLN								
Series/issue	Type of shares	Share preference type	Type of limitation of rights to shares	Number of shares	Value of a series/issue according to nominal value	Manner of capital coverage	Registration date	The right to dividend (since)
A	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		71 663	143 326	cash	3.07.1991	1.07.1992
A	registered shares without preference	Non-preference		1 820	3 640	cash	3.07.1991	1.07.1992
B	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		281 030	562 060	cash	16.11.1993	1.01.1994
B	registered shares without preference	Non-preference		14 510	29 020	cash	16.11.1993	1.01.1994
C	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
D	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
E	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		1 301 874	2 603 748	cash	30.09.1996	1.01.1996
E	registered shares without preference	Non-preference		44 370	88 740	cash	30.09.1996	1.01.1996
F	ordinary bearer shares	Non-preference		1 105 000	2 210 000	cash	17.12.1996	1.01.1997
G	ordinary bearer shares	Non-preference		1 200 000	2 400 000	cash	13.05.1997	1.01.1997
Number of shares, total				5 580 267				
Share capital, total					11 160 534			
Nominal value of one share (in PLN)		2,00						

Preference as to assets means that in the case the Company is liquidated, the assets remaining after the creditors have been satisfied, primarily serve to cover the nominal amount in respect of all the shares, and the rest of the assets are equally distributed to cover the preference shares.

Capital from the surplus of the issue price above the nominal value

NOTE 13– Capital from the surplus of the issue price above the nominal value (agio)	thousand x PLN	
	2021	2020
1. from sale of shares above their nominal value	35 054	35 054
2. negative difference between the nominal value and purchase price of own shares	-26 638	-26 638
Capital from the surplus of the issue price, total	**8 416**	**8 416**

NOTE 13a – Revaluation reserve	thousand x PLN	
	2021	2020
a) Due to the valuation of financial instruments	*-130 434*	*-4 565*
including: the amount of deferred tax	*30 611*	*6 676*
including: the amount of input income tax	*0*	*153*
b) other	*9 818*	
Revaluation reserve, total	**-120 616**	**-4 565**

Provision from exchange differences

NOTE 14 - RESERVE FOR COURSE DIFFERENCES RESULTING FROM THE CALCULATION	thousand x PLN	
	2021	2020
1. currency translation differences	29 314	16 052
Provision for exchange differences resulting from the translation, in total	**29 314**	**16 052**

Retained earnings

NOTE 15 - Retained earnings / INCLUDING UNCOVERED LOSSES /	thousand x PLN	
	2021	2020
1. retained earnings IAS	2 814 992	2 597 747
2. net current profit (loss)	519 522	172 755
Retained earnings, total	**3 334 513**	**2 770 502**

The amount of error correction has been included in retained earnings, it relates to the settlement of contingent liabilities created as part of the purchase price settlement in 2013 related to investments in Gradir Montenegro d.o.o. (PLN 47,165 thousand) and contingent liabilities (PLN 16,696 thousand) and severance pays for employees of the mining division (PLN 13,355 thousand).

In previous years, these amounts were disclosed in the consolidated financial statements of the capital group instead of being recognized at the subsidiary level. As at December 31, 2021, the subsidiary has recognized it at the level of the separate statement. Due to incorrect recognition in previous years, the contingent liability in the amount of PLN 77 216 thousand was terminated.

Retained earnings are profits earned by companies that have been allocated to the supplementary and reserve capital of the companies, as well as the profit arising from the revaluation of fixed assets and the right of perpetual usufruct of land, made as at the date of transition to IFRS.

Non-controlling interests

NOTE 16 - CHANGE IN NON-CONTROLLING INTEREST	thousand x PLN	
	2021	2020
As at the beginning of the period	**111 621**	**107 569**
error correction from previous years	**0**	**-1 565**
Balance at the end of the period after adjustments	**78 360**	**106 004**
1. increase (due to)	**492**	**11 020**
a) inclusion in the consolidation of the ZGH Capital Group)	*0*	*0*
a) profit sharing	*492*	*11 020*
b) due to consolidation	*0*	*0*
2. decrease (due to)	**3 688**	**6 968**
a) dividend payment	*2 817*	*0*
b) other adjustments	*871*	*6 968*
State at the end of the period	**108 425**	**111 621**

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting	share-holding of the parent company
1.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
2.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92.82	92.82	88.11
3.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99.61	99.61	94.56
4.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	80.00	74.29	80.00

LONG-TERM LIABILITIES

NOTE 17 - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousand x PLN	
	2021	**2020**
1. The balance of deferred income tax, at the beginning of the period, including:	**136 161**	**144 842**
a) attributed to financial result	125 131	120 891
b) attributed to equity	11 030	23 951
2. Increases (due to)	**36 071**	**7 120**
attributed to financial result of the period, including:	**36 071**	**7 120**
a) differences between the depreciation entered in the balance sheet and tax depreciation	14 927	3 785
b) exchange differences	460	1 405
c) others reserves	20 684	1 930
attributed to shareholders' equity	**0**	**0**
a) correction from previous years 2005-2009	**0**	0
b) valuation of hedging transactions	**0**	0
3. Decreases	**24 797**	**15 800**
a) attributed to the financial result due to positive temporary differences (due to)	**24 271**	**2 683**
- reversal of temporary differences (use of reserves for deferred income tax)	4 357	1 490
- other / depreciation, exchange rate differences, transaction valuation, interest /	19 914	1 120
b) attributed to the financial result due to positive temporary differences (due to)	**526**	**13 117**
- valuation of hedging transactions	526	12 228
- other	0	889
4. Balance of reserve at the end of the period, total	**147 435**	**136 161**
a) attributed to the financial result	136 932	125 130
b) attributed to equity	10 503	11 030

Note 17'- Positive temporary differences (data in thousand PLN):	2021			2020		
	19%	19%	9%	19%	19%	9%
Interest	311	59		453	86	
Positive exchange rate differences from the balance sheet valuation	16 362	3 109		18 233	3 464	
Fixed assets under lease	9 274	1 762		1 221	232	
Fixed assets	114 886	21 828		399 826	75 967	
Value of depreciated funds and PWUG in WG	0	0		96 834	18 398	
Depreciation	465 915	88 524		51 169	9 722	
Investment relief	1 913	363		2 103	400	
Differences in the value of fixed assets	27 543	5 233		5 584	1 061	
Lease exchange rate differences	0	0		10 638	2 021	
Reserves	6 165	1 171		101 647	19 313	
Costs from correcting invoices issued in the following year	0	0		0	0	
Compensation for the increase in electricity prices	30 620	5 818		23 638	4 491	

The effects of revaluation to the level of market prices of short-term investments	0	0		1 876	356	
Valuation of hedging transactions	373	71		3 144	597	
Others	102 613	19 497		262	50	
	775 976	**147 435**	**0**	**716 629**	**136 161**	
The value of the provision for deferred income tax	**147 435**			**136 161**		
The value of the provision for deferred tax (19%)	147 434			125 130		
The value of the provision for deferred tax in Gradir Montenegro (9%)	0					
Gross amount of deferred tax liability recognized in equity	10 503			11 030		
Exchange differences from conversion	0			0		

Long-term reserves

NOTE 18 - CHANGE IN THE BALANCE OF OTHER NON-CURRENT PROVISIONS / INCLUDING EMPLOYEE BENEFITS /	thousand x PLN	
	2021	2020
1. balance at the beginning of period	**102 686**	**185 380**
2. increase (due to)	**100 039**	**13 014**
a) creation of a provision for the retirement severance pays	*8 721*	*3 301*
b) creation of a provision for the recultivation of a settling tank and settling ponds	*0*	*734*
e) creation of other reserves	*91 318*	*8 979*
3. solution (due to)	**24 778**	**90 669**
a) transfer to current provisions	*14 095*	*71 298*
b) given retirement severance pays	*8 476*	*9 790*
c) decrease of a provision due to the HRC contract	*0*	*6 255*
d) for other reasons	*2 207*	*3 326*
e) Wage earn out	***0***	**5 038**
4. balance at the end of period	**177 947**	**102 686**

OTHER LONG-TERM LIABILITIES

NOTE 19 - **OTHER LONG-TERM LIABILITIES**	thousand x PLN	
	2021	2020
a) others	*225*	*0*
b) fee for using geological information	*0*	*0*
c) a fee for the use of deposits	*0*	*146*
Other long-term liabilities together	**225**	**146**

Long-term provision for the costs of decommissioning the Olkusz Pomorzany mine created at the level of a consolidated entity

NOTE 19a- LONG-TERM RESERVE FOR DECOMMISSIONING, RECLAMATION AND ENVIRONMENTAL REPAIR COSTS	thousand x PLN	
	2021	2020
long-term provision for the costs of decommissioning, reclamation and environmental repair costs / lawsuit by PWiK (Przedsiębiorstwo Wodociągów i Kanalizacji in Olkusz)	40 000	211 610
Total long-term reserve	**40 000**	**211 610**

The Management Board of the parent company presents a provision for claims arising from of the lawsuit, PWiK (Przedsiębiorstwo Wodociągów i Kanalizacji w Olkusz) as long-term / PLN 40,000,000 / and the Management Board of the subsidiary presents it as a short-term provision / PLN 15,000,000/.

