

**Statement of the Management Board
on the operations of
the Stalprodukt S. A. Capital Group
for the period
from 1 January 2021 to 31 December 2021**

Bochnia, April 2022

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2021
Statement of the Management Board on the activities of the Capital Group

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

1. Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.1 The Electrical Sheets Segment

- a) Transformer sheets and strips

In 2021, in terms of volume, 7.6% more transformer sheets were sold compared to 2020, in terms of sales revenues, an increase was recorded by 53.5%, and prices were higher by 45%.

The trend of price growth was noticeable in the second half of 2021, while the volumes of production and sales did not show stability throughout the period and high volatility can be stated in individual months of the year.

The result obtained on the domestic market was weaker than the total result - there was a quantitative increase by 11.2% and a value increase by 32.7% compared to the result obtained in the previous year.

In 2021, domestic sales accounted for 5.8% of the total sales of transformer sheets and we estimate that this result translates into approximately 35% of Stalprodukt's share in the apparent consumption of transformer sheets in the country.

In 2021, sales were concentrated not only on the European market, and the main target countries in this period were: Italy (31%), Austria (10%), India (9%), Germany (7%), UAE (6%), Mexico (6%).

The import of transformer sheets to Poland in the period of 12 months of 2021 increased by 14% compared to the same period in 2020 and reached the level of nearly 8.5 thousand tone. The prices of imported material increased by almost 20% compared to the previous period.

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The main directions of import of transformer sheets to Poland (by country of origin) in 2021 are:
 - in the field of strips: Italy (38%), Germany (34%) and the Czech Republic (14%),
 - for wide coils: Japan and Germany.

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

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	6 222	6 917	11,2	46 207	61 336	32,7
Export	104 699	112 447	7,4	643 161	997 148	55,0
Total	110 921	119 364	7,6	689 368	1 058 484	53,5

Market environment

Competition on the transformer sheet market has its dynamics and conditions - on the one hand, it is a market limited by anti-dumping measures, hindering access to markets in all regions of the world, and on the other hand, the current pattern of longer-term commercial contracts and currently virtually no spot trade mean that some factors typical of the so-called "black steels" influencing this market are experienced with a delay.

As far as market-regulating measures are concerned, these include the US Section 232, the anti-dumping Chinese proceeding, the European proceeding and the Brazilian proceeding.

On January 14, 2022, the COMMISSION IMPLEMENTING REGULATION (EU) 2022/58 was published, imposing a definitive anti-dumping duty on imports of certain grain-oriented flat-rolled silicon electrical steel products originating in the People's Republic of China, Japan, the Republic of Korea, the Russian Federation and Of the United States of America following an expiry review pursuant to Art. 11 sec. 2 of Regulation (EU) 2016/1036 of the European Parliament and of the Council.

The above Commission Regulation maintains the mechanism of minimum import prices and the price levels for individual product groups (differing in the level of magnetic loss) specified in the original Implementing Regulation, i.e. 2015/1953 of 29 October 2015.

The expiry review procedure was carried out at the request of the EUROFER Association, representing 2 European grain oriented sheet producers, i.e. ThyssenKrupp Electrical Steel and Stalprodukt S.A.

On the other hand China has reopened another anti-dumping proceeding on imports of grain oriented electrical steels from Japan, South Korea and the European Union. The five-year period of the previous rates has expired. Proceedings were initiated at the request of China Baoshan Iron and Steel and Beijing Shougang. According to both parties, the removal of duties could lead to continued and harmful price dumping for the domestic steel sector. Japanese producers including JFE Steel Corp, Nippon Steel and Sumitomo Metal will pay anti-dumping duties ranging from 39% to 45.7%, EU producers 46.3% and the tariff for Korean companies will be 37.3%.

The so-called "Black Sheets" (HRC) in both Europe and the USA in 2021 experienced two major and related trends: restrictions in production and supply of material, and historic increases in the prices of

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finished products. The reason for the increase in prices was also the increases in the prices of raw materials, but they were not as fast as the prices of finished products.

According to sources related to Japanese sheet metal producers, they indicated the scale of increases in the negotiations for deliveries for the second half of the year, reaching USD 1,000 per ton. On the other hand, after the period of the lowest price levels in the history recorded in 2020, the negotiated price level for high ends species even exceeded USD 3,000 in deliveries for the second half of 2021.

The factors that also influenced the ability to compete were logistics and the conditions of supply chain and value management. The shortage of containers has increased freight rates for goods, including metals and minerals, making their movement more and more challenging. The Shanghai Containerized Freight Index, which monitors the average spot rate for shipping containers from Shanghai on 13 key shipping routes, has more than quadrupled over the past year, and even reached over 5,000 in January. USD / TEU, while in almost the entire 2020 it was a level close to 1,000 USD / TEU.

As a factor in the development of competition, it should be noted that Asian companies showed high investment and capital activity in 2021. While Thyssenkrupp was still struggling with the problems in Europe, Asian producers continued to thrive on the other side of the world. Ambitious plans are being implemented by: JFE Steel Corporation, Nippon Steel, Baosteel and NLMK India.

- JFE Steel Corporation has signed a Memorandum of Understanding to conduct a feasibility study with JSW Steel Limited to establish a joint venture for the production and sale of grain oriented steel sheets in India.
- Nippon is implementing measures to improve the performance and quality of GOES at its Setouchi Works Hirohata and Kyushu Works Yawata factories.
- In March 25, 2021 Baosteel held the launch ceremony of its new GO grain oriented heat resistant silicon steel (GO) products as well as low carbon silicon steel products under the new names BeyondECO™ and BeCOREs™ -HS (temperature resistant steel). It is estimated that 87 billion kilowatt hours of electricity will be saved if China's power distribution grid is replaced by energy-saving next-generation transformers.
- The NLMK Group has begun the assembly of structures for the new CRGO plate rolling mill in Maharashtra, India. The main technological devices are also delivered to the plant. Start-up works and production start-up are planned for the first half of 2022. The new plant will produce premium grain oriented steels. The plant's capacity will be 64,000 tons of GOES steel per year. The investment is estimated at USD 100-150 million.

a) Toroidal cores

In 2021, the sales volume of transformer cores and fittings was kept at almost the same level as in 2020, with almost 30% increase in sales revenues that are directly correlated with a price increase of this scale.

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The sales structure has not changed significantly compared to the previous year. Currently, 31.5% (in the previous year 32.5%) is domestic sale, and 68.5% (in the previous year 67.5%) is export sale.

Since 2021, when the CN code was separated for transformer cores and fittings, the Company has reliable information on the import and export of this product group.

In 2021, over 13.5 thousand of cores and fittings were imported to Poland at an average annual price of PLN 12.8 thousand PLN / t.

The main target of imports was Turkey (81% of total imports of cores and fittings) with an average price of PLN 12.31 thousand./ ton. Cores were also imported from Italy (5%) and Slovakia (4%).

The export of cores from Poland outside our company amounted to nearly 3 thousand tons, and the main target was Italy. The average export price of cores was at the level of almost PLN 15.5 thousand tonnes, which means that it was higher than the import price by almost 30%.

Table 2. Comparative summary of sales of transformer cores

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	343	348	1,5	3 972	4 974	25,2
Export	680	662	-2,6	8 238	10 795	31,0
Total	1 023	1010	-1,3	12 210	15 769	29,1

Market environment

The limited offer of Stalprodukt in terms of the range used in the production of a wide range of transformers makes it more and more difficult to compete on the market of cores and fittings, not only for cost but also for technical reasons.

Customers prefer shopping in places where they can buy components for various types of transformers (service centres) and more and more often, for economic reasons, they look for suppliers offering the same product at more competitive prices.

2.2 Segment of Bent Sections

a) Cold-formed sections

In 2021, nearly 153 thousand tonnes of sections and pipes were sold for nearly PLN 732 million. This result means: 6.9% decrease in volume and 70% increase in sales value.

The prices increased by 80% in the analysed period compared to the prices obtained in 2020.

Based on the data of the Analytical Centre - the Chamber of Tax Administration in Warsaw and HIPH, the Company estimates the current share in the apparent consumption of cold bent sections on the domestic market at about 25%. On the other hand, Stalprodukt's share in the total domestic exports of cold-bent sections was approximately 27% (nearly 37% share in 2020, and 44% share in 2019).

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The sales results presented above were obtained under the following market conditions (based on HIPH information in the period January - December 2021):

- a decrease in the production of cold-formed sections in Poland by 0,5% - to the level of 307 thousand tonnes;
- decrease in apparent consumption of pipes by 7% to the level of 1,072 thousand tonnes , including a decrease in apparent consumption of closed cold-formed sections by 2% (to the level of 429 thousand tonnes);
- a decrease in imports of closed sections by 25% (290 thousand tonnes), and the current main directions of import are: for sections with a thickness of walls below 2 mm: Belarus (32%), Ukraine (30%) and the Czech Republic (13%); for sections with a thickness of walls greater than 2 mm Italy (25%), Ukraine (17%), Belarus and Bulgaria (9% each), Romania (8%);
- an increase in exports of cold-formed closed sections by nearly 43% (169 thousand tonnes).

Table 3. Comparative summary of sales of cold formed sections

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	120 148	105 136	-12,5	313 065	509 584	62,8
Export	44 160	47 758	8,1	124 374	222 086	78,6
Total	164 308	152 894	-6,9	437 439	731 670	67,3

Domestic sales took place until September 29, 2021 mainly through the distribution company Stalprodukt -Centrostal Kraków Sp. z o. o. under an agency agreement. The company was put into liquidation with the above date and currently all domestic and export sales are carried out through one channel, i.e. sales as part of the activities of the Department of Sales Director of Products of the Profiles Segment.

Production of steel pipes in the EU

Official data for the entire year 2021 are not yet available, however steel pipe production is expected to rebound at + 12.3% in 2021, followed by a more moderate increase (+ 2.1%) in 2022 and a moderate decline (- 1.5%) in 2023.

2020 was the third consecutive year in which a decline in EU pipe production was recorded, but at a much faster pace than in 2019 (-14.6% vs. -0.3%). In 2020, the production of the EU steel pipe industry was strongly influenced by industrial downtime due to COVID-19. As with other steel-using sectors, the rebound observed in the first three quarters of 2021 eased in the fourth quarter as a result of uncertainty about current problems in global supply chains.

However, demand for large welded pipes from the oil and gas sector is projected to continue to improve - due to: better outlook for oil and gas demand, also reflected in recent significant increases in energy prices - generated by economic recovery in some energy-intensive regions of the world. The recent recovery in global oil demand (including oil prices, although it seeks to rise to levels comparable to other commodities, including natural gas) is expected to have a positive impact on production in 2022, provided that the economic scenario does not continue deterioration. Demand from the construction sector is also expected to improve. However, the demand for pipes from the automotive and engineering sectors is

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projected to remain relatively weaker, even if these sectors revert to higher levels of manufacturing activities and problems in critical supply chains are alleviated.

Moreover, import pressure on the EU steel pipes markets will remain high, especially for the commodity segment.

When analysing the market situation in the steel pipes industry in the environment closer to the Company, most of its competitors experienced the same trends as the Company experienced - limitations in the availability of batch materials, historical increases in the prices of batch materials translated into products from its own offer, problems in the logistics of deliveries, transport limitations.

Thanks to the upturn, basically all companies in the industry improved their results.

The Polish authorities decided in the second half of 2021 to build a wall on the Polish-Belarusian border, mainly made of cold-formed sections. According to the government information, the construction of this 187-kilometre structure will require approx. 51 thousand tons of steel. The government procurement was not subject to standard tendering procedures in this case. It was agreed that the delivery of the profiles will be fully secured by Grupa Węglókoks, i.e. Huta Pokój and Huta Łabędy.

ArcelorMittal (AM) announced a complete takeover of Spanish Condesa. As a result of the purchase, the value of which was not disclosed by the company, AM took full control of Condesa's production plants in Spain and Germany. The unit will be incorporated into ArcelorMittal Europe - Tubular Products, which produces pipes and utility piping for the energy, construction, engineering and transport sectors in the Czech Republic, France, Poland and Romania. This will make AM Tubular the largest producer of steel pipes in Europe, the company said.

b) Road barriers

The total result obtained in 2021 on the sale of road barriers was 16.7% higher in terms of sales revenues and 3.9% higher in terms of volume compared to the results obtained in 2020. Prices increased by 12%. The results of increases achieved on domestic sales were weaker than in exports, however, the total result is determined by the domestic sales due to the current sales structure, i.e. the share of domestic sales in the total sales of barriers is two thirds of total sales.

In the case of export sales, almost 37% was obtained revenue increase at 14.5% increase in sold volumes - prices increased by 19%, respectively.

Against the background of increases in the prices of charge materials and zinc, the increases in prices on final products in the group of steel barriers were not spectacular. This is directly related to the implementation of long-term contracts signed before the price boom.

Table 4. Comparative summary of sales of road barriers

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)

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Country	13 169	13 010	-1,2	67 837	72 564	7,0
Export	6 155	7 049	14,5	31 900	43 634	36,8
Total	19 324	20 059	3,8	99 737	116 198	16,5

Market environment

In 2021, GDDiKA completed 37 road sections with a length of over 425 km. In addition, in 2021, tenders were announced for 27 sections with a total length of approximately 334 km and a value of over PLN 15 billion - 25 tasks from the National Road Construction Program (PBDK) with a total length of 325.3 km and two ring roads from the Program for the construction of 100 ring roads for 2020 -2030 (PB100) with a total length of 9 km.

Since January 1, 2021, 46 contracts for roads with a total length of 555 km and a value of PLN 16.8 billion have been signed. Of these, 35 contracts are tasks from (PBDK) with a total length of 465 km and a value of over PLN 15.3 billion, and eleven are ring roads with PB100, 90.1 km long and worth nearly PLN 1.5 billion.