19a '- Change in contingent liabilities / provisions	thousand x PLN	
		solution method
long term part	211 610	
short term part	66 138	
As of December 31, 2020	277 748	
decrease due to		
mine close down (recognised at subsidiary level)	126 000	by the result of the period
of responsibility for water	15 000	by the result of the period
of goodwill write-off	17 973	by the result of the period
of excess reserve for Gradir	1 559	by the result of the period
of write-offs related to Gradir Montenegro	47 165	error adjustment
of contingent liabilities of a subsidiary	16 696	error adjustment
of severance pay for employees of the mining division	13 355	error adjustment
As of December 31, 2021	40 000	

The subsidiary ZGH “Bolesław” S.A. updated the cost of liquidation of the mine. As part of the works related to the update, the subsidiary ZGH "Bolesław" S.A. increased the provisions for the liquidation of the mine in the amount of PLN 33,000 thousand and maintenance costs of equipment facilities during decommissioning in the amount of PLN 10,200 thousand, The increase in liquidation costs results mainly from the maintenance costs of mining facilities and equipment during decommissioning works (fuel and other materials, depreciation of funds used for decommissioning, external services, supply of central heating and hot water, etc.) and the purchase of more sand necessary for the liquidation of mining excavations. In addition, as part of the on-going cost update, it was found that the closure of the mine and the cessation of its drainage may cause mining damage in the perspective of several years related to raising groundwater and flooding in forest areas. Therefore, the Company created a provision for this purpose in the amount of PLN 73,500 thousand which was included in the costs of the period at the level of the consolidated financial statements. At the same time, at the level of the consolidated financial statements, the amounts of the contingent liability created as part of the settlement of the purchase price in 2013 were used. Therefore, the amount of PLN 126,000 thousand was released at the level of the consolidated financial statements.
The amount of the claim against the subsidiary ZGH Bolesław S.A. was reduced by the claimant, PWiK Olkusz *(*Provincial Fund for Environmental Protection and Water Management), to the

amount of PLN 54,800 thousand. In the previous periods, at the level of the consolidated statements, the amount of the provision amounted to PLN 55,000 thousand and was presented as contingent liabilities for the purchase of ZGH "Bolesław" S.A. Therefore, the amount was adjusted by PLN 15,000 thousand. The amount has been included in the result for the period. Additionally, the subsidiary created a provision on this account at the level of PLN 15,000 thousand.

The subsidiary ZGH "Bolesław" S.A. also made write-offs related to the investment in the company Gradir Montenegro d. o.o.: goodwill PLN 17,973 thousand, shares PLN 30,000 thousand and a loan in the amount of PLN 17 100 thousand. At the consolidated level, this amount was covered as part of the settlement of contingent liabilities created as part of the purchase price settlement in 2013. As at December 31, 2021, the amount was: PLN 66 697 thousand and was released as follows: the amount of PLN 19 532 thousand was recognized in the result for the period (including goodwill of PLN 17,973 thousand), while the amount of PLN 47,165 thousand in error adjustment.

At the same time, at the consolidated level, the liabilities related to severance pays for employees of the mining division were terminated, as well as liabilities under guarantees, sureties and blank promissory notes in the amount of PLN 30,051 thousand. At the consolidated level, this amount was included in the profit from previous years as part of the settlement of contingent liabilities created as part of the purchase price settlement in 2013.

Provisions for liquidation costs of the Olkusz Pomorzany mine established by a subsidiary, broken down into long-term and short-term

State of long-term reserves created in a subsidiary	thousand x PLN	
	2021	2020
Reserve for the close-down of the Olkusz-Pomorzany mine	54 755	37 580
Reserve for damages related to floodplains of forest areas due to the risk of rising water levels	73 500	0
Total long-term reserve	**128 255**	**37 580**

State of short-term reserves created in a subsidiary	thousand x PLN	
	2021	2020
Reserve for the close-down of the Olkusz-Pomorzany mine	26 472	88 694
Reserve for compensation - statement of claim by PWiK (Provincial Fund for Environmental Protection and Water Management)	15 000	15 000
Total short-term reserve	**41 472**	**103 694**

Accruals and deferred income

NOTE 19b - ACCRUALS AND DEFERRED INCOME CLASSIFIED AS NON-CURRENT	thousand x PLN	
	2021	2020
*a) remission of a loan from WFOŚiGW (*Provincial Fund for Environmental Protection and Water Management)	5 641	*6 096*
b) technical solutions - separation of indium, germanium, tin	3 141	*0*
c) subsidy	34 746	*33 699*
others	0	*4 274*
Accruals and deferred income classified as non-current, together	**43 528**	**44 069**

Credits and loans

NOTE 20 - NON-CURRENT LIABILITIES (BY CREDITS AND LOANS)														
Name (the company) of the entity with indication of legal form	Registered office	The amount of the credit/loan by			contracts	Outstanding amount of credit / loan				Interest conditions	The repayment date	Securities	Other
		thousand x PLN	currency	unit	currency	thousand x PLN	currency	unit	currency				
PKO Bank Polski S.A.	Warsaw	100 000	PLN	in thousand	PLN	10 000	PLN	in thousand	PLN	wibor+margin	30.06.2023	promissory note, pledge on GO Steel shares	Investment credit refinancing the purchase of GO Steel shares
National Fund for Environmental Protection and Water Management	Warsaw	36 956	PLN	in thousand	PLN	10 196	PLN	in thousand	PLN	3.50% per year	30.06.2025	Blank bill of exchange with a bill of exchange declaration, mortgage on the property on which the project is executed, court registered pledge on a set of items purchased or created within the investment project execution	of which short-term part (payable in 2021) in the amount of PLN 4,460,000
ING Bank Śląski Spółka Akcyjna	Katowice	1 800	PLN	in thousand	PLN	180	PLN	in thousand	PLN	wibor+margin	30.06.2023	registered pledge and assignment of rights under the insurance policy - Salvagnini machine, blank bill of exchange	

Long-term liabilities from lease agreements

NOTE 21 - LONG-TERM LIABILITIES FROM LEASE AGREEMENTS	w tys. zł	
	2021	2020
a) with the title financial leasing	*103 081*	98 619
b) with the title hedging transactions	*38 926*	1 817
c) others	*146*	14 522
Long-term liabilities from lease agreements, total	**142 153**	**114 958**

Liability due to financial leasing in the amount of PLN 91,690 thousand (IFRS 16 measurement) result from perpetual usufruct defined in IFRS 16 as leasing. This liability was measured at the present value of the remaining fees for perpetual usufruct (lease payments) discounted over the period of its use. An interest rate of 5% was used to discount the liability for annual perpetual fees, including the risk-free rate and the risk premium. The remaining amount, i.e. PLN 11,391 thousand results from financing the purchase of fixed assets.

NOTE 21a - LONG-TERM LIABILITIES FROM LEASE AGREEMENTS, MATURING AS AT THE BALANCE SHEET DATE	thousand x PLN	
	2021	2020
a) above 1 year to 3 years	*48 521*	*19 332*
b) above 3 to 5 years	*5 009*	*6 561*
c) above 5 years	*88 623*	*89 065*
d) contingent liabilities due to the purchase of ZGH	*0*	
Long-term liabilities, total	**142 153**	**114 958**

NOTE 21b - Long-term liabilities (currency structure)	thousand x PLN	
	2021	2020
1. in Polish currency	**525 272**	**657 044**
2. in foreign currency (by currency and converted into PLN)	**46 393**	**14 522**
a) in EUR currency	*778*	*0*
after conversion into PLN thousand	**3 579**	**0**
b) in USD currency	*0*	*0*
after conversion into PLN thousand	**0**	**0**
c) in CZK	*231 426*	*82 841*
converted into PLN	**42 814**	**14 522**
Long-term liabilities, total	**571 665**	**671 566**

NOTE 22a - CURRENT LIABILITIES	thousand x PLN	
	2021	2020
1. short-term provisions for liabilities	**109 978**	**163 665**
2. credits and loans, including:	**62 355**	**56 517**
a) short-term part of long-term liabilities	*692*	*20 000*
3. for supplies and services, with a maturity period:	**451 455**	**291 469**
a) up to 12 months	*451 455*	*287 930*
b) over 12 months	*0*	*3 539*
4. current liabilities due to social security and taxes other than income tax	**41 377**	**38 979**
***5.* Other short-term non-financial liabilities**	**77 139**	**116 648**
a) advances received for deliveries	2 461	1 659
b) for remuneration	27 703	36 830
c) other (by title)	46 976	78 159
- Employee Benefit Fund (ZFŚS)	*9 362*	*10 092*
- savings and loans plan for employees (PKZP)	*431*	*476*
- PZU (insurance group)	*682*	*2 825*
- fund for the liquidation of the mining plant;	*318*	*21 365*
- investment settlements	*19 730*	*29 841*
- other	*16 453*	*13 560*
6. short-term provision for decommissioning, rehabilitation and environmental remediation costs	**0**	**66 138**
7. due to income tax	**3 950**	**1 621**
8. lease / including IFRS 16 /	**8 234**	**8 364**

9.other short-term financial liabilities, including:	**132 649**	**25 230**
a) from dividends	583	525
b) due to entering into currency options transactions	132 066	24 657
c) others	0	48
10. prepayments	**11 881**	**6 966**
Current liabilities, in total	**899 018**	**775 597**

Explanation to item 6 - short-term provision for decommissioning, rehabilitation and environmental repair costs is provided under note 19a.

NOTE 22b - CURRENT LIABILITIES (CURRENCY COMPOSITION)	**thousand x PLN**	
	2021	**2020**
1. in Polish currency.	**643 657**	**648 382**
2. in foreign currencies (by currency and after conversion into PLN)	**255 361**	**127 215**
a) in EUR currency	*24 156*	*17 487*
after conversion into PLN thousand	**111 423**	**80 568**
b) in USD currency	*30 313*	*8 139*
after conversion into PLN thousand	**123 073**	**30 552**
c) in CZK currency	*112 785*	*91 490*
after conversion into PLN thousand	**20 865**	**16 038**
other currencies in thous. zloty	0	27 111
Current liabilities, in total	**899 018**	**775 597**

Short-term provisions for liabilities

NOTA 23 - ZMIANA STANU REZERW KRÓTKOTERMINOWYCH (WG TYTUŁÓW)	**w tys. zł**	
	2021	**2020**
1. as at the beginning of the period	**164 832**	**83 948**
2.increases (due to)	**100 567**	**136 926**
a) the transfer from long-term to short-term provisions	10 273	*72 819*
b) recognition of a provision for future liabilities	42 553	*34 981*
c) establishing a provision for retirement benefits	3 952	*3 362*
d) creation of other reserves	43 789	*25 764*
3.use (title)	**136 107**	**51 920**
a) other liabilities	136 107	*51 920*
4. rozwiązanie (z tytułu)	**19 314**	**5 288**
a) wypłaconych odpraw emerytalnych	4 951	*1 500*
b) inne	14 363	*3 788*
5. stan na koniec okresu	**109 978**	**163 665**

NOTE 24 - CURRENT LIABILITIES ARISING FROM CREDITS AND LOANS

in PLN thousand

Name (business name) of the entity	Registered office	The amount of the credit/loan in accordance with the Agreement				The amount of the outstanding credit/loan				Interest conditions	Date of repayment	Securities	Other
		thousand x PLN	in currency	unit	currency	x thousand	in currency	unit	currency				
Bank PekaO S.A.	Warsaw	100 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	30 September 2023	blank bill of exchange, pledge on stock, silent assignment of receivables	Limit on the overdraft facility, limit on guarantees and letters of credit. In the context of the limit, the Companies of the Capital Group have limits up to PLN 28,000 thousand (PLN 13,000 thousand - Stp Elbud, and PLN 15,000 thousand - Cynk Mal S.A.).
Bank Handlowy S.A.	Warsaw	65 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	29 September 2022	blank bill of exchange, pledge on stock, assignment of receivables	Limit on the overdraft facility and short-term guarantee of PLN 50,000 thousand, long-term guarantee PLN 15,000 thousand.
BNP Paribas Bank Polska S.A.	Warsaw	50 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	24 November 2022	blank bill of exchange, silent assignment of receivables, pledge on stock	Current account credit, limit on guarantees and letters of credit. In the context of the limit, Stalprodukt-Wamech has a limit up to PLN 2,000 thousand.
Societe Generale S.A.	Warsaw	15 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	31 May 2022	None	Credit limit on the overdraft facility and on guarantees and letters of credit up to PLN 15, 000 thousand.
PKO Bank Polski S.A.	Warsaw	150 000	PLN	thousand	PLN	0	PLN	thousand	PLN	wibor+margin	13 January 2023	promissory note, pledge on stock	Overdraft facility limit of PLN 85,000 thousand and limit on guarantees and letters of credit of PLN 40,000 thousand. In the context of the limit the companies of the Capital Group have a limit of up to PLN 25,000 thousand. including STP Elbud - PLN 10,000 thousand and Go Steel - PLN 10,000 thousand.
PKO Bank Polski S.A.	Warsaw	100 000	PLN	thousand	PLN	20 000	PLN	thousand	PLN	wibor+margin	30 June 2023	promissory note, pledge on GO Steel shares	Investment credit refinancing the purchase of shares of GO Steel
WFOŚiGW	Warszawa	36 956	PLN	thousand	PLN	4 460	PLN	thousand	PLN	3.50 % per annum	31 December 2022	A blank promissory note together with a promissory note declaration, mortgage on the property on which the project is carried out, a registered pledge on a set of items purchased or produced as part of the project, and assignment of an insurance policy	A loan granted by NFOŚiGW in the amount of PLN 36,956,250.00 - short-term part (to be repaid in 2022).
National Fund for Environmental Protection in Warsaw	Warszawa	42 162	PLN	thousand	PLN	12 648	PLN	thousand	PLN	3.50% per annum	20 December 2022	blank promissory note with a "no protest" clause and a bill of exchange note declaration	
WFOŚiGWP/114/15/21	Kraków	4 743	PLN	thousand	PLN	651	PLN	thousand	PLN	3.60% per annum	15 December 2022	An agreement on acquisition of rights and liabilities, a bill of exchange agreement	
Credit Agricole Bank Polska Spółka Akcyjna	Wrocław	5 000	interchangeably PLN, USD, EUR	thousand	PLN	3	PLN, USD, EUR	thousand	USD	wibor+margin	28 October 2022	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	credit in the form of a debit balance in current account, available in PLN, USD and EUR.
PKO BP S.A.	Warsaw	10 000	interchangeably PLN, USD, EUR	thousand	PLN	34	-	thousand	PLN	wibor+margin	11 October 2022	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	Credit in the form of multi-purpose credit limit – it may be used interchangeably in PLN, USD and EUR.
Bank PeKaO S.A.	Warsaw	15 000	interchangeably PLN, USD, EUR	thousand	PLN	0	PLN	thousand	USD	wibor+margin	30 September 2021	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	Credit in current account - credit limit – it may be used interchangeably in PLN, USD and EUR.

ING Bank Śląski Spółka Akcyjna	Katowice	30 000	intercha ngeably PLN, USD, EUR	thou sand	PLN	153	-	thousand	PLN	wibor+margin	31 October 2022	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	Credit in current account - credit limit – it may be used interchangeably in PLN, USD and EUR.
ING Bank Śląski Spółka Akcyjna	Warsaw	10 000	USD	thou sand	PLN	0	-	thousand	PLN	wibor+margin	31 October 2022	assignment of receivables	
Bank PeKaO S.A.	Warsaw	30 000	PLN	thou sand	PL N	0	PLN	thousand	PLN	wibor+margin	30 September 2022	assignment of receivables	
BNP Paribas Bank Polska S.A.	Warszawa	20 000	PLN	thousan d	PLN	0	PLN	Thousand	Zł	wibor+margin	22 November 2022	assignment of receivables	
Bank PeKaO S.A.	Kraków	13 000	PLN	thou sand	PL N	8 410	PLN	Thousand	PLN	wibor+margin	30 September 2023	Power of attorney do administer bank accounts and a declaration on submitting to execution	Limit for guarantees, letters of credit, and credits in current account within a trilateral agreement between Stalprodukt, Cynk-Mal and STP-Elbud.
PKO BP S.A.	Warsaw	15 000	PLN	thou sand	PL N	7 870	PLN	Thousand	PLN	wibor+margin	13 January 2023	blank promissory note and a declaration on submitting to execution, clause on offsetting mutual claims from bank accounts run at PKO BP.	Limit for guarantees, letters of credit, and credits in current account within a trilateral agreement between Stalprodukt, STP-Elbud, and GO Steel.
BNP Paribas Bank Polska S.A.	Warszawa	2 000	PLN	thou sand	PLN	0	PLN	Thousand	zł	wibor+margin	24 November 2022		Within the limit of Stalprodukt S.A.
Bank PeKaO S.A.	Warsaw	15 000	PLN	thou sand	PL N	3790	PLN	Thousand	PLN	wibor+margin	30 September 2023	power of attorney to administer the borrower's accounts run by PeKaO S.A.: • the borrower's statement on submission to execution • security for the repayment of the credit through acceptance of joint and several liability	
ING Bank Śląski Spółka Akcyjna	Katawice	4 700	PLN	thou sand	PLN	332	-	Thousand	PLN	wibor+margin	30 April 2022	A registered pledge and assignment of an insurance policy – P4 profile department , promissory note	Long-term, during the pay-out period
ING Bank Śląski Spółka Akcyjna	Katawice	1 800	PLN	thou sand	PLN	360	-	Thousand	PLN	wibor+margin	30 June 2023	A registered pledge and assignment of an insurance policy – the Salvagnini machinery, promissory note ……………………………………………	Long-term, during the pay-out period
PKO BP S.A.	Warsaw	10 000	PLN	thou sand	PL N	0	PLN	Thousand	PLN	wibor+margin	13 January 2023	promisory note, pledge on stock.	Credit in current account within a trilateral agreement between Stalprodukt, STP-Elbud, Go Steel.
Polish Development Fund	Warsaw	84	PLN	thou sand	PL N	9	PLN	Thousand	PLN	0	16 July 2025		COVID loan for maintaining jobs

NOTE 25 - Accruals	thousand x PLN	
	2021	**2020**
1. disclosed deferred income	**0**	**1 906**
2. deferred income (by titles)	**11 881**	**5 060**
- received advances	*2 617*	*2 753*
- subsidy NCBiR	*8 635*	*1 846*
- certificates CO_2 and other	*0*	*0*
- other	*629*	*461*
Other accruals, total	**11 881**	**6 966**

The subsidy is related to carrying out and financing a project in the area of renewable energy sources, i.e. construction of an innovative prototype of a wind turbine with a vertical 1.5 MW axis rotor. The project concerned obtained financing from the National Centre for Research and Development with a pilot enterprise *DEMONSTRATOR +.* Supporting scientific research and development works in demonstration scale".

A respective agreement was signed in December 2013, and the planned completion date for the project is 30.06.2018. The final report was also submitted to the NCBiR, which was adopted on February 18, 2020.

The total subsidy amount is PLN 12 539 923.

The construction of the prototype is carried out under the contract of December 10, 2013 for the execution and financing of the above-mentioned project, concluded by a consortium which, apart from the Company, includes the Stanisław Staszic AGH University of Science and Technology in Kraków and ANew Institue Sp. z o. o

After resolving the technical problems of the power plant wing, which occurred in October 2018, and then after its repair and modernising the path, *as well as the modification and replacement of the external rocker arms of the supporting trolleys*, the power plant was commissioned in the first quarter of 2021.

In 2021, the construction acceptance of the power plant was carried out and a confirmation was obtained from the Provincial Inspector of Building Supervision in Katowice, authorizing the plant to operate. In addition, a notification was made to PINB in Tarnowskie Góry and a confirmation was obtained authorizing the operation of the ŚN 21 kV cable line supplying the power plant from TAURON network.