The National Road Construction Program for 2014-2023, which is currently being implemented, has increased the road network in our country by over 40% over the last 5 years. Investments have been implemented, including on the S51 Polish expressway, S3 from Szczecin through Zielona Góra to Legnica, S5 from Wrocław through Poznań to Bydgoszcz or S6 from Szczecin to Koszalin. Drivers can also use the S8 expressway from Wrocław through Warsaw to Białystok and the S17 from Warsaw to Lublin.

As part of the Program, 20 ring roads were also built. These include the ring road of Wałcz (S10), Inowrocław (DK15 / 25), Olsztyn (DK16), Sanok (DK28), Góra Kalwaria (DK50) and Stalowa Wola and Niska (DK77). Also the ring roads of Szczecinek, Jarocin and Ostrów Wielkopolski were built in the stretch of the S11 expressway.

Completion of the entire network of motorways and expressways in Poland is the main goal of the project of the Government Program for the Construction of National Roads until 2030 (with an outlook to the year 2033), which was announced on August 9. The value of investments included in the Program is PLN 291 billion.

The project of the Government Program for the Construction of National Roads 2030 (RPBDK) assumes both the implementation of new investments and the continuation of tasks from the current National Road Construction Program for 2014-2023. The estimated cost of the new tasks is PLN 186.8 billion, and the continuation of tasks from PBDK is to cost PLN 104.8 billion.

RPBDK assumes, inter alia, the construction of new sections of expressways S10, S11, S12, S16 and S74. There will also be a border section of the A2 motorway east of Warsaw and S52 Bielsko-Biała - Głogoczów, i.e. Beskidzka Droga Integracji. The RPBDK project also includes the construction of the Warsaw Agglomeration Bypass (A50 / S50), S5 Wirwajdy - Nowe Marzy and S6 West Szczecin Bypass. The road sections currently under construction will be completed, including the construction of the entire A1 motorway, reconstruction of the A18 and expressways S1, S2 POW, S3 from Świnoujście to the state border and S5 from Wrocław to Nowe Marzy. The S6 expressway from Szczecin to the Tri-City will be completed, as well as sections S7, S11, S14 and S12. Works will also be completed on entire sections of expressways: S17, S19 and S61.

GDDKiA also implements investments from the government's Program for the construction of 100 ring roads for 2020-2030. As part of the bypass construction program throughout Poland, 100 tasks will be

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created with a total length of approx. 830 km and a value of approx. PLN 28 billion.

The condition of the economy and the factors that are perceived as risks are of key importance in the implementation of this program. Such factors currently include:

- **indexation mechanism** and doubts around it

GDDKiA introduced a indexation mechanism for road works, based on GUS indicators, as early as January 2019. Two years later (in January 2021), the indexation mechanism became a generally applicable law thanks to its inclusion in the new Public Procurement Law. The indexation limit on GDDKiA contracts is (+/-) 5% on the value of the accepted contract amount, and it is subject to 50 percent the value of the contract payments.

- **increase in prices**

We have not dealt with such a dynamic increase in the prices of materials and raw materials as it is now. This applies primarily to steel prices, but also to fuels, wood and asphalt. The prices of some services also rose.

The excessive number of orders on the entire construction market (road, rail, spatial investments) is largely responsible for the increase in prices and the associated risks for the implementation of investments. Thus, the question of how much potential contractors actually have and how much they are able to "process" per year is reviving in the infrastructure construction industry.

Another problem, especially during the investment boom, may be the **shortage of qualified personnel and the related wage pressure**. In previous years, it happened that the increase in salaries reached even 10-15% every year.

- **access to guarantees and loans**

According to the analysis of Dr. Kaźmierczak, construction is the fourth largest industry in terms of the amount of exposure to the banking sector (PLN 31.9 billion in 2019). Only manufacturing, trade and real estate services are located higher.

The value of securities granted to contractors for investments carried out for GDDKiA (bank and insurance guarantees) for construction works, as of April 1 this year, amounted to approximately PLN 6.6 billion in performance guarantees and approximately PLN 1.5 billion in guarantees of return advance payments.

- **competition and new products**

All barrier producers have experienced negative sharp changes in steel prices, but all of them implement the signed contracts due to huge penalties in their contracts.

It should be taken into account that an increasingly important element influencing the competitiveness of the Company's systems is the possibility of offering products other than the barriers themselves, as well as the increasingly noticeable lack of barrier systems with H3 and H4b containment levels in the offer.

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c) Products of the Sheet Metal Service Centre

In 2021, 13.7 thousand tonnes of sheets for PLN 63.2 million, which means an increase in volume by 19.4% compared to 2020 and an increase in the value of sales by 125.1% compared to the previous year. The result was mainly determined by better domestic sales (+ 137.6%), which accounts for almost 94% of total sales.

The decrease in the volume of export sales by a quarter had practically no negative consequences, on the contrary, with high prices, it brought an increase in sales revenues.

Imports of both hot-rolled and cold-rolled sheets in 2021 increased compared to 2020 - the former by 13% and the latter by 20%, respectively. The prices of imported sheets increased by around 60%.

The main directions of import of hot-rolled strips and sheets are: The Czech Republic (26%), Germany (18%) Slovakia (12%), and Ukraine (70%). The average price per tonne in 2020 is PLN 2366 / MT. The main directions of import of cold-rolled strips and sheets are: Germany (42%) and Ukraine (10%). The average price per tonne in 2020 is PLN 2603 / MT.

Table 5. Sales of steel service centre products

Specification	Quantity (Mg)			Net Value (PLN '000)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	10 245	11 708	14,3	24 951	53 936	116,2
Export	1 238	847	-31,6	12 648	3 903	-69,1
Total	11 483	12 556	9,3	37 599	57 839	53,8

Competitive situation

Deliveries from European steel distributors increased significantly in 2021, despite a slight slowdown at the end of the year, according to data published by the European steel wholesalers association Eurometal. In steel service centres in the field of flat products, shipments increased by 9.4% y/y. In December alone, shipments increased by 4.8% year-on-year, following a fall of 8.1% year-on-year in November.

Multi-product distributors and so-called nearest distributors recorded a 4.7% y / y increase in total annual shipments.

2.3 Zinc Segment

The situation on the LME (London Metal Exchange) and currency market in 2021

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

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

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ZGH and HCM zinc in the highest grade Z1 was registered at the LME. Refined lead with a purity of 99.985% Pb is also certified by the London Metal Exchange.

Table 6. Change in macro parameters 2020/2019

Average prices	unit of measure	Rok 2020	Rok 2021	zmiana
LME Zn	USD/t	2 267	3 007	33%
LME Pb	USD/t	1 825	2 206	21%
LBM Ag	USD/ounce	20,5450	25,1356	22%
exchange rate	USD/PLN	3,8978	3,8647	-0,85%
Zn	PLN/t	8 798	11 634	32%
Pb	PLN/t	7 099	8 529	20%
Ag	PLN/kg	2 575	3 123	21%

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

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

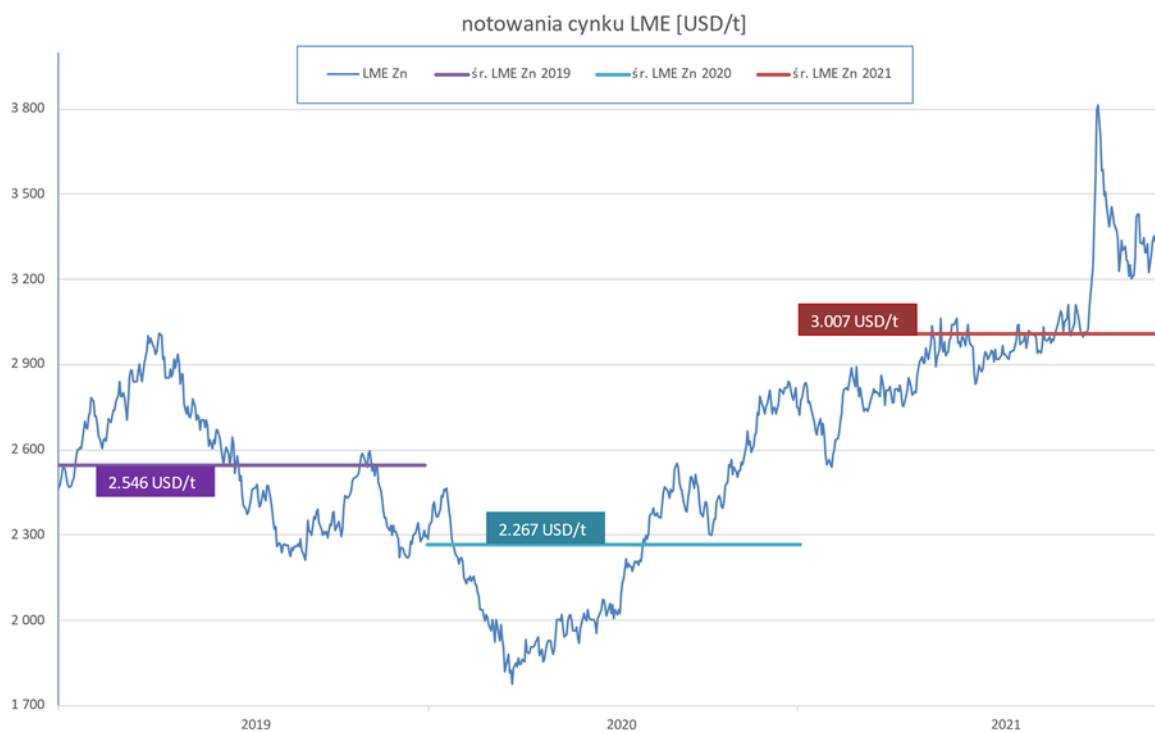
The average prices of **silver** on the London Bullion Market (LBMA) in 2020 reached the level of USD 20.55 / ounce (PLN 2,575 / kg), which means an increase by 29% compared to the prices in 2019 - USD 16.21 / ounce (PLN 2 001 / kg).

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

A synthetic summary of the most important macroeconomic factors for the activities of the Zinc Segment is presented in Table 6.

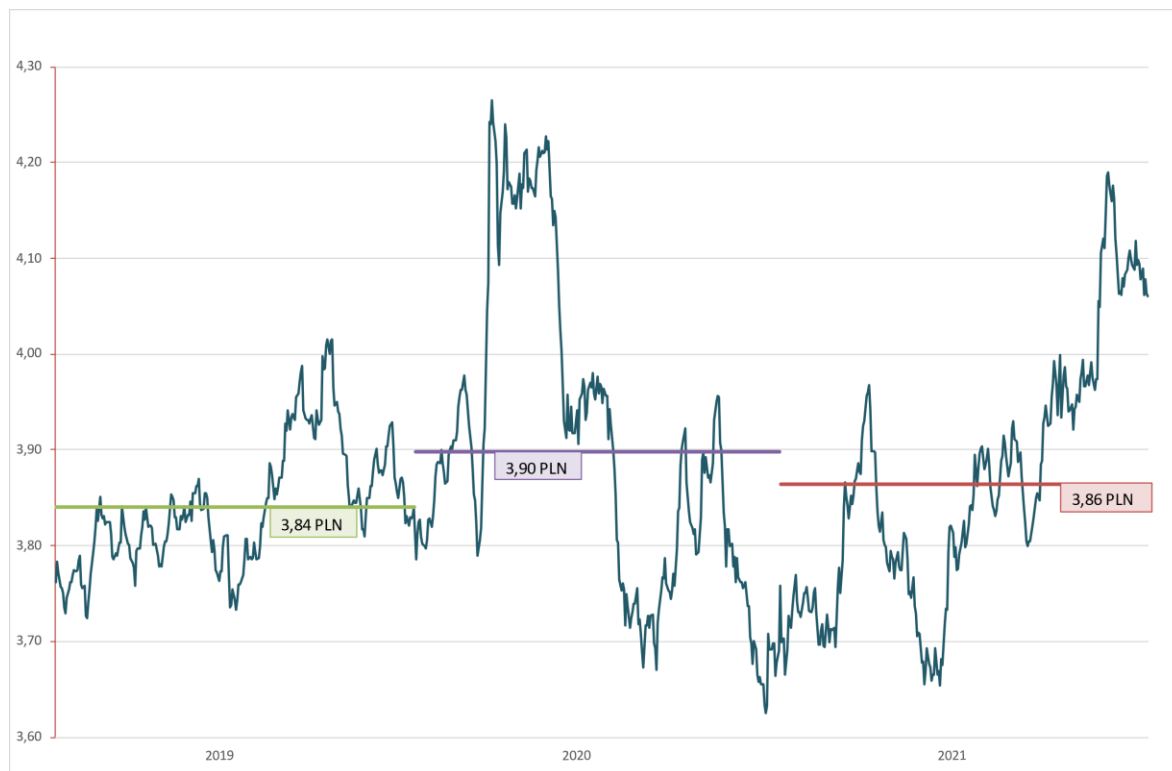
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Zinc prices on the London Metal Exchange in USD/t.