Completion of construction was reported to the Headquarters of the Air Traffic Services of the SRRP and received confirmation of the notification.

At the same time, it should be emphasized that the current state of knowledge does not allow for the assumption of a commercialization forecast (entry included in the "Report on the implementation as part of the NCBR pilot project entitled "Support for scientific research and development works in the Demonstrator + demonstration scale" of 16 July 2020). The choice of the method of commercialization will be possible after conducting tests and appropriate certification.

NOTE 26 - Book value per 1 share
The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (PLN 3,374,337 thousand: 5,580,267 shares = PLN 604.69).

Revenues from the sale of products, goods and materials

NOTA 27a - REVENUES FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS	w tys. zł	
	2021	2020
1. net revenues from the sale of products	4 532 147	3 244 824
2. net revenues from the sale of goods and materials	142 022	76 226
Total net revenues from sales	**4 674 169**	**3 321 050**

NOTE 27b - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousand x PLN	
	2021	2020
- transformer sheets	1 058 484	689 368
- toroidal coreshydrogen	15 769	12 210
- hydrogen	4 982	4 700
- steel sheets, hot-rolled and cold-rolled strips	117 273	37 599
- cold formed profiles	731 670	437 439
- road barriers	116 198	99 737
- steel structures, including door and door frames	21 213	71 840
- galvanized banding steel and galvanized wire	97 450	58 799
-zinc	1 068 162	859 355
- alloys	879 176	622 607
- flotation galena	19 657	65 491
- suplhuric acid	17 779	17 299
- dolomite	6 671	16 214
- Zn-Pb-Ag concentrate	24	129
- refined lead	126 173	96 704
- Dore metal	85 374	53 610
- other products	90 497	53 327
- services	75 594	48 396
Net revenues from sales of products, total	**4 532 147**	**3 244 824**

NOTE 27c - NET INCOME FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousand x PLN	
	2021	2020
a) country	**2 259 735**	**1 639 439**
- transformer sheets	61 336	46 207
- toroidal cores	4 974	3 972

- hydrogen	4 982	*4 700*
- steel sheets, hot-rolled and cold-rolled strips	81 619	*24 951*
- cold formed profiles	509 584	*313 065*
- road barriers	72 564	*67 837*
- steel structures, including door and door frames	15 629	*68 260*
- galvanized banding steel and galvanized wire	56 831	*33 865*
-zinc	523 770	*430 870*
- alloys	694 340	*520 041*
- suplhuric acid	8 596	*9 663*
- dolomite	6 671	*16 214*
- refined lead	89 215	*20 132*
- concentrate	24	*129*
- others	77 975	*45 387*
- services	51 627	*34 146*
b) export	**2 272 412**	**1 605 385**
- transformer sheets	997 148	*643 161*
- toroidal cores	10 795	*8 238*
- hydrogen	0	*0*
- steel sheets and hot- and cold-rolled strips	35 654	*12 648*
- cold formed profiles	222 086	*124 374*
- road barriers	43 634	*31 900*
- steel structures, including door and door frames	5 584	*3 580*
- galvanized banding steel and galvanized wire	40 619	*24 934*
-zinc	544 392	*428 485*
- alloys	184 836	*102 566*
- flotation galena	19 657	*65 491*
- suplhuric acid	9 183	*7 636*
- refined lead	36 958	*76 572*
- Dore metal	85 374	*53 610*
- other products	12 522	*7 940*
- services	23 967	*14 250*
Net income from sales of products, total	**4 532 147**	**3 244 824**

NOTE 27d -Net revenues from sales of goods and materials (material structure – types of activities)	**thousand x PLN**	
	2021	**2020**
a) goods	*70 926*	*48 616*
b) technological waste	*47 027*	*25 256*
c) other materials	*24 069*	*2 354*
Net revenues from sales of goods and materials, total	**142 022**	**76 226**

NOTE 27e - Net revenues from sales of goods and materials (TERRITORIAL STRUCTURE)	thousand x PLN	
	2021	2020
1. country	**118 057**	**64 246**
a) goods	*46 997*	*36 646*
b) technological waste	*47 027*	*25 256*
c) other materials	*24 034*	*2 344*
2.) export	**23 964**	**11 980**
a) goods	*23 929*	*11 970*
b) other materials	*35*	*10*
Net revenues from sales of goods and materials, total	**142 022**	**76 226**

Costs of products, goods and materials sold

NOTE 28a - Costs of products, goods and materials sold, including:	w tys. zł	
	2021	2020
1. manufacturing cost of products sold	**3 743 473**	2 833 023
2. value of goods and materials sold	**110 964**	66 065
Costs of products, goods and materials sold, total	**3 854 437**	**2 899 088**

NOTE 28b - Costs by type – cost of manufacture of products sold	thousand x PLN	
	2021	2020
1. amortization	**172 456**	**166 705**
2. consumption of materials and energy	**3 129 259**	**2 160 553**
3. external services	**328 578**	**326 639**
4. taxes and fees	**45 950**	**46 766**
5. payroll	**398 615**	**452 822**
6. social insurance and other benefits	**106 408**	**124 321**
7.other costs by type (due to)	**31 264**	**16 605**
a) business trips	*1 561*	*1 406*
b) property insurance	*4 098*	*4 021*
c) representation and advertising	*1 873*	*1 381*
d) trainings	*520*	*483*
e) other	*23 211*	*9 313*
Costs by type, total	**4 212 529**	**3 294 410**
Change in stocks, products and accruals	-204 716	-218 085
Cost of manufacture of goods produced for own purposes (negative value)	-15 767	-9 296
Internal rotation	-1 739	-713
Selling costs (negative value)	**-84 886**	**-80 390**
General and administrative costs	**-161 950**	**-152 902**
Cost of manufacture of products sold	**3 743 473**	**2 833 023**

NOTE 29 - Other operating revenues	thousand x PLN	
	2021	2020
1. profit from transfer of non-financial fixed assets	**39 929**	**3 191**
2. reversed provisions (due to)	**27 408**	**19 161**
a) doubtful receivables	*11*	*0*
b) retirement benefits and payroll	*1 313*	*4 305*
c) predicted CO_2 emissions, energy origin certificates	*13 796*	*8 988*
d) other provisions	*666*	*2 818*
e) revaluation of inventories	*11 622*	*3 050*
3. other, including:	**327 781**	**73 003**
a) payment of adjudicated court fees	*191*	*61*
b) revenues due to not collected payroll	*17*	*0*
c) refund from the State Fund for Rehabilitation of the Disabled	*135*	*152*
d) compensation received	*1 679*	*784*
e) income from revaluation of fixed assets	*0*	*0*
f) working capital surpluses	*150*	*38*
g) rental income	*691*	*570*
h) settlement of negative goodwill	*0*	*0*
i) write-off of liabilities	*6*	*20*
j) revenues from the redemption of CO2 emission rights	*140 936*	*46 634*
k) termination of a contingent liability	*160 531*	
l) other	*23 445*	*24 744*
including covid	*36*	*11 050*
4. subsidies	**1 213**	**381**
5. Updating the value of non-financial assets	**0**	**36 505**
Other operating revenues, total	**396 330**	**132 241**

The Other item includes revenues from the sale of scrap and a write-off of subsidies in proportion to depreciation.

NOTE 30 - Other operating costs	thousand x PLN	
	2021	2020
1. loss from transfer of non-financial fixed assets	**10**	**15 608**
2. revaluation of non-financial assets	**1 681**	**4 801**
3. reserves (due to)	**64 121**	**28 967**
a) doubtful receivables	*309*	*65*
b) bonus for clinics	*346*	*1 665*
c) landfill reclamation	*0*	*55*
d) compensations/damages	*203*	*114*
e) finished products value reduction	*17 414*	*472*
f) mining plant liquidation	*33 066*	*10 496*
g) employee benefits	*-101*	*4 598*
h) reclamation of post-excavation areas	*449*	*436*
i) energy origin certificates	*12 435*	*11 066*

4. other, including:	**270 167**	**75 448**
a) donations and optional contributions	*1 533*	*1 750*
b) costs of court proceedings	*72*	*489*
c) penalties, fines, compensations	*156*	*165*
d) shortages in financial resources	*510*	*69*
e) value of written-off receivables	*1*	*56*
f) value of fixed assets liquidation	*0*	*0*
g) cost of unutilized production capacity	*877*	*2 373*
h) costs of road barrier tests	*548*	*1 136*
i) lease costs	*958*	*1 746*
j) value of scrapped materials	*14 743*	*7 399*
k) redemption of the granted CO2 emission rights	*140 936*	*45 452*
l) others	*109 833*	*14 815*
Other operating costs, total	**335 979**	**124 825**

The item Established provisions presents, inter alia, provision for the costs of decommissioning the mining plant opened by a subsidiary in the amount of PLN 33,066 thousand in the Other item there is an additional reserve for mining damage related to the liquidation of the mine and sinkholes in the amount of PLN 73,500 thousand and a write-off of Gradir goodwill made by ZGH Bolesław in the amount of PLN 17,973 thousand.

NOTE 31 - Financial revenues	**thousand x PLN**	
	2021	**2020**
1.interest income, including:	**1 688**	**3 591**
2. profit on disposal of investments	**0**	**3 999**
3. exchange rate differences (the excess of negative over positive)	**13 026**	**13 486**
a) realized	*16 176*	*3 845*
b) unrealized	*-3 151*	*9 641*
4. released provisions, due to	**0**	**6 262**
a) interests	*0*	*7*
b) fulfilment of commitments due to the HRC Agreement	*0*	*6 255*
5. other, including:	**22**	**43**
a) dividend received	*0*	*0*
b) balance-sheet valuation of investments	*0*	*0*
c) profit from bargain purchase	*0*	*0*
d) adjusted purchase price of shares consolidated by equity method	*0*	*0*
e) other	*22*	*43*
6. contingent liabilities from the purchase of ZGH - for the next year	***0***	**18 367**
Financial revenues, total	**14 736**	**45 748**

NOTE 32 - Financial expenses	thousand x PLN	
	2021	2020
1. due to credits and loans	**5 049**	**5 301**
2. other interests	**5 457**	**5 148**
including interest on leasing	***4 835***	*4 589*
3. Loss on disposal of investments	**14 564**	**0**
4. released provisions, due to	**51**	**237**
a) accrued but not paid interests	*51*	*237*
5. other, including	**5 892**	**7 616**
a) surplus of negative exchange rate differences over the positive ones	*2 787*	*3 953*
b) unrealised exchange rate differences	*0*	*0*
c) other	*3 105*	*3 663*
Financial expenses, total	**31 013**	**18 302**

Current and deferred income tax

NOTE 33 - Current and deferred income tax	thousand x PLN	
	2021	2020
1. Gross profit (loss)	582 115	249 807
2. Consolidation adjustments	44 506	-12 927
3. Differences between gross profit (loss) prior to income tax (by titles)	-154 709	-42 133
- companies' gross loss	-9 491	-13 359
- amortization of tangible and intangible deductible expenses	24 271	7 587
- donations and voluntary contributions	1 518	1 441
- provision for receivables	2 199	-383
- release of provision for retirement benefits	-21 123	-14 599
- PFRON	5 482	6 486
- leasing instalment	-3 358	-3 648
- write-off from revaluation of inventories and long-term investments	-4 148	-15 743
- cost regarding provisions for retirement benefits	13 966	16 727
- costs of assets liquidation	-16 811	12 352
- cash and accounts balance sheet valuation	285	-2 715
- social insurance for November and December '2020' and paid in January and February '2021'	-10 772	-12 886
- social insurance for November and December '2021' and paid in January and February '2022'	9 522	12 602
- costs of representation	697	533
- reconciliation of losses from previous years	-38 814	-26 178
- dividends received	-246	0
- provision for claims	0	-6 243
- other	-107 887	-4 105
4. Taxable income	471 913	194 747
5. Income tax at the rate 19%	470 247	165 560
6. Income tax base 9%	1 665	3 468
7. Income tax at the rate of 19%	90 551	33 931
8. Income tax at the rate of 9%	150	312
9. Increases, omissions, exemptions, deductions and tax reductions	108	-307
10. Tax current income included in the tax return of the period	90 864	33 923
a) shown in the profit and loss account	*88 403*	*39 745*

b. Deferred income tax	6 621	5 822
11. Effective income tax rate	14,33%	17,78%
12. Tax difference resulting from permanent differences between gross profit and the tax base	28 685	2 377
13. The difference between the tax at the rate of 19% and 9%	167	347
14.Effective tax rate after taking into account the differences in points 9 and 10	19,00%	19,00%

The increase in permanent differences results from the increase in the costs of redemption of free CO_2 at ZGH Bolesław.

NOTE 34a - PROFIT (LOSS) NET	thousand x PLN	
	2021	2020
a) parent company net profit (loss)	*220 063*	*54 843*
b) subsidiary companies net profit (loss)	*179 966*	*139 250*
c) consolidation adjustments	*128 700*	*-10 317*
d) profit from bargain purchase	*0*	*0*
Profit (loss) net	**528 729**	**183 776**

NOTE 34b - PROFIT SPLIT

The parent company's net profit for the financial year 2020 in the amount of PLN **54,843,411.16** was divided by the General Meeting as follows:
- reserve capital PLN 21,361,809.16
- dividend of PLN 33,481,602.00

Proposed distribution of the net profit for the reporting period in the amount of PLN **220,062,879.55** thousand:
- reserve capital PLN 153,099,675.55
- dividend of PLN 66,963,204.00

NOTE 35 - Profit per 1 share

For the calculation of profit per one common share, the stock of 5,580,267 items. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Therefore, no ratio of diluted profit per ordinary share is not calculated. Profit (loss) for one ordinary share was PLN 94.75.

Total income

NOTE 36-TOTAL INCOME	thousand x PLN	
	2021	2020
Net result	528 728	183 776
The effective portion of a cash flow hedging in accordance with IFRS 9	-125 579	-59 872
Including: The effective portion of a cash flow hedging in accordance with IFRS 9 attributable to minority shareholders	-9 582	*-4 210*
including impact on income tax	29 608	*13 919*
gains and losses on translating line items in the financial statements of the foreign operations unit	**13 262**	**11 960**
Including: Gains and losses on the translation of items in the financial statements of the foreign operation unit attributable to non-controlling shares	**-8**	*140*
Total income together	**416 411**	**135 864**
Total income attributable to equity holders of the parent unit	416 733	128 912
Total income attributable to minority shareholders	-322	6 952

6. Reporting by segments

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

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

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

- for which there is separate financial information available.

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

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

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

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

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

Transformer sheets segment includes transformer metal sheets and toroidal cores.

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

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

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

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

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

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

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

Required information on operating segments for the year 2021 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2021	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	**1 079 235**	**905 707**	**2 321 429**	**367 798**	**4 674 169**
Domestic	71 292	636 084	1 399 664	270 754	**2 377 794**
Export	1 007 943	269 623	921 765	97 044	**2 296 375**
Segment Costs	**866 749**	**782 648**	**1 989 528**	**300 399**	**3 939 324**
Segment Result	**212 486**	**123 059**	**331 901**	**66 904**	**734 845**
Other Operating and Financial Revenues Non-Attributable to the Segment					276 549
Other General, Operating and Financial Costs Non-Attributable to the Segment					394 262
Gross Profit					**617 132**
Income Tax					88 405
Net Profit					**528 727**
Segment Assets	1 173 276	821 143	2 362 067	419 990	4 776 477
Assets Non-Attributable to the Segment					68 543
Total Assets					4 845 022
Liabilities	288 557	228 441	830 896	82 788	1 430 682
Contingent Liabilities					40 000
Total Liabilities					1 470 682
Investment Outlays	7 717	6 610	92 864	9 235	116 426
Depreciation	37 613	18 747	104 815	15 868	177 043

The amount of write-downs in individual segments:
Sheet Segment: The write-off on the opening balance was PLN 1,242 thousand in 2021, a write-off for finished products was created in the amount of PLN 784 thousand and released in the amount of PLN 1 360 thousand, the final state of the write-off is PLN 666 thousand.

Profiles Segment: The write-off on the opening balance was PLN 3,842 thousand in 2021, a write-off for finished products was created in the amount of PLN 26 691 thousand and released in the amount of PLN 21 003 thousand, the final state of the write-off is PLN 9 530 thousand.

In the Zinc segment: The value of write-offs for finished products at the opening balance was PLN 1,857,000. In the reporting period, the write-off updating the value of finished products to the level of net realizable value in the amount of PLN 2,121 thousand was released and the revaluation write-off was created in the amount of PLN 3,185,000, presented in the income statement under the item update of non-financial assets.
The final state of the revaluation write-off for finished goods is PLN 2,921 thousand. In the zinc segment, goodwill was written off in the amount of PLN 17,973 thousand.

Itemization 2020	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	**706 278**	**565 248**	**1 813 198**	**236 326**	**3 321 050**
Domestic	54 879	405 853	1 050 913	191 095	1 702 740
Export	651 399	159 395	762 285	45 231	1 618 310
Segment Costs	644 030	552 200	1 564 928	218 319	2 979 478
Segment Result	**62 248**	**13 048**	**248 270**	**18 007**	**341 572**
Other Operating and Financial Revenues Non-Attributable to the Segment					177 980
Other General, Operating and Financial Costs Non-Attributable to the Segment					296 031
Gross Profit					**223 521**
Income Tax					39 745
Net Profit					**183 776**
Segment Assets	962 774	640 672	2 236 531	492 789	4 332 466
Assets Non-Attributable to the Segment					36 884
Total Assets					4 369 350
Liabilities	245 268	194 484	658 565	71 098	1 169 415
Contingent Liabilities					277 748
Total Liabilities					1 447 163
Investment Outlays	3 499	2 099	189 416	14 945	209 959
Depreciation	39 996	19 029	91 520	16 272	166 817

The amount of write- Sheet Segment:
The write-off on the opening balance was PLN 824 thousand in 2020, a write-off for finished products was created in the amount of PLN 1,527 thousand and released in the amount of PLN 1,109 thousand, the final state of the write-off is PLN 1,242 thousand.

Profiles Segment: The write-off on the opening balance was PLN 5,110 thousand in 2020, a write-off for finished products was created in the amount of PLN 8,184 thousand and released in the amount of PLN 9,452 thousand, the final state of the write-off is PLN 3,842 thousand.

In the Zinc segment: The value of write-offs for finished products at the opening balance was PLN 21,548 thousand and in the reporting period, the revaluation of fixed assets under construction was reversed in the amount of PLN 13 282 thousand.