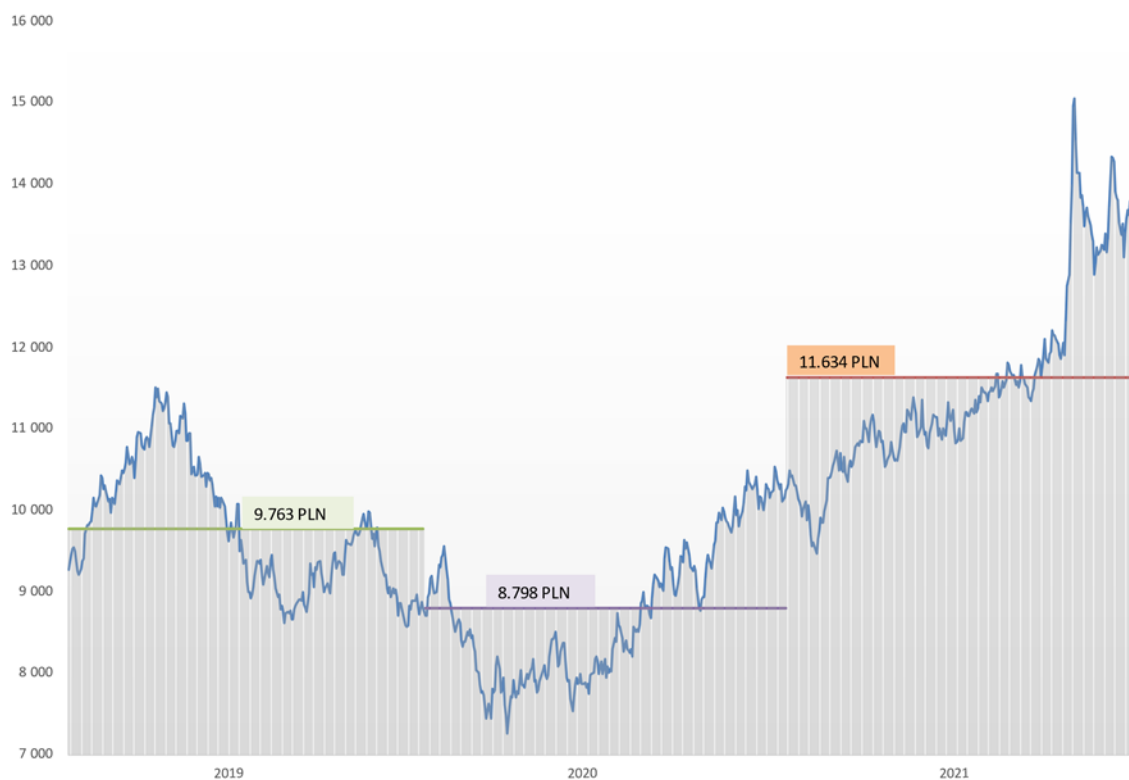


Exchange rate (USD/PLN) according to NBP.

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Average annual zinc price in 2019 - 2021 (PLN / t) .



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Sales volume and structure in the ZGH Capital Group Due to the very close technological links between the production companies of the ZGH "Bolesław" Group (products of one company are a charge for another company and are used inside the Group), the tables below present the sale of the main products outside the Capital Group.

a) zinc and zinc alloys

Table 7. Zinc sales summary

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	103 198	105 946	3	950 911	1 218 110	28
Export	50 985	61 130	20	531 051	729 228	37
Total	154 183	167 076	8	1 481 962	1 947 338	31

In 2010, the sales volume of zinc and zinc products was higher than in 2020, including the volume of domestic sales increased by 3%, and export sales by 20%.

Revenues from the sale of these products in 2021 were 40% higher than in the previous year due to a increase in PLN prices of zinc by 32%.

The share of zinc in the sales revenues of the Zinc Segment's products is 87%.

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

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

b) lead

Table 8. Summary of sales of refined lead

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	6 695	9 918	48	20 132	89 215	343
Export	5 917	4 218	-29	76 572	36 958	-52
Total	12 612	14 136	12	96 704	126 173	30

Refined lead is mainly used for the production of accumulators and traction batteries, as well as for the production of lead oxides for the production of, inter alia, paints and varnishes and, to a minimum, lead alloys. Refined lead is also a raw material for the production of sheets, wires, ammunition and cables.

In 2021, the Zinc Smelter "Miasteczko Śląskie" S.A. sold 70% of lead production on the domestic market on the basis of full-year and spot contracts.

c) galena flotation

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Table 9. Summary of sales of galena flotation

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Export	19 198	4 965	(74%)	65 491	19 657	-70%
Total	19 198	4 965	(74%)	65 491	19 657	-70%

d) Silver (Dore metal)

Table 10. Summary of sales of Dore metal

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Export	20	27	35	53 610	85 374	59

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

It was sold directly to a precious metal refinery.

The share of silver in the sales revenues products in 2021 was 4%.

Sale of other products of the Capital Group

Sulphuric acid

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

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

Dolomite aggregates

Zakład Wydobywczo-Przeróbczy Kruszyw in the subsidiary Boltech Sp. z o.o., which currently includes the Dolomite Mine "Ujków Stary", is active in the field of mining and production of dolomite aggregates. The aggregate plant in Olkusz, producing aggregates based on dolomite formed as a by-product in the process of preliminary enrichment of ore from the "Olkusz-Pomorzany" mine, was closed on October 31, 2021 due to the closure of the mine. The main recipients of aggregates are road construction companies, plants producing mineral-bituminous masses and producers of road accessories.

Zinc-bearing materials utilization services.

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

• **Closure of the "Olkusz-Pomorzany" mine**

The "Olkusz-Pomorzany" mine in liquidation belongs to ZGH "Bolesław" S.A. On December 31, 2020, the mine ceased its activities in the field of zinc-lead ore extraction and was put into liquidation. The last Zn-Pb mine operating in Poland exploited ore from the 'Pomorzany', 'Olkusz-Podpoziom' and 'Klucze I' deposits. It was an underground mine, the deposits were located at a depth of approx. 80-120 m underground. Exploitation was carried out with a pillar-chamber and a clutch system. The voids of the selected bed were filled with hydraulic sand filling. A characteristic feature of the Zn-Pb ore deposits in the Olkusz-Bolesławski region was their very strong waterlogging. Total groundwater inflows to mining excavations in 2020 reached approx. 230 m³ / min (historically a maximum of 370 m³ / min), forcing the maintenance of an extensive drainage system in the form of tens of kilometers of water galleries, four main drainage pump chambers and the entire infrastructure technical both underground and on the surface of the mine. From January 1, 2021, the mining part of ZGH "Bolesław" operates on the basis of the Operation Plan of the decommissioned underground mining plant of the "Olkusz-Pomorzany" Mine for the years 2021-2025. On the same day, the process of physical decommissioning of the mining plant began, and the mine's drainage system (the last pump chamber) was turned off on January 4, 2022.

2.4. Segment of other activities

The segment of other activities, mainly covering the sale of goods, recorded a decrease in revenues in 2021 by 55.6% compared to 2020.

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

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

OPERATING SEGMENTS				
Steels Segment		2020	2021	Zmiana (2021/2020)
Segment revenues	<i>thousand x PLN</i>	706 278	1 079 235	52,8%
Segment result	<i>thousand x PLN</i>	62 248	212 486	241,4%
Segment margin	%	8,8%	19,7%	
Profiles Segment				
Segment revenues	<i>thousand x PLN</i>	565 248	905 707	60,2%
Segment result	<i>thousand x PLN</i>	13 048	123 059	843,1%
Segment margin	%	2,3%	13,6%	

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Zinc Segment				
Segment revenues	<i>thousand x PLN</i>	1 813 198	2 321 429	28,0%
Segment result	<i>thousand x PLN</i>	248 270	331 901	33,7%
Segment margin	%	13,7%	14,3%	
Segment of other operations of Stalprodukt S.A. Capital Group				
Segment revenues	<i>thousand x PLN</i>	236 326	367 798	55,6%
Segment result	<i>thousand x PLN</i>	18 007	66 904	271,5%
Segment margin	%	7,6%	18,2%	
Operating segments in total				
Segments' revenues	<i>thousand x PLN</i>	3 321 050	4 674 169	40,7%
Segments' result	<i>thousand x PLN</i>	341 572	734 845	115,1%
Segments' margin	%	10,3%	15,7%	

In 2021, the Group recorded increases in the value of sales in all reported operating segments. The revenues of the Profile Segment (by 60.2%), Blach (by 52.8%) and other activities (by 55.6%) increased the most. Compared to 2020, the Zinc Segment recorded the smallest degree of increase in sales (by 28%).

In terms of the results obtained, the highest increase was also recorded in the Profile Segment (by 843.1%) and the lowest in the Zinc Segment (by 33.7%). On the other hand, in the Sheet Metal Segment the result increased by 241.4%, and in the Segment of Other Activities it increased by 271.5%.

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

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

Assortment	2020		2021	
	value (thousand x PLN)	share (%)	value (thousand x PLN)	share (%)
Electrical Steels Segment	706 278	21,3	1 079 235	23,1
Formed Profiles Segment	565 248	17,0	905 707	19,4
Zinc Segment	1 813 198	54,6	2 321 429	49,6
Other operations GK	236 326	7,1	367 798	7,9
Total	3 321 050	100,0	4 674 169	100,0

In 2021, the share of the Sheet Metal Segment in the sales structure of operating segments increased from 21.3% to 23.1%, the Profile Segment from 17% to 19.4%, and the share of other activities (from 7.1% to 7.91%) in compared to 2020, while the share of sales in the Zinc Segment decreased from 54.6% to 49.6%.

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Sources of supply of materials for production

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

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

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

In 2021, the ArcelorMittal Group with a share of 19,2% remained the main supplier of charge material for Stalprodukt, with the value of supplies exceeding 10% of the individual sales revenues.

In the case of the Zinc segment, the main raw materials used in the production processes are zinc-lead ore from its our mines, zinc concentrates (blende), lead concentrates (galena) and zinc-lead concentrates (blende bulk).

3. Assessment of the economic and financial situation

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EURO	
	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

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- 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	

Basic economic and financial figures

In 2021, revenues from the overall activity of the Stalprodukt Capital Group amounted to PLN 4,674.2 million. This means a increase by 40%7 compared to 2020. The operating profit generated was PLN 633.2 million, while the net profit was PLN 528.7 million (in 2020, the operating profit was PLN 196.1 million, and the net profit was PLN 183. million).

In the discussed period, EBITDA reached PLN 783.5 million (compared to PLN 362.9 million in 2020).

In 2021, the sales profitability at individual levels was as follows (in %):

Specification	2021	2020
Return on sales	12,2	5,7
Operating return	13,0	5,9
Gross return	12,6	6,7
Net return	10,7	5,5

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

Specification	2021	2020
Return on assets	10,4	4,2
Return on equity	15,0	6,3

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

Specification	2021	2020
Acid test ratio	2,7	2,5
Increased liquidity ratio	1,6	1,5

In 2021, cash flows from operating activities amounted to PLN 268.7 million.

Assets of the Stalprodukt S.A. Capital Group in the reporting period it increased by 11.1% compared to the previous year, reaching PLN 4,845.0 million. Fixed assets decreased in the analyzed period by PLN

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26.4 million and amount to PLN 2,397.5 million, while the value of current assets increased by PLN 511.1 million (26.4%).

In 2021, equity increased from PLN 2,913.2 million (2020) to PLN 3,374.3 million and accounts for 69%6 of the balance sheet total.

The long-term liabilities of the Stalprodukt S.A Capital Group as at December 31, 2021 amounted to PLN 571.7 million, including long-term loans and borrowings of PLN 20.4 million.

Compared to 2020, long-term liabilities decreased by PLN 99.9 million.

Short-term credits and loans at the end of 2021 amounted to PLN 62.3 million. Net working capital increased from PLN 1,159.1 million in 2020 to PLN 1,548.5 million at the end of 2021.

The return on equity in the Stalprodukt Capital Group in the analysed period was 15.0%, and the cash balance as at December 31, 2021 amounted to PLN 492.3 million.

Assessment of the obtained results and financial situation

In terms of the results obtained, 2021 for the Stalprodukt Capital Group was much better than 2020. The Group recorded an increase in sales revenues by 41%, while the profit on sales increased threefold, as did the operating profit, and the net profit increased by 173%. year/year.

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

In 2021, there were slight changes in the shaping of assets and their financing sources. There was slight decrease in fixed assets by PLN 47.7 million, i.e. by 2%, while current assets increased by PLN 522.6 million, i.e. by less than 27%. In the group of current assets, inventories increased by 23% and short-term receivables decreased by 47%.

The Group's assets increased by 11%, while the share of financing sources in provisions and liabilities increased by 3%.

In the analysed period, short-term trade liabilities related to deliveries increased by 55% (PLN 452.4 million).

Equity accounts for 69% of liabilities, and payables account for 31%. The book value per ordinary share increased from PLN 522.05 to PLN 598.46 (by 15%).

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

The Capital Group is not excessively indebted, the use of current loans throughout the period was moderate. In the opinion of the financing banks, the Stalprodukt Group has uninterrupted

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creditworthiness, and the results obtained and the transparent property and ownership situation allow it to obtain financing in various forms.

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

The Management Board does not expect the Group's financial situation to worsen in 2021. In order to maintain a good financial situation and liquidity, work is being carried out on the restructuring of the Group's companies and further projects, especially in terms of acquiring new supply and sales markets, rational inventory and receivables management, and cost reduction.

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

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

- the increase in the prices of input materials to historically record levels was due to the increase in production costs (mainly electricity and gas) amid growing demand, which was a reaction to the economic recovery after the pandemic period (mainly 2020). This, in turn, resulted in a dynamic increase in the prices of finished products in the entire steel processing industry;
- the above market conditions had the greatest impact on the significant increase in the Group's revenues (by 40.7% in total) in all areas of activity of the parent company - Stalprodukt S.A. and its subsidiaries (including mainly the Zinc Segment). As a consequence, this situation directly translated into improved results at all levels of the profit and loss account;
- record increases in the prices of energy raw materials (especially electricity and gas), which resulted in an increase in the prime cost item "consumption of materials and energy" by 44.8% compared to 2020. However, the effects of the increase in energy costs were largely reduced by record increases in prices for finished products manufactured by the Group;
- increases in CO₂ emission allowances to record levels (over EUR 90 / tonne), which directly contributed to the increases in energy and gas prices.

On the other hand, in the case of the Zinc Segment, the main factors are:

- an increase in zinc, lead and silver prices (with an increase, compared to 2020, in the average annual zinc and lead prices by 32.6% and 20.8%, respectively, and an increase in the average annual silver prices by 22.3%);
- an increase in coke breeze prices by 75% (from PLN 625 / t in December 2020 to PLN 1,095 / t in December 2021);
- more than 3-fold increase in the price of electricity;
- deepening deficit of concentrates on the market, resulting in a low benchmark in 2021 (159 USD / dmt) and T / C spot in 4Q'21 at the level of 50 USD / dmt.