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules of their valuation

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the accounting books when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.
The main financial instruments used by the Group include bank credits and short-term deposits, as well as derivative instruments recognized in accordance with the hedging policy. The main purpose of these instruments is to raise funds for business activities and to hedge cash flows. The companies also have other financial instruments, such as cash, trade payables that arise directly in the course of their operations and long-term loans. In addition, the Companies hold shares in other entities, which constitute long-term investments.
Financial instruments at the time of entry into accounting books are measured at a cost (purchase price), which is the fair value of the payment made. Transaction costs directly attributable to the transaction are recognized at the initial cost of the financial instruments.
After initial recognition at fair value, financial instruments are classified into one out of three categories and measured as follows:

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

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

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

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

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

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

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

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

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

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

Item	Category acc. to IFRS 9	2021	2020
Shares and stocks	*fair value through financial result*	181	442
Trade receivables (net)	*amortised cost*	701 199	442 445
Other receivables (without public-law)	*amortised cost*	22 458	9 818
Cash and cash equivalents	*amortised cost*	492 253	436 392
Loans	*amortised cost*	14 721	17 222
Securities	*amortised cost*	96 069	76 770
Total financial assets		**1 326 881**	**983 089**
Trade liabilities	*amortised cost*	451 455	291 469
Credits and loans	*amortised cost*	82 731	118 452
Total financial liabilities		**534 186**	**409 921**

As at December 31, 2021, the fair values did not differ from the book values. As at December 31, 2021, the qualification test did not show a significant impact of IFRS 9 on the value of receivables, and the measurement of loans granted at amortized cost showed no significant differences. Other financial assets in the amount of PLN 2,280 thousand and liabilities in the amount of PLN 165,838 thousand included in hedge accounting is described in detail in the paragraph: explanations to balance sheet items related to financial instruments. The fair value of shares and stocks determined at level 3.

Fair value hierarchy

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

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

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

The purpose and policy of risk management and measurement methods.

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

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

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

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

Credit and contractual risk

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

In order to perform a classification test for the purposes of IFRS 9, to determine the ratio of non-performance of liabilities and forecast the amount of the allowance for receivables, an analysis of turnover with customers was carried out in the period from January to December 2018. The Company conducts a credit risk management policy based on the Credit Procedure, which defines the rules for granting credit limits. In the process of risk identification, customers are assigned to a specific group determining its level, and if the level is too low to accept the limit applied for, negotiations are undertaken in order to obtain hedge.

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

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

Group's share in balances of receivables from operating segments as at 31.12.2021					
Segment	Group I	Group II	Group III	Others	Total
Electrotechnical sheets	51%	35%	6%	8%	100%
Profiles	54%	28%	9%	9%	100%
Zinc	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in 2021					
Segment	Group I	Group II	Group III	Others	Total
Electrotechnical sheets	45%	42%	12%	1%	100%
Profiles	55%	30%	8%	8%	100%
Zinc	100%	0%	0%	0%	100%

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 605,733 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 12 months 2021 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 5.6 %.

THE HEDGINGS ADOPTED			thousand x USD/EUR/PLN					
			31.12.2021			31.12.2020		
No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	109	PLN	**109**	42	PLN	**42**
2	Bank guarantees and letters of credit	credit /contractual	7 460	EUR	**34 312**	3 125	EUR	**13 371**
3	Bank guarantees and letters of credit	credit/contractual	1 645	USD	**6 679**	5 769	USD	**21 909**
4	Sureties	credit/contractual	0	PLN	**0**	0	PLN	**0**
5	Sureties	credit/contractual	19 600	EUR	**90 148**	14 850	EUR	**63 239**

6	Sureties	credit/contractual	0	USD	**0**	0	USD	**0**
7	Pledges and mortgages	credit/contractual	21 616	PLN	**21 616**	19 008	PLN	**19 008**
8	Pledges and mortgages	credit/contractual	0	EUR	**0**	500	EUR	**2 129**
	Total value of securities in PLN				**152 863**			**119 697**

Liquidity risk

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

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

The details concerning the credit line limits, credit-to-debt ratios and the remaining conditions were presented in 24 note.

Market Risk

Exchange Rates Risk

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

As of 31.12.2021 the following data were provided in the Consolidated Balance Sheet:

loans granted – PLN 14,721 thousand,

cash – PLN 492,254 thousand,

long-term credits and loans – PLN 20,376 thousand,

short-term credits and loans – PLN 62,355 thousand.

An increase in interest rates will result in an increase in income from interest on loans granted and free funds. At the same time, there will be an increase in costs related to external financing. Due to the structure of the balance sheet as at December 31, 2021, the risk of an increase in interest rates does not pose a threat related to an increase in the costs of financing financial debt.

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

Due to the higher value of assets depending on the value of interest rates, possible increases in interest rates will have a positive impact on the financial result of the period.

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2021	2020
Exchange rate increase by 50 basis points		
Impact on the gross result	2 105	1 676
Exchange rate decrease by 50 basis points		
Impact on the gross result	-2 105	-1 676

Currency Risk

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

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

As of 31.12.2019, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 8d and 22b notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2021	2020
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	19 066	6 688
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	-19 066	-6 688

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

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 31.12.2021			PLN thousand		
Cash Flow Hedging	forward	$148 404 050,00	-41 960	-41 960	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 1 200 000,00	-44	-44	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies		0	0	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (forward synthetic)	€ 2 400 000,00	-399	-417	risk from EUR/PLN exchange rates

Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH "Bolesław" S.A. pursues an active commodity (Zn and Pb) risk management policy, using various derivative instruments. For metal prices risk management the following transactions are concluded: swap transactions (fixed to float, float to float), options or option strategies, forward contracts. Relationships were determined for the period from January 2022 to October 2024 year.

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 31.12.2021 (zinc)			PLN thousand		
Cash Flow Hedging	swap	18 300	-55 157	-55 157	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	34 800	-61 829	-61 829	Price Change Risk Zn LME in USD
Active commodity hedging instruments as of 31.12.2021 (lead)			PLN thousand		
Cash Flow Hedging	swap	3 150	-2 263	- 2 263	Price Change Risk Pb LME in PLN
Active commodity hedging instruments as of 31.12.2021 (silver)			PLN thousand		
Cash Flow Hedging	swap	45 000	669	669	Price Change Risk Ag LMBA

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

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

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

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

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

Security accounting

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

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

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	**PLN thousand**	
	31.12.2021	**31.12.2020**
Long-Term investments	199	2 034
Short-Term Investments	98 149	95 274
TOTAL, including:	**98 348**	**97 308**
a) valuation of derivative transactions	2 280	20 537
b) securities	96 068	76 770

Explanation Referring to the Item: Liabilities (Payables) in respect of:	**PLN thousand**	
	31.12.2021	**31.12.2020**
Contracts for Hedging Transactions (Note 16a)	38 926	1 816
Conclusions of Currency Option Transactions (Note 17a)	132 066	24 657
Adjustment by the amount of settlements with brokers in respect of the finalized transactions	-5 154	421
TOTAL	**165 838**	**26 894**

Valuation of Derivative Transactions	PLN thousand			
	31.12.2021		31.12.2020	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	91	117 322	4 748	23 470
Commodity Transactions - Lead	0	2 263	0	0
Currency Transactions - USD/PLN EUR/PLN	1 520	46 254	15 756	2 138
Commodity Transactions- Silver	669	0	33	1 287
Total	**2 280**	**165 839**	**20 537**	**26 895**

Securities	PLN thousand	
	31.12.2021	31.12.2020
Corporate bonds:	**61 878**	**40 000**
-PKO Bank Hipoteczny S.A	23 456	40 000
-PEKAO Faktoring S.A	19 983	0
-PKO Leasing S.A	18 440	0
Shares in Investment Funds	**34 190**	**36 770**
- Quercus Ochrony Kapitału	2 006	3
- Quercus Obligacje Skarbowe	2 796	3 088
- Generali Aktywny Dochodowy FL	0	1 358
- Quercus Dłużny Krótkoterminowy	2 995	0
- Generali Korona Dochodowy FL	0	5 562
- Generali Aktywny Dochodowy	26 393	26 759
Total	**96 068**	**76 770**

Division of Hedging Instruments	PLN thousand			
	31.12.2021		31.12.2020	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**1 638**	**162 622**	**17 597**	**23 089**
Commodity Transactions - zinc	*91*	*117 077*	*4 411*	*19 923*
Commodity Transactions - lead	*0*	*2 263*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*878*	*43 282*	*13 153*	*1 879*
Commodity Transactions - Silver	*669*	*0*	*33*	*1 287*
Trade Instruments	**642**	**3 216**	**2 941**	**3 805**
Commodity Transactions- zinc	*0*	*244*	*337*	*3 547*
Commodity Transactions - lead	*0*	*0*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*642*	*2 972*	*2 604*	*258*
Commodity Transactions - silver	*0*	*0*	*0*	*0*
Total	**2 280**	**165 838**	**20 538**	**26 894**

Financial Report Presentation of Applied Derivative Instruments

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.12.2021	31.12.2020
Sales of Products Adjustment	*-54 252*	*55 310*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*-2 546*	*-3 262*
Gains/Loss on Sale of Investments	*-14 564*	*3 999*
Total	**-71 362**	**56 047**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.12.2021	31.12.2020
Commodity Transactions	*-61 586*	*95 961*
Currency Transactions	*-1 623*	*-31 985*
Total	**-63 209**	**63 976**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.12.2021	31.12.2020
Sales Increase	*8 133*	*92 784*
Sales Decrease	*-62 385*	*-37 474*
TOTAL	**-54 252**	**55 310**

8. Capital management

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

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

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

Debt is understood as long-term and short-term debt presented in the notes 20 and 24.

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2020	2021
Debt	*82 731*	*118 451*
Cash	*-492 254*	*-436 392*

Net Debt	*-409 523*	*-317 941*
Equity	*3 371 213*	*2 881 081*
Net Debt Relation to Equity	**-12,15%**	**-11,04%**

In the reporting period the increase of net profit per share was recorded, the maximization of which is a strategic goal for Stalprodukt. The net profit per share decreased from PLN 94.75 in 2021 to PLN 32.93 in 2020.

Changes in equity for the years 2021 and 2020 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2021, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, didn't change and is taking out 0.69.