• **The impact of the COVID-19 pandemic on the Polish economy**

In 2021, the socio-economic situation in Poland was still to some extent affected by the COVID-19 pandemic. Temporary restrictions in socio-economic life (the largest in the first months of the year)

were usually much less restrictive than in spring 2020, when the state of epidemic was introduced in the country.

- **General economic situation in Poland**

In the main areas of economic activity, the results achieved in 2021 were better than in the previous year. The situation on the labour market improved slightly: at the end of 2021, the number of people working in the national economy was higher than a year before, and the registered unemployment rate was lower. During the year, a gradual intensification of inflation phenomena was observed - in December 2021, the annual increase in both consumer and producer prices was the highest in many years (CPI at 8.6%).

According to the final data of the Central Statistical Office (GUS), the gross domestic product was in real terms 5.9% higher than in 2020 (when a decrease of 2.2% was recorded). This is the highest increase in 14 years, but the strong rebound after the first pandemic year 2020 in the world is nothing unusual.

The main driver of economic growth in 2021 was domestic demand. Both consumption and investment demand had a positive effect. Domestic demand was 8.2% higher than in 2020. Total consumption increased by 4.8% (it decreased by 1.1% in the previous year), of which consumption in the household sector increased by 6.2%.

Gross fixed capital formation increased by 8.0%. Gross value added in the national economy was 5.3% higher than in the previous year (in 2020 it decreased by 2.6%).

The driving force of the economy was industry, where a high increase in gross value added was recorded, by 14.1% compared to 2020 (when a decrease of 5.3% was recorded), the construction industry recorded an increase of only 1.2% (in 2020, a decrease by 4.6%), and in trade and repair there was an increase by 5.9%. (decrease by 2.7% in 2020).

- **steel production level**

World crude steel production rose 3.7% year-on-year to 1.95 billion tonnes in 2021, with the decline in China being offset by growth in most other major steel-producing countries, the World Steel Association (Worldsteel) reported.

China, the world's largest steel producer, produced 1.03 billion tonnes of crude steel last year, down 3% from 1.06 billion tonnes in 2020. The decline in production in China was driven by Beijing's efforts to keep annual production at or below 2020 levels, especially after most mills accelerated production cuts since late September.

From 2020, however, steel production has increased in other key Asian markets. India remained the second largest steel producer in the world, with a total of 118.1 million tonnes in 2021, an increase of 17.8% compared to 100.3 million tonnes in 2020.

The world's third largest steel producer, Japan, produced 96.3 million tonnes in 2021, an increase of 15.8% year-on-year. South Korea produced 70.6 million tonnes last year, an increase of 5.2% compared to 2020.

In the European Union, steel production increased by 15.4% year on year to approx. 152.5 million tonnes in 2021. Germany, the largest producer in the EU, produced 40.1 million tonnes, 12.3% more than in 2020.

8.4 million tonnes were produced in Poland, i.e. 6.5% more than in 2020.

- **demand for steel products in Europe**

The entire year of 2020 was heavily influenced by the pandemic and saw an over 10% decrease in apparent consumption of steel in the EU, after a decrease of 5.1% in 2019. Eurofer's revised forecast for 2021 assumes an almost 14% increase in apparent steel consumption in 2021 compared to 2020 and much more moderate increases in 2022 and 2023, i.e. + 3.2% and + 1.7%, respectively, which is expected to take place thanks to a mild but continuous improvement in demand from the steel-using sectors.

Eurofer, however, notes that the outlook is becoming increasingly uncertain, in particular due to large disruptions in global supply chains and rising energy prices, which are expected to seriously affect demand from steel-using sectors at least until the second quarter of 2022.

Following record declines in 2020 due to the lockdowns related to the COVID-19 pandemic, EU steel-using industries experienced a strong rebound in production up to the second quarter of 2021, when they recorded exceptionally high growth rates (+ 29.2% compared to the previous year). The faster-than-expected recovery in some sectors (in particular household appliances and the automotive industry) made it possible to recoup the losses incurred as a result of the pandemic in the first half of 2021.

However, the problems in the global supply chain experienced since July 2021, especially those relating to the automotive sector (rising transport, energy and shipping costs, lack of components, etc.) affected production in the third quarter of 2021. As a result, total output of the steel-using sectors increased by a modest + 3.2% in the third quarter of 2021. And the automotive sector saw a decline of 14.4%, driven not only by continued supply chain disruptions, but also subdued consumer demand. Eurofer in many comments emphasized that this situation is a threat to recovery and creates great uncertainty about the overall outlook for the steel-using industry, at least until the second quarter of 2022.

- **apparent wear of steel**

Eurofer forecasts that in 2021 steel consumption is to rebound by almost 14%, but the increase in 2022 is expected to be more moderate, i.e. + 3.2% (which means a return to the level of apparent consumption in 2017) Improving demand from the steel-using sectors, it will be sustainable, provided there is no additional external shock. The outlook for 2023 provides for an annual growth of 1.7%. However, forecasts are becoming increasingly uncertain due to massive disruptions in the global supply chain since the beginning of III quarter of 2021 and are likely to weaken demand from steel end-users.

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

In the first eleven months of 2021, imports of finished goods increased by 39%, including imports of flat products by 43% and imports of long products by + 25%. Imports grew significantly since the beginning of 2021, with high levels of imports in the second and third quarters, which correlated with an overall improvement in steel demand.

Imports by country of origin

During the first eleven months of 2021, the main countries of origin for finished steel imported to the EU market were: Turkey, Russian Federation, South Korea, India and Ukraine. These five countries represented 56% of total EU finished steel imports. Turkey and the Russian Federation were the largest exporters of finished steel products to the EU (with a share of 15.5% and 12.8%, respectively), followed by India (11.9%), Ukraine (8.3%) and South Korea (7, 4%).

- **Zinc market**

Zinc market prospects

Until the end of this year, the main factors affecting both the zinc market and the raw material markets as a whole will be the macroeconomic and geopolitical situation. The outbreak of the war in Ukraine caused a radical change in conditions and, consequently, uncertainty in every aspect of the functioning of world economies and societies. Therefore, when assessing the prospects of the zinc market, it should be borne in mind that the situation we are in is very uncertain and it is difficult to indicate certain scenarios for its development.

When analyzing the macroeconomic situation, one can expect a decline in global GDP, including that of China, which is responsible for the main consumption of raw materials. According to Moody's, the economies of the G-20 countries will record a GDP of 3.6% in 2022, while China's GDP is forecast at 5.2%. Another key element concerning the global economic situation is high inflation, which puts pressure on governments to raise interest rates, which in turn may cause an outflow of capital from commodity markets towards safe financial instruments such as, inter alia, government bonds.

A factor influencing the raw material markets, including the zinc market, on an unprecedented scale for a long time, is the outbreak of the war in Ukraine. As a result, there were supply disruptions or shortages of already low inventories.

Analysts at JP Morgan assessed that despite the fact that the allocation of capital in raw materials is above average, this situation may persist and even exceed the current maximums, which in turn will translate into a favorable situation on the commodity markets. In turn, Goldman Sachs positively assesses the prospects for the raw materials market, including due to their role as a hedge against inflation.

Foundations of the zinc market

Recent record-breaking zinc prices resulted in a good mood in the mining industry, which translated into an increase in mining production. According to ILZSG, mining production in 2021 increased by 4.5% compared to the previous year and this tendency will probably continue this year. The resulting increase in the supply of concentrates creates a favorable situation for steel mills. According to unofficial information, the two leading producers agreed on annual contracts for the supply of zinc

concentrate at the level of approx. 230 USD / t, which is an increase of 45% compared to the previous year's level. The sharp increase in TC fees underlines the imbalance between the relatively buoyant supply of mines and the limited steel market, which in turn results in a limited supply of zinc.

Falling stocks indicate a squeeze in supply, while a renewed rise in European energy prices is putting further pressure on mills. Last year, some zinc smelters (Nyrstar, Glencore, Plovdiv) were suspended or restricted in operation in Europe due to high energy prices. This translated into low inventories of this metal. The uncertainty on the energy markets resulting from the war in Ukraine will, to a greater or lesser extent, translate into energy costs. Currently, it is difficult to assess to what extent the increase in the margin of European steel mills resulting from the increase in TC fees will compensate the expected increase in energy prices and whether there will be more perturbations in the energy markets due to the unstable geopolitical situation.

There has been a decline in zinc inventories over the past year, reflecting a sharp increase in industrial activity, while global logistics and shipping systems have suffered from reduced capacity. Additionally, low stocks on stock exchanges make the market more vulnerable to pressure.

To sum up: currently we are dealing with two opposing factors directly affecting the zinc market from the point of view of its foundations. On the one hand, there is pressure from geopolitical factors, exacerbated by a reduction in supply in Europe and the USA, which has a positive effect on the outlook for the zinc market. On the other hand, economic uncertainty, falling GDP and declining demand in China have a negative impact on the outlook for this market.

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

On December 15, 2017, an agreement was signed for the purchase of shares of GO Steel Frydek Mistek a.s. based in the Czech Republic, from ArcelorMittal S.A., based in Luxembourg. The final remuneration consisting of cash payment, conditional payment and the value assigned to the signed trade agreement was up to EUR 40 million. This agreement had effects on the Issuer's operations in 2021, as the purchase price includes the component referred to as "Earn-out", which means the seller's right to a 50% share in the result above assumed in the valuation of the EBITDA level in the period of 4 consecutive transactions. years (i.e. in the period 2018-2021), with the proviso that the total payments in this respect may not exceed EUR 3.5 million (a provision has been created for the total amount), while the estimated amount of the payment for 2021 is EUR 2.2 million.

6. Organizational and capital links with other entities

Stalprodukt S.A., together with 10 subsidiaries, forms the Capital Group. Stalprodukt holds 100% of shares in subsidiaries, except for Zakłady Górniczo-Hutnicze "Bolesław" S.A., in which it holds 94.93% of shares.

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

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

- production of electrical transformer sheets - parent company Stalprodukt S.A., GO Steel a.s.,
- production of cold-formed sections, protective road barriers as well as cut, cold- and hot-rolled sheets and strips - the parent company Stalprodukt S.A.,
- mining of non-ferrous metal ores and production of zinc and lead - ZGH "Bolesław" S.A. together with its subsidiaries:
 - Zinc Smelter "Miasteczko Śląskie" S.A. - production of rectified zinc, lead and cadmium,
 - Boltech Sp. z o.o. - energy, laboratory and mechanical-construction services, transport, equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. - zinc-lead ore extraction and concentrate production,
 - Agency for the Protection of People and Property "Karo" Sp. z o. o - protection of property and people,
- commercial activities:
 - Stalprodukt-Centrostal Kraków Sp. z o.o., (from 29 September 2021 in liquidation)
 - Stalprodukt-Zamość Sp. z o.o.
- other production and service activities:
 - production of lightning conductors, galvanized wires and steel tapes - Cynk-Mal S.A.,
 - production of cold-rolled sheets - GO Steel Frydek Mistek a.s.,
 - production and regeneration of spare parts - Stalprodukt-Wamech Sp. z o. o.,
 - installation, repairs and maintenance of machines - Stalprodukt-Wamech Sp. z o. o.,
 - production of steel structures - STP Elbud Sp. z o. o., Stalprodukt-Wamech Sp. z o. o.,
 - galvanizing services - STP Elbud Sp. z o. o. and Cynk-Mal S.A.,
 - construction, maintenance of roads and highways - Stalprodukt-Wamech Sp. z o. o.,
 - protection of property and people - Stalprodukt Ochrona Sp. z o. o.,
 - designing of devices related to the use of renewable energy sources - AnewInstitute Sp. z o. o.,
 - Hotel Ferreus Sp. z o.o. - hotel services.

- a) 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.

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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.).

- b) 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.

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

In 2021, there were no changes in the amount of shares held in related entities.

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

Transactions with related entities in 2021 concern:

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

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

8. Information on credit and loan agreements concluded and terminated in 2021

a) Agreements concluded by Stalprodukt S.A.

- A multi-purpose credit line agreement for an overdraft facility, guarantees and letters of credit with BNP Paribas S.A. with its registered office in Warsaw, with a limit of PLN 50,000 thousand. As part of the credit limit, a company from the Stalprodukt-Wamech Sp. z o. o. may use a sub-limit of PLN 2,000 thousand. PLN. The agreement is valid until November 24, 2021.
- Credit limit at Bank Handlowy w Warszawie S.A. for a revolving line for granting bank guarantees and opening letters of credit with a revolving limit of up to PLN 65,000 thousand. The line is for the amount of PLN 50,000 thousand for an overdraft facility and issuing guarantees and letters of credit

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with a term of up to 18 months and PLN 15,000 thousand for long-term guarantees up to 5 years. The agreement is valid until September 29, 2022,

- with Bank PKO BP S.A. with its registered office in Warsaw for a multi-purpose credit limit in the amount of PLN 150,000 thousand, intended for the use of an overdraft (up to PLN 85,000 thousand) and the opening of letters of credit and granting guarantees (up to PLN 40,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and GO Steel a.s. may use sublimits in the amount of PLN 15,000 thousand and PLN 10,000 thousand. The duration of the Agreement: January 13, 2023,
- with Bank Pekao S.. with its seat in Warsaw for a credit line up to the total amount of PLN 100,000 thousand, for the overdraft limit (up to PLN 72,000 thousand) and for issuing guarantees and opening letters of credit (up to PLN 10,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and Cynk-Mal S.A. may use sublimits in the amount of respectively: PLN 13,000 thousand and PLN 15,000 thousand. The duration of the Agreement: September 30, 2023,
- with Bank Societe Generale S.A. with its seat in Warsaw for a multi-purpose credit limit in the amount of PLN 15,000 thousand, allotted to using an overdraft facility, opening letters of credit and granting guarantees (up to PLN 5,000 thousand). The duration of the Agreement: May 31, 2022.

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

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

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

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

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

On April 8, 2015, the Company concluded with NFOŚiGW in Warsaw, a loan agreement for co-financing the implementation of the project entitled "Construction of the Flotation Waste Processing Plant - an installation for processing in the recovery process by the flotation enrichment of post-flotation waste obtained from the sediment ponds of Zakłady Górniczo-Hutnicze" Bolesław" S.A. The loan in the amount of PLN 42,161.8 thousand was granted for the period from 01.02.2015 to 20.12.2022 and bears an interest rate of 3.5% per annum. As at December 31, 2021, the debt is PLN 12.6 million.

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

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- loan no. P/114/15/21 for financing the works called "Installation of a dust extraction system for exhaust gases from boilers located in the Bolesław boiler plant" in the amount of PLN 4,742,900 until December 15, 2022. As at December 31, 2021, the debt amounts to PLN 651.3 thousand.

As at December 31, 2021, the debt of ZGH "Bolesław" S.A. under loans is PLN 1.3 million.

In 2021, Zinc Smelter "Miasteczko Śląskie" continued cooperation in the field of current loans with the banks that credited it in 2020, i.e. ING Bank Śląski S.A., Credit Agricole Bank Polska S.A., PKO BP S.A. and PeKaO S.A., using three-currency credit lines up to PLN 60 million and transaction limits for treasury transactions granted by these institutions to the Company.

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

With BNP Paribas Bank Polska S.A., BNP Paribas in London, ING Bank N.V. in the Netherlands and mBank S.A. HCM S.A. it cooperated in the field of treasury transactions within the granted transaction limits.

In 2021, the Company continued to repay the loan from the National Fund for Environmental Protection - the value of capital instalments repaid in 2021 is PLN 4,460.0 thousand. As at December 31, 2021, PLN 14,656.3 thousand remains to be repaid.

The company Gradir Montenegro d.o.o. as at December 31, 2021, it has one loan agreement concluded with ZGH "Bolesław" S.A. for the amount of USD 23,000,000 as of October 26, 2011, with the maturity of the remaining 20 quarterly installments of USD 750,000 each and 4 quarterly installments of USD 500,000 each, payable in the period from 01/01/2021 to 31/12/2026. As at 31/12/2021 r., until the loan is repaid by Gradir Montenegro d.o.o. \$ 14,000,000 remained. The interest rate on the loan is based on 3M LIBOR + the lender's margin, which, in accordance with the annexes signed on 01/07/2020, is 2.75%.

To sum up, the cooperation of the Capital Group with financial institutions in 2021 was correct. This made it possible to implement the assumed investment and financial policy of the Group and to ensure stable financial liquidity.

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

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

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

- interest-bearing loan (WIBOR 1M + margin) in the amount of PLN 20,000 thousand granted on May 24, 2010 to Stalprodukt-Profil S.A. The outstanding amount is PLN 6,000 thousand in accordance with the annex to the loan agreement of December 30, 2021, is due for repayment on December 31, 2022;
- interest-bearing loan (WIBOR 1M + margin) in the amount of PLN 20,000 thousand granted on May 24, 2010 to StalNet Sp. z o.o. The outstanding amount is PLN 8,500,000, in accordance with

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the annex to the loan agreement of December 30, 2021, it is due for repayment on December 31, 2022.

As at the balance sheet date, the Company does not have any contingent liabilities other than due to performance guarantees relating to the production and installation of road barriers. As at December 31, 2021, the total amount of unexpired guarantees in this respect is PLN 18,967 thousand.

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

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

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

- values of established sureties and guarantees, including:
 - securing contracts concluded with the National Center for Research and Development for co-financing of the following projects:
 - "Verification based on a pilot line of the new technology of ZGH Bolesław S.A. for electro-precipitation of high-purity zinc in order to increase the share of secondary raw materials in the electrolytic zinc production process to a level that is a breakthrough in the industry", (POIR.01.01.02-00-0159/16-00) . The project amount: PLN 38,873,197. Expiry date of the obligation is on June 30, 2026;
 - "Demonstration of an innovative process for the production of Zn-Pb-Ag flotation concentrate in order to increase the recovery of Ag and Zn from sludge from the zinc roasting leaching process as a key to the effective management of mining waste after processing zinc and lead ores" (POIR.01.01.02-00- 0080/17-00). The project amount: PLN 4.976.178. Expiry date of the obligation is on March 31, 2026;
 - "Development of an innovative technology for the recovery of zinc in the shaft process from mixtures of metallurgical waste along with the treatment of post-process slags to the form of poor iron ore" (POIR.01.01.02-00-0206/17-00). Project amount: PLN 12.000.000. Expiry date of the obligation is on August 31, 2025;
 - "Innovative recovery of valuable and critical metals by recycling waste generated in zinc hydrometallurgy" (POIR.01.02.00-00-0090/19). Project amount: PLN 4.623.250. The expiry date is 31 December 2023.
- security on the assets of ZGH "Bolesław" S.A.:
- Security for the repayment of the loan to the National Fund for Environmental Protection and Water Management in Warsaw, taken out to finance the investment project "Construction of the Post-Flotation Waste Processing Plant" up to the amount of PLN 21,968.5 thousand,
- security for the repayment of the remaining amount of loans to WFOŚiGW in Krakow, taken over as a result of the purchase from BOLTECH sp. z o.o. the Complex of Heating Plant - the amount of PLN 651.3 thousand,

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- bank guarantees granted to suppliers of materials (fine coal, fuels, electricity, zinc concentrates) - the amount of PLN 1,700.0 thousand,
- security for the contract 856 / IG / 2012 concluded with the State Treasury - Minister of the Environment for the use of geological information on the "Pomorzany" zinc and lead ore deposit for remuneration up to the amount of PLN 10,516.8 thousand. Liabilities in this respect were fully settled by December 31, 2021.
- security in the event of negative effects in the environment and damage to the environment in connection with running a warehouse of non-secured and inert waste in the amount of PLN 9,582.10 thousand; (Marshal of the Małopolska Voivodeship),
- securing the fulfillment of obligations due to the removal and liquidation of negative effects in the environment (security required by the Regulation of the European Parliament and of the Council No. 1013/2006 No. SLG64110IN20) - applies to the export outside Poland of waste in the form of Cu-Co sludge - the amount of PLN 335.1 thousand.
- security on the assets of HCM S.A.:
- assignment of rights under the insurance policy up to the amount of the NFOŚiGW loan - PLN 37.0 million;
- contractual mortgage on KW GL1T / 00094659/8 - PLN 46.2 million,
- court registered pledge on inventories (a set of movables purchased or manufactured) - PLN 46.2 million,
- HCM S.A. blank promissory notes:
- NFOŚiGW in Warsaw - up to the maximum amount of PLN 46,195,312.50;
- National Center for Research and Development in Warsaw - PLN 1,829,590.33 + interest;
- National Center for Research and Development in Warsaw - PLN 3,765,916.40 + interest;
- National Center for Research and Development in Warsaw - PLN 4,547,108.44 + interest;

Zinc Smelting Plant "Miasteczko Śląskie" S.A. did not grant any sureties or guarantees in 2021.

As at December 31, 2021, Gradir Montenegro d.o.o. has two loan agreements concluded with ZGH "Bolesław" S.A.:

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

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

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

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

11. Information on own shares owned by the Company

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

12. Information on branches owned by the Company

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

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

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

The Company does not publish forecasts.

14. Assessment of financial resources management

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

15. Information on financial instruments

Detailed information on financial instruments in the scope of:

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

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

16. Assessment of possibility to implement the intended investments

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

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

17. Investment activities and research and development works

17.1 Investment activities

a) Stalprodukt S.A.

- **Investments in the field of extending the production range:**

- a device for cutting profiles into strict dimensions was installed and commissioned at the P4 Folded Profiles Department in Tarnów.

- **Investments in the field of construction works:**

- construction of the sulphuric acid pumping station was completed,
- started demolition works of the "LIPSK" building at Wadowicka St. in Kraków (they were completed in February 2022),
- replacement of roof skylights at the facility no. 219 BCD (Coiled Cores and Fittings Department),
- a construction design was completed for the connection chamber and overheating station in the Power Division and an application was submitted for a building permit decision, construction implementation planned for 2022.

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

- a design of three new settlement plots with infrastructure was made and a construction permit was obtained, financial resources for this purpose were planned in the Investment Plan, construction start: March 2022,
- the task related to the compliance price of line safety systems in BP and DP is continued,
- contracted for the construction of a soundproof casing for the battery of unit No. 12 / P2,
- stage II of the task related to the modernization of emergency lighting in the halls of Department P2 was completed.

- **Other investment tasks:**

- the third stage of works related to the installation of the SSP Fire Alarm System for the facilities of Stalprodukt S.A. has started, the planned completion of works - by the end of the third quarter of 2022,
- further bays of 6 kV switchgear were modernized,
- in the Electrical Sheets Segment, a network infrastructure (Wi-Fi) was completed for the needs of the task related to the implementation of product identification using barcodes,
- a capacitor bank for LV switching station has been installed in the P4 Bent Profiles Department,

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- a task related to the implementation of a fully automated emulsifier was launched in Department P2, planned completion of the task: III quarter of 2022,
- a device for sheet drying on the NT line in the Electrical Sheets Segment was contracted.

b) the Capital Group

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

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

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

In 2021, expenditure on non-financial fixed assets in the Zinc Segment amounted to PLN 90.1 million and was lower than in 2020 (PLN 125.9 million).

In the steelworks "Bolesław", tasks related to the expansion of the technological line of the post-flotation waste processing installation for the production of high-quality blend concentrate (PLN 7.7 million), an absorption tower at the Sulfuric Acid Factory (PLN 18.0 million) or the modernization of the roast meat transport system within the Roasting Department and FKS (2, PLN 5 million) and modernization of the shaft furnace no. 2 in the Waste Recovery and ZnO Production Department (PLN 1.1 million). "Construction of a submersible pumping station in the area of the Bronisław shaft", expenditure for this purpose in 2021 amounted to PLN 8.1 million. The total capital expenditure of the Parent in the reporting period was PLN 47.4 million.

In Huta Cynku "Miasteczko Śląskie" there were, among others, construction of a hall and installation for the production of two-tonne SHG zinc blocks and ZnAl alloys. The investment was commissioned in December 2021. The expenditure incurred in 2021 on this sentence accounted for 34% of the total amount of HCM S.A. capital expenditure, which amounted to PLN 38.8 million and was financed entirely from the Company's own funds. Of the large investments in HCM, the modernization of the extraction system of the PSP sampling plant was also of key importance (expenditure incurred in the reporting year is PLN 7.3 million), in order to eliminate more dust emitted during the preparation of batch cartridges in the sampling hall. The total expenditure on investments in the Miasteczko Śląskie steelworks in 2021 amounted to PLN 38.8 million and was financed from HCM S.A.'s own funds.

On the other hand, Gradir Montenegro incurred expenditure on the continuation of exploration work in the Ribnik field and modernization of the technological line in order to increase the processing capacity as well as the quantity or quality of the concentrates produced. Work continued on the expansion and geomembrane lining of the settlement pond no. 3. The investment expenditure amounted to PLN 1.7 million. In Boltech, the expenditure for 2021 is PLN 2.1 million.

17.2 Research and development works

a) Stalprodukt S.A.

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

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

In 2020, the implementation of this project began in accordance with the scope specified in the signed contract. In March 2020, Stalprodukt received the first tranche of funding, and in October another one. The total value of funds provided in 2020 by the NCBiR for the implementation of the project was PLN 1,084 thousand, of which PLN 491 thousand went for AGH. In 2021, the work continued.

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

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

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

On January 2021, the power plant was put into operation and tests of its operation began, unfortunately it was stopped in an emergency. After analysis, it turned out that it is necessary to strengthen the upper compensator. After the works were completed, the device was restarted, however, very poor wind conditions throughout 2021 and problems with the availability of personnel to operate the power plant resulted in the fact that the tests of the power plant's operation were carried out to a very limited extent. In 2022, after the technical inspections of the power plant, further research work on the efficiency of the power plant is planned.

b) the Capital Group

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

In 2021, a number of research works were also carried out to develop a technology for removing chlorides and sulphates from wastewater from production processes carried out in the metallurgical part of ZGH "Bolesław" S.A. Research works concerned, inter alia, removal of chlorides from wastewater from the Oxides Hall - Installation for deep dechlorination, defluorination and leaching of zinc oxide - and precipitation of fluorides. The works were carried out in many ways, in various research institutions and with the use of various technologies in order to select the best process option, taking into account investment outlays, operating costs, and in particular, allowing for obtaining salt for development and / or sale.

The amount of all expenses of ZGH "Bolesław" S.A. on research and development (R&D) in 2021 (according to the GUS report - PNT-01) is PLN 4.0 million.

In 2021, as part of research and development work at ZGH "Bolesław" S.A., the following projects were implemented co-financed by the European Regional Development Fund:

1. The project entitled: "Verification based on the pilot line of the new ZGH Bolesław technology for electro-extraction of high-purity zinc in order to increase the share of secondary raw materials in the electrolytic zinc production process to a level that is a breakthrough in the industry".
As at December 31, 2021, the total amount of costs incurred for the implementation of the project is PLN 106.1 million. The amount of the subsidy received is PLN 35.0 million. Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 97.2 million, while the co-financing in the amount not exceeding PLN 38.9 million. As at December 31, 2020, the first stage of the project implementation was completed, consisting in the construction and commissioning of a pilot line (zinc electrolysis hall), enabling further research. As of December 31, 2021 the total amount of project implementation costs, including both eligible and non-eligible costs, amounted to PLN 105.5 million, while as at December 31, 2020, components of the pilot line were commissioned for PLN 101.3 million. The amount of the received subsidy as at December 31, 2021 is PLN 36.1 million.
2. The project entitled: "Demonstration under operating conditions of an innovative process for the production of Zn-Pb-Ag flotation concentrate in order to increase the recovery of Ag and Zn from sludge from the zinc roasting leaching process as a key to the effective management of mining waste after processing zinc and lead ores". As at December 31, 2021, the amount of costs incurred for the implementation of the project is PLN 14.5 million.
On October 23, 2019, a pilot installation was commissioned for further development work. The value of the created assets amounted to PLN 13.6 million. In December 2021, the project was completed with a positive result. The amount of completed development works in the amount of PLN 0.956 thousand was settled for intangible assets. The amount of the subsidy received by December 31, 2021 is PLN 4.8 million.
3. The project entitled: "Development of an innovative technology for the recovery of zinc in the batch process from mixtures of metallurgical waste along with the treatment of post-process slags to the form of a substitute for poor iron ore". Pursuant to the concluded agreement, the amount of eligible

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costs of the project is PLN 30.0 million, while the co-financing in the amount not exceeding PLN 12.0 million. In June 2019, by the decision of the Company's Management Board, the works carried out under the project were suspended. This decision resulted from the fact that further industrial research will not lead to the achievement of the assumed final results. In connection with the decision made, the final information on the project implementation was submitted to the NCBiR.