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

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

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

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

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

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

9. Transactions with entities related to the Capital Group

Affiliates:

SPECIFICATION	in thous. zloty			
	mutual settlements		mutual income and costs	
	receivables	liabilities	revenues	costs
Stalnet Sp. z o.o.	5	15	303	144

Entities with joint control or significant influence over the entity

SPECIFICATION	in thous. zloty			
	mutual settlements		mutual income and costs	
	receivables	liabilities	revenues	costs
Stalprodukt-Profil SA.	2		236	
STP Investment SA	1		11	

- joint ventures in which the entity is a partner in a joint venture - there were no transactions
- key management personnel of the entity or its parent company - no transactions occurred
- other related entities - there were no transactions

10. Changes in the Issuer's Ownership Structure

In comparison to 2020, constituting a comparable period to this consolidated financial statement, the following changes occurred in the structure of the Issuer's Capital Group:

1. In connection with the entry into force in the Czech Republic on January 1, 2021 of the amendment to the Act on Commercial Companies 33/2020 Sb and in order to avoid problems related to the interpretation of the new regulations, Stalprodukt S.A., as the sole shareholder of GO Steel Frydek-Mistek a.s., made the decision to change the existing system of the internal structure of the company (the so-called one-tier one, with the statutory director and the management board) to a dual system (in which the management board and supervisory board operate), i.e. a system also known in Poland under the provisions of the Commercial Companies Code In connection with the above, on December 16, 2020, the necessary changes were made to the statute of GO Steel Frydek Mistek a.s., with the simultaneous change of the company's name to GO Steel a.s. The changes entered into force on January 1, 2021.
2. Due to the completion by the Company of the construction of the 5-star Ferreus Hotel in Kraków, on March 9, 2021, the articles of association of the company Hotel Ferreus Sp. z o.o. were drawn up. The share capital of this company is PLN 500 thousand and is divided into 500 shares with a nominal value of 1 thousand PLN each, which were fully covered by Stalprodukt S.A. as its sole partner.

On June 17, 2021, the National Court Register registered the company. The company Hotel Ferreus Sp. z o.o. was established to conduct hotel activities on the basis of a lease agreement for the facility in question. Due to the coronavirus pandemic, the Company withheld the launch of the hotel. The currently expected date of commencement of operations is the 1st quarter of 2022. The facility has a permit for use by the County Construction Supervision Inspector - Grodzki County, and a positive position in the field of fire protection of the Municipal Commander of the State Fire Service in Krakow. The hotel has a total of 71 accommodation units. The total planned expenditure on its construction based on the investor's cost estimates was determined at the level of PLN 66 million. The expenditure actually incurred amounted to PLN 58.9 million. Despite the establishment of the special purpose vehicle, the Issuer's Management Board does not rule out other forms of running the hotel business (i.e. directly by Stalprodukt S.A.).

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

   In turn, on October 1, 2021, Stalprodukt took over the commercial teams in their structures and the scope of their tasks, thus the activity of the subsidiary as an Agent was terminated.

   The changes introduced in the distribution of the Profiles Segment products are aimed at improving the efficiency of finished goods warehouse management and reducing the costs related to the sales network, as well as increasing the segment's sales efficiency.

   In the opinion of the Management Board, this decision does not constitute a discontinuation of operations in accordance with the International Accounting Standards.

In the structure of the Issuer's Capital Group in 2021, there were no other mergers, acquisitions or sale of units, long-term investments, division, restructuring or abandonment of operations, except for those listed in this report.

Impact of the COVID-19 coronavirus pandemic on the Company's situation

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

a) Sheets Segment

Contrary to 2020, which was the first year of the COVID-19 coronavirus pandemic, the Company did not experience its negative effects in this operating segment in the reporting period.
In particular, the low sickness absence related to the coronavirus allowed for the uninterrupted operation of all basic production installations and the implementation of sales plans. In addition, all restrictions related to the operation of production plants in companies that are the Company's customers, introduced in 2020 (especially in the first months of the pandemic), have been cancelled. Previous severe restrictions related to the functioning of transport and supply chains have also been eliminated, although sea freight prices remained at a very high level.

b) Profiles Segment

A similar situation occurred in the Profiles Segment, which in 2020 was most affected by the negative effects of the closure of the Polish economy and foreign target markets (collapse of demand at the turn of April and May 2020, caused by the cessation of production and the closure of plants belonging to the segment's customers). In particular, the areas related to the automotive, furniture and steel construction industries should be mentioned.
This situation has improved considerably last year. Low sickness absence also in this operating segment was conducive to ensuring the necessary staffing on production lines, all restrictions were also cancelled for Stalprodukt customers. The impact of COVID-19 on production and sales results was therefore less and less noticeable.
Summing up the impact of the COVID-19 Coronavirus on the Issuer's operations, it should be emphasized that in 2021 this impact on the operations of both operating segments was much weaker than in 2020. The number of employees on sick leave or in quarantine due to the coronavirus has clearly decreased.
Plants belonging to the recipients of products of all operating segments did not encounter any significant restrictions in their activities in this period. The widespread vaccination against COVID-19 was certainly conducive to this, as well as remote work of some employees (this applies to administrative departments). The Management Board of the Company does not expect the situation to deteriorate in this respect in 2022, which means that the impact of the COVID-19 pandemic on the operations of both Stalprodukt production segments should remain insignificant.

c) Zinc Segment

In 2021, the activities of the Zinc Segment were not exposed to high risk related to the COVID-19 pandemic. The Management Board of the largest entity in this Segment - ZGH "Bolesław" S.A. - has taken a number of steps to reduce the risks of the COVID-19 pandemic in order to ensure continuity of production, supply chain or adequate human resources. In the opinion of the Management Board of ZGH, the COVID-19 pandemic did not have a significant impact on the entity, as well as on the entire Zinc Segment, and most likely, this impact will remain insignificant in the near future.

Events after the balance sheet date

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

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

The main direction of supply of charge materials for Stalprodukt (including mainly hot-rolled sheets) are mills belonging to the ArcelorMittal concern, located in Poland and Western Europe. The company makes only supplementary purchases of charge from mills in Ukraine and Russia (this applies only to the Profiles Segment). Purchases from the above-mentioned countries accounted for 5.94% in 2020 and 9.73% of material purchases, respectively. For the first two months of 2022 until the beginning of the armed conflict, the value of purchases accounted for 5.96% of total material purchases.

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

At the same time, the Management Board declares that as at the moment of submitting this report, there are no significant disruptions in the scope of: decrease in revenues, loss of clients or shortage of employees. The solvency, liquidity and collection of receivables also remain unchanged, and price fluctuations in the case of the zinc segment are secured in the form of forward transactions. As at the date of this report, these are the only effects of the political and economic situation in Ukraine that may affect the Issuer's operations. Due to the high dynamics of the development of the situation, it is difficult to predict other possible financial consequences that may occur in the long term. In the opinion of the Issuer, these values do not constitute material items and do not adversely affect the financial situation of the Stalprodukt S.A. Capital Group.

Statement of the subsidiary ZGH "Bolesław" S.A. regarding the dispute related to the method of liquidation of the mine

The Management Board of Zakłady Górniczo-Hutnicze “Bolesław” S.A. declares that theliquidation process of the “Olkusz-Pomorzany” Mine has been planned and is proceeding in accordance with the law and under the supervision of the mining office, and the Company has obtained all the necessary decisions required by law. The Minister of Climate and Environment, as the licensing authority for the Olkusz-Pomorzany Mine, announced the expiry of the mining licenses on the basis of which the Zn-Pb ore mining was carried out. A statement on the expiry of the concession was issued pursuant to Art. 38 sec. 1 point 5 - the Geological and Mining Law (Journal of Laws of 2020, item 1064, as amended), i.e. after the entrepreneur has renounced the concession. The liquidation process takes place on the basis of the Plan of the Liquidated Movement of the Underground Mine "Olkusz-Pomorzany" for the years 2021-2025, approved by the decision of the Director of the District Mining Office in Krakow. The process of closing the mine in the ecological aspect is controversial according to several "ecologists" who question all activities of the company in the matter in question, but so far none of the institutions involved in the issuance of decisions and permits has in any way questioned the conduct of the liquidation process on the basis of the decision of the Director of the District Office Górniczy in Kraków on December 23, 2020. Ref. no. KRA.9200.13.2020.MM), approving the Plan for the Operation of the Liquidated Underground Mine "Olkusz-Pomorzany" Mine for the years 2021-2025.

Suit for the payment of compensation for mining damage

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

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

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

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

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

The above state means that at present it has been legally decided that the company ZGH "Bolesław" S.A. is liable for damages to Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. for the effects on water conditions related to the future shutdown of the drainage of the "Olkusz-Pomorzany" Mine and the resulting cessation of water supply to its channels and for possible contamination of groundwater.

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

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

On November 15, 2021 ZGH "Bolesław" S.A. issued a letter to the Court with a request to oblige PWiK sp.z o.o. to submit to the Court and the website documents and information related to the technical operation of the water supply network. District Court, by order of 10/12/2021, granted the application and obliged PWiK sp.z o.o. to submit such information or submit a letter that he will not submit it. From the substantive point of view, it is important that in the letter referred to above, PWiK sp.z o.o. limited the action by approx. 10,000 thous. PLN and is currently demanding the amount of PLN 54 839 thousand. zloty.

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

Moreover, it should be noted that the above-mentioned the judgment is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). This amount was presented in the balance sheet as at December 31, 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A." As at December 31, 2021, the amount of provisions in the subsidiary and at the level of the consolidated financial statements covers 100% of the lawsuit amount.

Joint ventures with other entities

The subsidy is related to the implementation and financing of a project in the area of renewable energy sources, i.e. the construction of a prototype of an innovative wind turbine with a vertical axis of rotation, with a capacity of 1.5 MW. The project was co-financed by the National Centre for Research and Development within the framework of the pilot project *Support for scientific research and development on the demonstration scale DEMONSTRATOR+.* The relevant contract was signed in December 2013 and the planned completion date of the project according to the contract no. UOD-DEM-1-153/001 and later Annexes is 30.06.2018. The final report was also submitted to the NCBiR, which was adopted on February 18, 2020. The total amount of the grant is PLN 12,540 thousand.