As at December 31, 2020, the Management Board of the Company decided to write down the project costs in the amount of PLN 12.4 million as incurred without effect. Until 31/12/2021, the amount of the subsidy received, in relation to the incurred eligible costs, amounted to PLN 1.8 million.

4. The project entitled: "Innovative recovery of valuable and critical metals by recycling waste generated in hydrometallurgy." Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 7.3 million, and the co-financing in the amount not exceeding PLN 4.6 million. As at December 31, 2021, the total amount of costs incurred for the implementation of the project is PLN 2.4 million. The amount of the subsidy received by December 31, 2021 is PLN 1.0 million.

Huta Cynku „Miasteczko Śląskie” S.A., as part of its research and development activities, carried out the following projects:

1. in cooperation with the Institute of Non-Ferrous Metals in Gliwice, it started a project that is a process innovation regarding the recovery of germanium from a polycrystalline alloy, produced in the process of in-depth zinc purification carried out at HCM S.A. The end product will be a commercial concentrate of germanium, a material recognized by the EU and the US as critical for the global economy due to its limited resources and application in key sectors of the economy.
2. in cooperation with the Institute for Chemical Processing of Coal, it submitted an application for co-financing of the project under the competition announced by the National Center for Research and Development, i.e. the program "New technologies in the field of energy". The project concerns the production of green hydrogen, i.e. produced in an electrolyser powered by electricity from photovoltaic cells, along with its storage and use in the technological process of zinc refining, which will reduce the CO₂ emission of this process.
3. commissioned the Łukasiewicz Research Network to the Institute of Non-Ferrous Metals in Gliwice to carry out research work aimed at determining the degree of increase in sinter production on the DL machine by introducing oxygen addition to the air fed to the blast chambers.
4. commissioned the Łukasiewicz Research Network to the Institute of Non-Ferrous Metals in Gliwice to carry out research work aimed at testing the technology of converting copper matte into raw copper containing 90-95% Cu containing nickel and silver and lead-bearing semi-products (clay slag, dust) in a short rotary furnace at the Huta Cynku „Miasteczko Śląskie” S.A.
5. commissioned the Silesian University of Technology in Katowice to develop a concept and carry out tests in the field of briquetting of post-process, oxide, zinc-lead materials.
6. commissioned the Institute for Chemical Processing of Coal in Zabrze to carry out research aimed at:
 - a. measuring the composition of exhaust gases together with impurities at the outlet of the coke preheater,
 - b. testing the performance characteristics of the burner co-firing process gas with natural gas in an air heater,
 - c. analysis of technological problems related to with the operation of the exhaust gas deodorization system along with recommendations for further actions.

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

In total, the ZGH "Bolesław" Capital Group spent PLN 4.5 million on R&D in 2021.

18. Information on employment, payroll and training

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

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

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

For several years, the company has also been implementing a project to launch the production of high-quality transformer sheets (so-called HiB). Thanks to regular trials and continuous improvement of the process, the Company systematically gains an increase in the share of products with the highest quality parameters. Due to the ever faster changes in market trends and the shift in demand in favor of high grades (HiB), the Management Board plans to make the most of its production capacity in this product area from 2022.

This issue is particularly important from the point of view of the EcoDesign Directive, especially the entry into force of its 2nd stage (the so-called Tier 2) in July 2021, which will force an even wider use of transformer sheets in the highest grades.

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The Capital Group of ZGH "Bolesław" is an example of building the so-called closed circuit in the zinc industry, which fits perfectly with the implementation of the Sustainable Development Strategy. An element of this Strategy is to use the earth's resources in a more sustainable way and to increase the share of recyclable materials.

In the reporting period under discussion, the policy regarding the directions of development of the ZGH Capital Group was continued. The development of ZGH Bolesław S.A. should be considered in the context of the development strategy of the entire ZGH "Bolesław" Capital Group due to the fact that it has three metallurgical production processes that are technologically interconnected.

The three metallurgical technologies concentrated in one Group are:

- production of electrolytic zinc according to RLE technology (Roasting / Leaching / - Electrowinning / electrolysis) - at ZGH "Bolesław" S.A.;
- zinc production according to ISP (*Imperial Smelting Process*) technology for processing of sulphide and oxide zinc-lead concentrates and zinc-bearing waste - at HCM S.A.;
- Waelz process, thermal processing of zinc-bearing materials from the steel industry and non-ferrous metals industry and for the production of batch concentrates for ZGH and HCM based on these waste materials - at ZGH "Bolesław" S.A.

In 2021, the ZGH "Bolesław" Capital Group implemented a development strategy based on activities related to:

1. Provision of a raw material base for both foundries:
 - acquiring new sources of raw materials;
 - processing of the largest possible amounts of oxide materials and waste materials accepted for disposal and processing of own waste;
 - increasing the amount of produced concentrates from flotation waste.
2. Maintaining the margin level at a satisfactory level:
 - reduction of zinc production costs by lowering the costs of electricity, coke and gas consumption and reduction of CO₂ emissions;
 - implementation of investments aimed at increasing the production of zinc;
 - maximizing the use of cheaper recycled input materials.
3. Maintaining the competitive position of the Capital Group on the market:
 - increasing the production of zinc with the highest SHG quality;
 - increasing the production of zinc alloys;
 - adapting to the current needs of customers of zinc and zinc alloys;
 - effective management of market risk.

An important factor influencing the profitability of the zinc segment is the cost of energy carriers, i.e. electricity, coke and gas. For many years, production companies have been implementing investments that reduce the energy consumption of processes and the costs of coke, gas and electricity consumption.

In 2021, work continued on improving energy security and improving energy efficiency by recovering heat from technology and building its own cogeneration source.

Overview of strategic options

On October 9, 2020, the Supervisory Board approved the motion of the Stalprodukt Management Board regarding the initiation of the strategic options review process by the Company (confidential information

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provided in the form of a current report No. 20/2020 on the same day). The purpose of this review will be to select the most advantageous way to achieve the long-term goal of the Company, which is the development of the Stalprodukt Group leading to the maximization of value for the current and future shareholders of the Company.

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

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

It should also be emphasized that such a review was of particular importance in the context of the Management Board of ArcelorMittal Poland S.A. on October 8, 2020, a decision to permanently close the raw material part of the Kraków smelter. Even though the blast furnace and steelworks were suspended for many months and it did not disrupt the functioning of the Issuer's "steel" segments, in the long term this fact may have a negative impact on the supply chain of batch products for the Company's production needs. This negative impact may appear especially in the supply of hot-rolled products for the production of transformer sheets.

The option review process itself was significantly extended due to the unfavorable environment, including mainly the coronavirus pandemic. During the meeting, the Company held talks with several interested entities, but they did not go beyond the initial stage, i.e. without conducting in-depth due diligence. The proposed conditions did not meet the basic expectations of the Management Board as to the provision of input material, primarily for the needs of high production of high grades of transformer sheets, and to ensure favorable conditions for further development of individual operating segments.

Taking into account the above conditions, the improvement of the situation in the steel industry, mainly in terms of price increases and better prospects for the future, as well as the improvement of the quality of the charge for HiB sheets from ArcelorMittal mills, the Management Board will soon recommend to the Supervisory Board to maintain the current scope of activities. At the same time, assumptions regarding new elements of strategic activities will be presented.

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

External factors significant for the Group's development

- **GDP level and economic situation**

The general economic situation in Poland and its prospects have a significant impact on the development of the Company, therefore the GDP level is a good reflection of Stalprodukt's potential.

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The forecasts of various economists show the assumption that the Polish economy will slow down in 2022. While in the first quarter the growth rate should exceed 5%. Due to the strong results of the industry, the growth in consumer spending is slowing down, and the rapid increase in the prices of building materials begins to weigh on investments. Weaker growth in domestic spending will probably be compensated by high foreign demand. Therefore, in the second quarter, GDP growth is assumed to be close to 4%, and for the entire year 2022 at the level of 4.3%.

- **exchange rates**

Forecasts for the Euro exchange rate at the end of 2022 range from PLN 4.30 to PLN 4.95. Although none of the market experts assumes that the level of PLN 5 per euro will be exceeded, on the other hand, no one expects the zloty to return to its pre-vid form, i.e. the euro exchange rate below PLN 4.40. 15 out of 24 current forecasts from the Bloomberg database assume that the Euro will remain in the range of PLN 4.40-4.60. **Only five forecasters are betting on a further weakening of the zloty**, i.e. an increase in the Euro exchange rate above PLN 4.61 at the end of 2022.

- **Inflation**

The inflation peak in 2022 is expected at 12.1 percent in III quarter, this results from the central path of the inflation projection of the National Bank of Poland (NBP). According to the bank's projection, inflation will decline in the coming years, but by the end of the projection horizon (2024) it will exceed 3.5% on an annual basis.

The projection was prepared under the assumption of the unchanged NBP interest rates taking into account the data available until March 7, 2022. Meanwhile, on March 8, the Monetary Policy Council (MPC) raised interest rates - by 75 basis points in the case of the reference rate (from 2.75% to 3.5%), and on April 6 - by another 100 basis points (to the level of 4.5%).

According to the new projection, consumer inflation in 2023 will amount to 9% and 4.2 percent in 2024. According to the November projection, consumer inflation was to amount to 5.8 percent in 2022 and 3.6 percent in 2023.

The main argument for such a development scenario is, inter alia, dynamic growth of energy commodity prices in the world markets, as a result of sanctions imposed on Russia, which will cause that the currently observed high level of inflation will increase in the coming quarters.

In the longer term - along with the slowdown in GDP growth - the pace of inflation growth should decline.

Recent data indicate that the level of inflation in practice will be even higher than assumed in the above forecasts. According to GUS data for March 2022, inflation increased by as much as 11% annually.

- **Forecast for sectors using steel for 2021-2022**

Total steel-using sectors are expected to rebound in 2021 (+ 8.5%, revised downwards from + 9.3% in earlier forecast) and to grow more moderately in 2022 (+ 4.7%) , after a sharp drop (-10.4%) recorded in 2020 due to a very low level of production.

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

- good conditions for further development of high grades of transformer sheets thanks to the decision of the European Commission to extend (for the next 5 years) measures to protect the EU market against excessive imports of sheets from the People's Republic of China, Japan, the Republic of Korea, the Russian Federation and the United States of America;
- the need to further optimize costs (especially in terms of reducing the cost of electricity consumption);
- optimization of internal processes.

Influence of the war in Ukraine on the economy of Poland and the European Union

It should be noted that the above forecasts referred to in this Report on the Management Board's activities were prepared before the outbreak of the war in Ukraine. This fact will certainly have a huge impact on the economy of the European Union (and therefore Poland) in many of its aspects and areas, but the actual and potential effects of this event are difficult to estimate today.

However, the first three weeks of the Russian invasion of Ukraine have already caused dramatic effects on all possible levels - from the tragedy of the Ukrainian nation resulting from many casualties among the civilian population, enormous damage to civil infrastructure and facilities, to the economy, including disruptions to key markets in the flow of strategic goods and raw materials. (oil, gas, iron ore, coal, non-ferrous metals, steel, etc.), financial flows (blocked exchanges, bank sanctions) or information flow (blocked social media sites, hacker attacks).

Goldman Sachs expects slower economic growth in Poland and other countries in the region in 2022 due to weakening their currencies and rising commodity prices, according to the bank's latest report on March 2, 2022.

In the case of Poland, the Bank lowered its forecast for this year's economic growth from 5.9 percent. up to 5.5 percent. Due to the expected higher inflation of 8.2 percent including and 5.0 percent next year, it also expects a higher interest rate in Poland. The maximum is to reach 5.5 percent, previously forecasted 5.0 percent (currently it is 2.75%).

Goldman Sachs emphasizes that the assessment of the impact of the war in Ukraine on the economic growth of Poland and other CEE-4 countries (Czech Republic, Hungary and Romania) is highly uncertain - not only because of the uncertainty surrounding the conflict itself, but also because it will result possibly both positive and negative effects, the report said.

On the one hand, higher commodity prices will slow down economic activity, and the conflict will have a negative impact on the moods of business and households. On the other hand, the influx of refugees can have a significant positive impact on GDP.

More information on the impact of the war on the situation of the Company in the point entitled "Information on the actual and potential impact of the war in Ukraine on the Issuer's operations."

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

a) macroeconomic environment

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

The Institute of Economic Forecasts and Analyses (IPAG) has lowered Poland's GDP growth forecast for this year to 4.5%. from 5.2 percent expected in November last year.

At the beginning of 2022, the long-term effects of the now ended crisis come to the fore, the **greatest threat to the economy is increased inflation**. Moreover, the related increase in interest rates necessitates a revision of the previous expectations of the economic growth rate and some of its elements, such as the investment growth rate, affecting the growth prospects in the coming periods. Disruptions in global supply chains are still a significant negative factor following the pandemic, the institute reports.