The construction of the prototype is carried out under the contract of 10 December 2013 for execution and financing of the above-mentioned of the project, concluded by a consortium, which - apart from the Company - includes the AGH University of Science and Technology Stanisława Staszica in Kraków and ANew Institue Sp. z o.o.

After the failure of the power plant wing, which occurred in October 2018, was repaired and the path modernized, as well as the modification and replacement of the external rocker arms of the supporting trolleys, the power plant was commissioned in the first quarter of 2021.

In 2021, the construction acceptance of the power plant was carried out and a confirmation was obtained from the Provincial Inspector of Building Supervision in Katowice, authorizing the plant to operate. In addition, a notification was made to PINB in Tarnowskie Góry and a confirmation was obtained authorizing the operation of the ŚN 21 kV cable line supplying the power plant from the TAURON network.

Completion of construction was reported to the Headquarters of the Air Traffic Services of the SRRP and the confirmation of the notification was received.

At the same time, it should be emphasized that the current state of knowledge does not allow for the assumption of a commercialization forecast (entry included in the "Report on the implementation as part of the NCBR pilot project entitled Support for scientific research and development works in the Demonstrator + demonstration scale" of July 16, 2020). The choice of the method of commercialization will be possible after conducting tests and appropriate certification.

Differences between the annual report and the QSr_4 / 2021 report

SPECIFICATION	in thous. zloty		
	there was	there is	difference
Profit and loss account			
I. Sales revenues	*4,674,094*	*4,674,169*	*75*
II. Costs of products, goods and materials sold	*3,853,932*	*3,854,437*	*505*
III. Overhead costs	*162,478*	*161,950*	*-528*
III. Other operating income	*236,237*	*396,330*	*160,093*
IV. Other operating cost	200,788	*335,979*	*135,191*
V. Financial revenue	14,710	*14,736*	*26*
VI. Financial costs	*30,744*	*31,013*	*269*
VII. Operating profit	*608,246*	*633,247*	*25,001*
VIII. Gross profit	*592,375*	*617,133*	*24,758*
IX. Net profit	*501,712*	*528,729*	*27,017*
Balance			
I. Fixed assets	**2,424,986**	**2,394,343**	**-30,643**
Intangible assets	72,885	72,415	-470
Tangible assets	2,081,748	2,066,073	-15,675
Right to use assets	122,754	137,750	14,996
Other long-term financial assets	817	13,408	12,591
II. Current assets	**1,917,664**	**2,447,552**	**529,888**
Inventory assets	*987,269*	*995,506*	8,237
Payables	*786,285*	*844,647*	58,362
Cash	*488,782*	*492,254*	3,472
Total assets	**4,823,436**	**4,841,895**	**18,459**
I. Equity	**3,338,986**	**3,371,213**	**32,227**
I. Equity attributable to shareholders of the parent company	*3,230,580*	*3,262,788*	32,208

Retained earnings	*3,302,304*	*3,334,513*	32,209
II. Equity attributable to non-controlling interests	*108,406*	*108,425*	19
III. Liabilities and provisions for liabilities	**1,484,450**	**1,470,682**	**-13,768**
Total liabilities	**4,823,436**	**4,841,895**	**18,459**

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

On April 29, 2022, the Issuer, Stalprodukt S.A., received from Polscy Biegli Sp. z o. o. the report on the audit of the consolidated financial statements of the Stalprodukt S.A. group with the proviso that, except for the legal effects described in the *qualified opinion section,* the attached consolidated financial statements present a true and fair view of the Group's consolidated financial position as at December 31, 2021 and its consolidated result and consolidated cash flows for the financial year ended on that date and is consistent in terms of form and content with the provisions of law applicable to the Group and the Parent's Articles of Association.

The amount of the error adjustment relates to the settlement of contingent liabilities created as part of the purchase price settlement in 2013 related to investments in Gradir Montenegro d.o.o. (PLN 47,165 thousand) and contingent liabilities (PLN 16,696 thousand) and severance pays for employees of the mining division (PLN 13,355 thousand). In previous years, these amounts were disclosed in the consolidated financial statements of the capital group instead of being recognized at the subsidiary level. As at December 31, 2021, the subsidiary has recognized it at the level of the separate statement. Due to incorrect recognition in previous years, the contingent liability in the amount of PLN 77 216 thousand was terminated.

In the opinion of the Issuer, an impairment loss should be included in the separate financial statements of the subsidiary, and not in the consolidated financial statements of the capital group. The same applies to the areas related to the contingent liabilities of the subsidiary and the costs of severance pay for employees of the mining division.

Therefore, the recognition at the level of the subsidiary of the amounts related to the impairment losses on the assets involved in Gradir Montenegro d. o.o., instead of in the consolidated financial statements of the Capital Group, constitutes an erroneous recognition that occurred in previous years. In the opinion of the Management Board, this situation clearly determines the method of recognizing the estimated reserve in equity as profit from previous years and is consistent with the approach presented in IAS 8 regarding errors in previous periods, resulting from a significant omission of this risk in previous years by a subsidiary.

The subsidiary ZGH Bolesław S.A. made write-offs related to the investment in the company Gradir Montenegro d. o.o., i.e.: goodwill PLN 17 973 thousand, shares PLN 30,000 thousand and a loan in the amount of PLN 17 100 thousand. At the level of the consolidated report, the amount has been included in the share part and the loan as an error adjustment. Therefore, the Issuer's Management Board does not agree with the statement that it is a change in the estimated value or the occurrence of new circumstances that would determine the recognition of the provision in question, taking into account the provisions of IAS 8 point 34.

Value of remuneration, awards or benefits paid, due or potentially due, separately for each manager and supervisor

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
Łukasz Mentel	445 557	183 799	114 988	744 344
Total	**2 169 646**	**620 977**	**271 833**	**3 062 456**

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

	Allowance	Remuneration due to performing functions in the authorities of subordinated entities	Total
Sanjay Samaddar	0		**0**
Magdalena Janeczek	84 710		**84 710**
Agata Sierpinska-Sawicz	78 096		**78 096**
Romuald Talarek	78 096		**78 096**
Total	**322 629**		**336 629**

11. Other information

1. In 2021, the Stalprodukt Capital Group did not discontinue any activities of any kind.

2. There were no significant events related to the previous years included in the annual financial statements as at December 31, 2021 that would distort the image of the activities of the financial year 2021.

3. In the reporting period, the Group incurred capital expenditures in the amount of PLN 116,426 thousand. Including the amount of PLN 4,523 thousand for environmental protection. The planned capital expenditures for 2022 will amount to approximately PLN 230,000 thousand. Capital expenditures will be used to finance property, plant and equipment.

4. In the reporting year, the Group did not carry out any joint ventures with other entities, except for those mentioned in item 11 of this statement "Other information - joint ventures with other entities".

5. As at the balance sheet date, Stalprodukt S.A. Capital Group has the following off-balance sheet contingent liabilities:
   - performance guarantee related to the manufacture and installation of road barriers with a total value of PLN 18,967 thousand,
   - guarantees and sureties for bills of exchange granted by ZGH "Bolesław" S.A. in the amount of PLN 2,686 thousand,
   - ZGH "Bolesław" S.A. issued promissory notes in connection with the concluded contracts for financing investment projects with the National Centre for Research and Development for the amount of PLN 60.5 million.
   - ZGH "Bolesław" S.A. issued a promissory note in connection with the contract concluded with the National Centre for Research and Development for the amount of PLN 60.5 million
   - ZGH "Bolesław" S.A. in the IV quarter of 2019 established in the form of bank guarantees a collateral for claims of the waste holder in favour of the Marshal of the Małopolska Province in the total amount of PLN 9,582,000. The collateral in the amount of PLN 9,111.0 thousand applies to the installation of rotary kilns used for the production of zinc concentrate from waste zinc-bearing materials in a roll down process. The second security in the amount of PLN 21.1 thousand relates to installations for the production of electrolytic zinc and its alloys, and the third in the amount of PLN 450 thousand includes an installation for the processing of waste in the recovery process.

6. Average employment:
   - in 2020 the total number of employed persons was 6 090,
   - in 2021 the total number of employed persons was 5 410.
7. The Management Board of STALPRODUKT S.A. (hereinafter referred to as the "Issuer" or "the Company") informs that on March 15, 2022, it received from FCASE limited liability company sp.k. a notification that it sold, under a contract of sale, to a commercial company, 56,600 registered preference shares constituting 1.02% of the share capital and entitling to 283,000 votes at the Issuer's General Meeting, constituting 2.32% of the total votes. After the transaction, it holds 243,410 preference registered shares representing 4.36% of the share capital and entitling to 1,217,050 votes at the Issuer's General Meeting, representing 9.98% of the total vote (CR No. 3 - Sale of a significant block of shares).

8. The remuneration of the auditing company amounted to:
   - for the review of the half-yearly separate financial statement - PLN 20,000;
   - for the review of the half-yearly consolidated financial statement - PLN 18,000;

In addition, the price for the audit of the annual financial statements will be:

- separate financial statement - PLN 50,000;
- consolidated financial statement - PLN 36,000.

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

10. After 31.12.2021, apart from the information contained in this report and in the report of the Management Board of the parent company, no other events not included in the consolidated financial statement for 2021 occurred, which could significantly affect the situation in the Group and its future financial results.

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

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

This consolidated financial statement of Stalprodukt S.A. Capital Group for 2020 was approved for publication by the Management Board of the Parent Company on 29 April 2022.

Bochnia, 29 April 2022.

The person authorised to
keep accounting books

Head of the Accounting
and Tax Department

……………………….. ………………………..

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