The forecasts for 2022 were significantly complicated by the war in Ukraine. Economists agree that the conflict will have a negative impact on the economic situation in Poland, but how strong - so far, one can only speculate.

b) dynamic increase of prices of charge products

The turbulences in the EU steel market have been observed almost from the beginning of military operations in Ukraine. The very next day after the outbreak of the war, raw materials for steel production began to rise sharply. According to DM BDM calculations, only in the 10th calendar week of 2020, cold-formed sections increased by 74 percent, sheets by 51 percent, and ribbed bars by 40 percent. In the case of metal sheets, prices are as much as 228 percent higher than last year, and the prices of bars during the year jumped by 195%.

The above situation results mainly from the fact that both Russia and Ukraine were significant suppliers of steel products to the EU markets. Russia has been subject to economic sanctions, including ban on steel imports into the EU. In turn, the situation in Ukraine often does not allow for production and completely prevents steel exports.

A derivative of this situation is also an increase in the prices of hard coking coal and steel scrap.

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

Due to the nature of the technological processes used, Stalprodukt is an energy-consuming company. Rising electricity prices due to the outdated energy infrastructure in Poland, based mainly on coal-based energy, will have a negative impact on the Company's profitability in the coming years. The

year 2021 brought a continuation of the upward trend in the prices of CO₂ emission allowances, which resulted in a record price of over EUR 96 per tonne.

It should be noted that the outbreak of the war in Ukraine caused the ETS quotations to drop to EUR 58 / tonne, but it was short-lived and now (i.e. in April 2022) their prices have again exceeded EUR 80 / tonne.

d) The constantly increasing costs of the EU climate policy

EU and domestic steel producers are burdened with the costs of the climate policy, mainly due to the need to implement significant investments aimed at reducing CO₂ emissions (decarbonisation) and the growing prices of CO₂ emission allowances. With high energy consumption of processes in metallurgy, it causes a significant increase in the costs of steel production and a decrease in the competitiveness of EU producers, which often leads to the phenomenon referred to as "carbon leakage", i.e. the transfer of production by companies to other countries with less stringent emission reduction regulations.

It was this factor that led to the closure of the raw material part of the Kraków steelworks owned by ArcelorMittal Poland S.A. This policy indirectly puts in a privileged position for producers from outside the European Union who are not subject to the above-mentioned EU regulations.

Therefore, the information that on March 16, 2020 the European Union countries reached an agreement on the carbon tax ("CBAM") is to be welcomed. It will be imposed on products imported into the EU that are manufactured in countries with less stringent climate standards.

There are also high hopes for recognizing natural gas as a "green fuel", which may translate into lower burdens related to CO₂ emission allowances.

It is also worth emphasizing that the war in Ukraine and its consequences (especially in the area of energy policy) may affect the position of EU decision-makers on the suspension of the emissions trading system or the reduction of burdens related to it (which is requested by many countries).

g) the risk of an industrial accident

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

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

h) market risk for the Zinc Segment

It is a risk of a decrease or increase in prices as a result of changes in market prices for metals, currency exchange rates, prices of energy raw materials or CO₂ emission rights. Market risk is naturally inherent in the company's operations. Due to the fact that there is a strong dependence between the risk incurred and the level of income possible to achieve and increase in the economic value of the company, the intention of the companies operating within the Zinc Segment of the Stalprodukt Group, as in previous years, will not be to completely eliminate the threats resulting from changes in factors. risk, but reducing them to safe levels through active risk management. Systematic control of the acceptable level of risk will be an integral component of market risk management in the Group.

The implementation of the above activities will allow for dynamic development, strengthening the market position and improving the efficiency of the Group's operations.

In the opinion of the Management Board, the strong market position developed by the ZGH Group and a stable financial situation, combined with other factors such as competent and committed staff make the ZGH Group well prepared to implement the Group's Strategy.

The following are a threat to the further operations of the ZGH "Bolesław" S.A. Capital Group:

- economic consequences of the war in Ukraine;
- lack of a sufficient own base of mine concentrates;
- fluctuations in supply and prices of zinc concentrates;
- unresolved problems of the national energy policy concerning energy-intensive companies;
- risk of changes in electricity prices and CO₂ emission allowances;
- risk of changes in the prices of energy resources (coke, gas);
- the development of the situation related to the threat of COVID-19 infection caused by the SARS-Cov-2 coronavirus.

In the Capital Group in the companies: ZGH "Bolesław" S.A. and HC "Miasteczko Śląskie" S.A. "Hedging Strategies" are applied for effective financial risk management and market risk management procedures. These documents define the division of competences and tasks among individual organizational units in the process of financial risk management and control. In order to implement the hedging strategy, financial instruments such as swap contracts, forward and futures contracts, and option contracts are used.

The purpose of financial risk management is to limit the negative impact of financial factors on the results of the above-mentioned companies in the short and medium term, as well as minimizing their impact on the company's financial flows. The risk management process consists in identifying and determining the weight of a given risk, as well as activities aimed at limiting them to the levels acceptable to the Company.

In 2021, the above companies were exposed to the main financial risks, such as market risk related to the prices of the products sold, credit risk and liquidity risk.

i) risks related to financial instruments

Other risks resulting from financial instruments, i.e. credit and contract risk, liquidity risk and market risk, are described in detail in the Additional and explanatory information to the financial statements (Item 8: Financial instruments and risk management assessment) .

22. The impact of the political and economic situation in Ukraine and the COVID-19 coronavirus on the operating activities and financial situation of the Issuer and its Capital Group

22.1 Information on the political and economic situation in Ukraine and its actual and 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 Capital Group conducts commercial activities to a very limited extent with customers in Ukraine and Russia. The share of these customers in the Group's sales structure is insignificant.

The main direction of supply of charge materials for the Sheet Segments and Stalprodukt Profiles (including mainly hot-rolled sheets) are mills belonging to the ArcelorMittal concern, located in Poland and Western Europe. The Company only purchases the charge from mills in Ukraine and Russia (this applies only to the Profiles Segment).

Nevertheless, as of the date of preparation of this annual report, it is possible to identify more and more negative effects of the war in Ukraine, which directly or indirectly affect the market conditions in which the Company operates. The most important of them are:

- a sharp increase in the prices of input materials due to the lack of supplies of materials to the EU markets from Russia (due to economic sanctions imposed on this country) and Ukraine (due to the ongoing military operations and the inability to ensure supplies);
- the above situation may adversely affect the possibility of supplementing the shortage of supply volumes from these directions with purchases from other European mills;
- the need to transfer the increase in the purchase costs of the charge to the recipients of the finished products. Such drastic increases raise concerns as to whether it will not significantly reduce the demand for the Company's products (especially in the Profiles Segment);
- the weakening of our currency in relation to the main currencies (Euro, US dollar and Swiss franc), which has an even greater impact on the level of purchase costs of input products.

The impact of the war in Ukraine on the situation of the Zinc Segment

The current political and economic situation in Ukraine may potentially have an impact on the activities of ZGH "Bolesław" S.A., in particular its financial results in the future. ZGH 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 revenues of ZGH "Bolesław" S.A. is very small. Thanks to diversified sales markets, an armed conflict should not affect sales and financial results in the long term. The company also does not import raw materials for the production of its goods 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.

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To the best of our knowledge, as at the time of submitting this report, there are no significant disruptions in terms of revenue reduction, customer loss or employee shortage. The solvency, liquidity and collection of receivables also remain unchanged, and price fluctuations are secured in the form of forward transactions.

The Management Board of ZGH "Bolesław" S.A. will analyze the situation related to the armed conflict in Ukraine and the pandemic on an ongoing basis, both in Poland and in other countries in which the Company or entities belonging to the Group operate. If the Management Board of ZGH receives new, significant information related to the situation described in this document, it will be communicated in the manner provided for such information.

22.2 The impact of the coronavirus COVID-19 pandemic on the situation of the Company and the Capital Group

Stalprodukt

a) Segment Blach

Contrary to 2020, which was the first year of the COVID-19 coronavirus pandemic, the Company did not experience any 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 manufacturing 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 removed. 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) Profile 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 industry, the furniture industry and steel structures should be mentioned.

This situation has improved dramatically last year. Low sickness absence also in this operating segment was conducive to ensuring the necessary staffing on production lines, all restrictions were also lifted for Stalprodukt customers. The impact of COVID-19 on production and sales results was therefore less and less felt.

Summing up the impact of the COVID-19 coronavirus on the Issuer's operations, it should be emphasized that in 2021 and in the first quarter of 2022, this impact on the activities of both operating segments was much weaker than in 2020. The number of employees on sick leave or in quarantine clearly decreased due to coronavirus.

Production 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 (applies to administrative departments). The Management Board of the Company does not expect the situation to deteriorate in this

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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.

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

In 2021, there were no significant changes in the management principles of the company and its capital group.

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

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

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

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

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

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

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

	Basic salary	Performance bonus	Remuneration due to performing functions in the authorities of subordinated entities	Total
Piotr Janeczek	852 251	367 598	131 000	1 350 849

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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
Stanisław Kurnik	101 384		101 384
Sanjay Samaddar	0		0
Magdalena Janeczek	105 844		105 844
Agata Sierpiska-Sawicz	97 023		97 023
Romuald Talarek	95 589		95 589
Total	399 840		399 840

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

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

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

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

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

a) executives:

Full name	Current number of Stalprodukt S.A. shares (as of 31 December 2021)
Piotr Janeczek	115 053
Łukasz Mentel	100

b) officers:

Full name	Current number of Stalprodukt S.A. shares (as of 31 December 2021)

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Stanisław Kurnk	2 900
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In the period from the date of submission of the previous periodic report, there were no changes in the ownership of the Issuer's shares by management and supervisory personnel.

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

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

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

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

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

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

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

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

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

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Wodociągów i Kanalizacji sp. z o.o. Thus, the cited judgment of the District 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 for the effects on water relations related to the future shutdown of the Olkusz-Pomorzany Mine drainage and the resulting cessation of water supply to its channels and for possible contamination of groundwater.

As indicated above, a final judgment is a final judgment that determines the fact of liability. The amount of compensation has not been determined, which will be the subject of a further trial (initially Przedsiębiorstwo Wodociągów i Kanalizacji was seeking the amount of PLN 64,604,143.05). The amount of possible compensation is influenced by the value of expenditure on alternative water supply, which amounts to approximately PLN 30 million. Another problem is the issue of Community funding, which, in the company's opinion, should reduce the amount sought. In this state, it is currently impossible to precisely define the possible amount of the awarded damages. The above information about the judgment of the Court of Appeal was treated by the Issuer's Management Board as confidential information and made public in the current report No. 3/2020 on March 13, 2020.

On July 28, 2020, a cassation appeal was filed with the Supreme Court in Warsaw through the Court of Appeal in Kraków.

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 be reviewed by the District Court, which will determine the amount of compensation.

On September 16, 2021, the Order of the District Court, IX Commercial Division, was received in Kraków of August 30, 2021, binding 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. sent a letter to the Court with a request for the obligation of 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 claim by approximately PLN 10 million and is now seeking an award of PLN 54,838,732.96.

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 mentioned 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."

30. Information on the control system of employee shares schemes

The Company does not operate the employee shares schemes.

31. Information on the selection of an audit firm

Indication:

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

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

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

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

c) the body that selected the audit firm,

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

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

The remuneration for the audit company was:

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

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

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

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

This Declaration on the application of corporate governance by Stalprodukt S.A. in 2021 has been prepared on the basis of Article 49 (2a) of the Act of 29 September 1994 on Accounting (consolidated text Journal of Laws of 2019, item 351) and § 70 (6)(5) of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognising information required by the law of a non-member state as equivalent (i.e. Journal of Laws of 2018, item 757).

a) indication

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

The company is subject to the corporate governance principles contained in the document "Good Practices of Companies Listed on WSE 2021". The content of this document is available on the Company's website (www.stalprodukt.com.pl), in the section "Investor relations" and the tab under the name "Corporate governance".

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

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

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

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

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

The company did not declare the following principles and recommendations:

1.3.1. environmental issues, including measures and risks related to climate change and sustainable development issues

The Company and the Capital Group do not currently have a formally adopted development strategy. In October 2016, a development strategy for the Zinc Segment was adopted, the assumptions of which were fully implemented. In 2017, 100% of the shares of the Czech company GO Steel Frydek-Mistek a.s. were purchased, which was the implementation of Stalprodukt's strategy to strengthen its position on the transformer sheet market.

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Due to the unfavourable market environment of the steel industry and high uncertainty as to the future situation, it was difficult to formulate measurable goals of the strategy. Due to the above, the Company decided to start a review of strategic options in October 2020. The result of this review will define the main assumptions of the strategy for the coming years. Although the Company emphasizes in its official documents (including the Statement on non-financial information) the importance of environmental issues, there is also no formalized strategy in the ESG area.

1.3.2. social and employee matters, concerning, inter alia, actions taken and planned to ensure gender equality, proper working conditions, respect for employees' rights, dialogue with local communities, relations with clients.

In its activities, the company takes into account the social and labour conditions aimed at gender equality and ensuring proper working conditions, however, it does not have a formalized strategy in this regard. If the Company formulates a business strategy, the Management Board will also take into account the ESG subject matter.

1.4. In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable goals, in particular long-term goals, planned activities and progress in its implementation, determined by means of financial and non-financial measures. Information on the strategy in the ESG area should, among others:

The rule is not applied. Comment in point 1.4.1. and 1.4.2.

1.4.1. explain how climate change issues are taken into account in the decision-making processes in the company and its group entities, pointing to the resulting risks.

The Company and the Capital Group do not currently have a formally adopted development strategy (rule 1.3). In October 2016, a development strategy for the Zinc Segment was adopted, the assumptions of which were fully implemented. In 2017, 100% of the shares of the Czech company GO Steel Frydek-Mistek a.s. were purchased, which was the implementation of Stalprodukt's strategy to strengthen its position on the transformer sheet market.

Due to the unfavourable market environment of the steel industry and high uncertainty as to the future situation, it was difficult to formulate measurable goals of the strategy. Due to the above, the Company decided to start a review of strategic options in October 2020. The result of this review will define the main assumptions of the strategy for the coming years. Although the Company emphasizes in its official documents (including the Statement on non-financial information) the importance of environmental issues, there is also no formalized strategy in the ESG area.

1.4.2. present the value of the ratio of equal remuneration paid to its employees, calculated as a percentage difference between the average monthly remuneration (taking into account bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this respect, along with the presentation of related risks and the time horizon in which it is planned to achieve equality.

The rule is not applied, however, the Company will include information on the value of the remuneration ratio paid to its employees in its next Non-financial statement.

2.1. A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The diversity policy defines the goals and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the date and method of monitoring the achievement of these goals. In terms of gender diversity, the condition for ensuring the diversity of company bodies is the participation of a minority in a given body at a level not lower than 30%.

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The Management Board adopted the Diversity Policy for application with respect to the company's governing bodies and its key managers, however, it was not adopted by the Supervisory Board in relation to the Management Board, and in relation to the Supervisory Board, it was not adopted by the general meeting. Persons authorized to elect members of the Company's bodies take into account the diversity of the composition of individual bodies, including gender diversity, but the basic criteria are the candidates' abilities, experience and competences. However, this policy does not provide for the obligatory differentiation of the company's bodies (i.e. the Management Board and Supervisory Board) in terms of gender at the level of at least 30%. In the opinion of the Management Board, it is practically impossible to achieve such differentiation in the case of the Management Board. While this differentiation in the case of the Supervisory Board for its current term of office is even 40%, in the case of a 2-person Management Board, adopting such a postulate would mean that one of the members of the Management Board would have to be replaced by a female person or the composition of the Management Board would have to be deliberately enlarged by additional member (a female). Taking into account the fact that the composition of the management board reflects the current organizational structure (the shape of which seems optimal and has been developed as a result of many years of experience and observation) and the division of competences of individual members of the management board (who also perform specific functions in it - i.e. the general director and financial director), changes in this respect are pointless and in practice difficult to implement. Moreover, expanding the composition of the management board would also mean increasing the remuneration costs of this body of the Company, which is also not justified.

2.2. The decision-makers on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achievement of the target minimum minority participation rate set at not lower than 30%, in line with the objectives set out in the adopted diversity policy referred to in rule 2.1.

As in the case of the explanation included in rule 2.1, also in the case of appointment of the Supervisory Board, the competences and professional experience of the candidate should be decisive. Moreover, when selecting members of the Supervisory Board, additional criteria should be taken into account that should be met by the members of the Audit Committee (i.e. independence from the Company, knowledge of the industry in which the Company operates, knowledge and skills in the field of accounting and auditing of financial statements). The above-mentioned criteria should - in the opinion of the Company - be decisive when filling these positions. Additionally, adopting a different position and specific indicators of minority participation in the composition of both bodies of the company, the Management Board would significantly limit the competences of shareholders in this respect (in the event of the election of the Supervisory Board) and of the Supervisory Board (in the event of the election of members of the Management Board).

2.11.6. information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the achievement of the objectives referred to in rule 2.1.

The company did not declare the implementation of the Diversity Policy in the scope referred to in rules 2.1 and 2.2.

3.1. A listed company maintains effective systems of: internal control, risk management and supervision of compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of activities, for which the management board is responsible.

The company has internal control, compliance with the law and risk management systems, although not all of them (e.g. the "compliance" function) are implemented within one organizational unit. However, there is no person responsible for internal audit. In the future, the Company plans to appoint an appropriate person to perform this function.

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In addition, the Company introduced a number of procedures and policies in 2018 (e.g. the Anti-corruption Policy and Whistleblower Protection, the Code of Ethics and the Procedure for whistleblowing by Corporate Whistleblowers) that support the functioning of the existing internal control and compliance systems.

3.3. A company belonging to the WIG20, mWIG40 or sWIG80 index appoints an internal auditor in charge of the internal audit function, acting in accordance with generally recognized international standards of the professional practice of internal audit. In other companies where no internal auditor was appointed to meet the above-mentioned requirements, the audit committee (or the supervisory board, if it acts as an audit committee) assesses annually whether there is a need to appoint such a person.

In accordance with the commentary to rule 3.1., the Company plans to implement an internal audit function and appoint a person with appropriate qualifications for this position.

3.4. Remuneration of persons responsible for risk management and compliance and the head of internal audit should depend on the performance of assigned tasks, and not on the short-term performance of the company.

There is no person responsible for internal audit (rule 3.1), while the remuneration of the person responsible for risk management does not depend on the performance of assigned tasks.

3.5. The persons responsible for risk management and compliance report directly to the president or another member of the management board.

The above-mentioned functions are dispersed and performed by several organizational units of the Company.

3.6. The head of internal audit reports organisationally to the president of the management board, and functionally to the chairman of the audit committee or the chairman of the supervisory board, if the board performs the function of the audit committee.

In line with the commentary to rule 3.1, the Company plans to introduce an internal audit function.

3.7. Rules 3.4 - 3.6 are also applicable to entities from the company's group that are significant for its operations, if they have designated persons to perform these tasks.

In the key entities of the Group, there are no persons assigned to perform the tasks referred to in rules 3.4-3.6.

3.8. At least once a year, the person responsible for internal audit, and in the absence of such a separate function in the company, the company's management board presents the supervisory board with an assessment of the effectiveness of the systems and functions referred to in rule 3.1, together with a relevant report.

There is no person responsible for the internal audit in the Company, therefore the Management Board presents the Supervisory Board with an assessment of the effectiveness of the systems functioning in the Company.

3.10. At least once every five years in a company belonging to the WIG20, mWIG40 or sWIG80 index, an independent auditor selected with the participation of the audit committee reviews the internal audit function.

The Company will consider applying this rule if the internal audit function is fully implemented in its structure.

4.1. The company should enable its shareholders to participate in the general meeting by means of electronic communication (e-general meeting), if it is justified in view of the shareholders' expectations reported to the company, and if it is able to provide the technical infrastructure necessary to conduct such a general meeting.

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The Company's shareholders have not submitted such a request so far. Moreover, due to the relatively low interest of shareholders in participating in the general meeting, ensuring participation in it by means of electronic communication is pointless due to the disproportionately high costs of organizing the meeting in this form.

4.3. The company provides publicly available real-time broadcast of the general meeting.

Following the rationale described in rule 4.1., the Company does not provide publicly available real-time broadcasts of general meetings.

4.9. If the agenda of the general meeting is to appoint a supervisory board member or to appoint a new supervisory board for a new term of office:

4.9.1. Candidates for members of the supervisory board should be put forward in time for the shareholders present at the general meeting to take decisions with due consideration, but not later than 3 days before the general meeting; the candidature, along with a complete set of materials relating to them, should be immediately published on the company's website;

The Company provides shareholders with proposing candidates to the Supervisory Board in time allowing them to become acquainted with their professional experience and competences, however the internal regulations of the Company do not provide for a deadline for submitting candidates, and, in the opinion of the Management Board, their introduction could violate the rights of shareholders submitting a candidacy, e.g. during the sessions of the general meeting.

5.6. If the conclusion of a transaction with a related entity requires the consent of the general meeting, the supervisory board prepares an opinion on the validity of the conclusion of such transaction. In such a case, the board assesses the need for prior consultation with an external entity, as referred to in rule 5.5.

The rule is not applied because, in accordance with the adopted regulations for concluding transactions with related entities, the appropriate consent is given by the Supervisory Board.

5.7. If the decision on the conclusion by the company of a significant transaction with a related party is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest, including the opinion of the supervisory board about which speech in rule 5.6.

The rule is NOT applied, because in accordance with the adopted regulations for concluding transactions with related entities, the appropriate consent is given by the Supervisory Board.

6.3. If one of the incentive programs in the company is a management options program, then the implementation of the options program should be conditioned by meeting by those entitled, within at least 3 year-time, predetermined, realistic and appropriate for the company goals, both financial and non-financial as well as sustainable development, and the agreed purchase price of shares to be earned by those entitles or the settlement of options may not differ from the value of shares from the period when the program was adopted.

No managerial options program has been introduced in the Company.

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

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

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

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

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

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

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

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

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

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

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders, i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,
- FCASE Sp. z o.o. Sp. k. holding 243,410 shares, accounting for 4.36 %-share in capital and 1,217,050 votes, accounting for 9.98 % 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.

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

There are no securities giving special control rights.

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

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

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

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

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

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

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

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

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

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

The Management Board represents the Company outside in relation to the authorities, third parties, in court and outside the court. The President of the Management Board acting independently or two Members of the Management Board acting jointly or one Member of the Management Board acting

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jointly with one of the persons holding a joint proxy is authorized to make declarations of will and sign on behalf of the Company.

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

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

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

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

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

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

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

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

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

1. *The general meeting can be ordinary or extraordinary.*
2. *The Ordinary General Meeting is convened by the Management Board of the Company based on the adopted resolution, the date falling not later than six months after the end of each financial year.*
3. *The extraordinary general meeting is convened by the Management Board on its own initiative, at a request of the shareholder(s) or at representing at least one twentieth of the share capital. The request to convene an extraordinary general meeting, must be submitted by the shareholder or shareholders to*

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the Management Board of the Company in writing or in electronic form to the Company's valid e-mail address: walne.zgromadzenie@stalprodukt.pl. In the case of submitting the request in electronic form, the Management Board of the Company is authorised to take the necessary actions to verify the credibility of the submitted application. If the Management Board of the Company is unsure about the origin of the request, the Shareholder or Shareholders are obliged to provide the Company with declarations or documents confirming the right to submit the request.

- 4. The Supervisory Board may convene an ordinary general meeting if the Management Board of the Company fails to convene it within the time specified in the provisions of the commercial companies code or the articles of association, and an extraordinary general meeting if it considers it necessary to convene it.*
- 5. Shareholders may convene an extraordinary general meeting based on authorisation by the Registry Court, if within 2 weeks from the date of submitting the request to the Management Board, the meeting has not been convened. The court calls the Management Board to make a statement and appoints the chairman and date of the meeting.*
- 6. Shareholders representing at least half of the share capital or at least half of all votes in the company can convene an extraordinary general meeting. Shareholders appoint the chairman of such meeting.*

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

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

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

- 1. The General Meeting may adopt resolutions only in matters included in the agenda.*
- 2. The Management Board of the Company adopts the agenda.*
- 3. A shareholder or shareholders who represent at least one twentieth of the Company's share capital may request that specific matters are placed in the agenda of the General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the*

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meeting. The request should contain the justification or draft resolution concerning the suggested item in the agenda. The request may be submitted in electronic form.

- 4. A shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the General Meeting, propose the company in writing or by electronic means, draft resolutions concerning matters placed in the agenda of the General Meeting or matters which are to be put in the agenda. The Company shall promptly publish the draft resolutions on its website.*
- 5. Each shareholder may submit draft resolutions during the General Meeting concerning matters introduced to the agenda.*

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

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

Management Board

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

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In 2021, the Management Board of Stalprodukt S.A. worked in the following composition:

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

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

Supervisory Board

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

The Supervisory Board in 2021 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

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

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

1. *Election of the President and Members of the Management Board. Dismissal of the Members of the Management Board, except for the President of the Management Board.*
2. *Assessment of the financial report, Management Board's report on the Company's activities and Management Board's conclusions on profit distribution or covering of loss for the previous reporting year.*
3. *Reviews of periodic quarterly reports with the right of making remarks and requesting explanations from the Management Board, checking the books of accounts and Company's cash assets, at all times at their own discretion.*
4. *Reporting to the General Meeting of Shareholders on the fulfillment of duties in the fiscal year concerned.*
5. *Suspending the President and/or Members of the Management Board from duties for important reasons.*
6. *Delegating its Members to temporary performance of the activities of the Management Board Members who cannot perform their activities.*
7. *Approving of the Management Board Rules and Company's enterprise organizational rules.*
8. *Expressing consent to the acquisition by the Company of stocks or shares in another company and to transfer the same.*
9. *Expressing consent to the Company's making in-kind contribution to another company.*
10. *Expressing the consent to the conclusion by the Company of a long-term agreement obligating the Company to a payment exceeding the value of 10% of the equity.*

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11. *Expressing the consent to the disposal of the Company's fixed assets, whose value exceeds 1% of the equity and donation exceeding the amount of PLN 50,000.*
12. *Adopting by resolution Company's business plans upon the Management Board's motion.*
13. *Selection of the certified auditor to carry out the audit of the Company's financial report.*
14. *Adopting "The rules of benefits and remuneration of the Management Board", in accordance with the "Remuneration Policy for Members of the Management Board and Supervisory Board" approved by the General Meeting, containing detailed remuneration principles and criteria.*
15. *Submitting to the General Meeting an annual report on the remuneration of members of the Management Board and the Supervisory Board starting from the year after the adoption of the "Remuneration policy for members of the Management Board and the Supervisory Board.*
16. *Appointment of the Audit Committee (if such an obligation results from the generally applicable provisions of law). In such a case, the Supervisory Board adopts the regulations of the Audit Committee, in which it specifies the detailed principles of its functioning.*
17. *Expressing consent to the acquisition and transfer of real estate, perpetual usufruct or share in the real estate.*
18. *Developing a procedure for periodical assessment of significant transactions with related entities within the meaning of the Act of 16 October 2019 amending the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies and certain other acts (Journal of Laws of 2019, item 2217).*
19. *Assessing and approving the conclusion of significant transactions with related entities referred to in paragraph 18 above.*
20. *Submission of periodic reports on the assessment of significant transactions of the Company, referred to in para. 18 above.*

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

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

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

-people who meet the statutory independence criteria

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

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

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

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

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

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

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

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

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

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

The auditing company Polscy Biegli Sp. z o.o., auditing the financial statements of Stalprodukt S.A., provided the Company with an attestation service consisting in examining and assessing the report on the remuneration of the Management Board and Supervisory Board of Stalprodukt S.A. for 2020. The Supervisory Board assessed the independence of this audit company and gave its consent to the provision of this service.

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

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

- in accordance with the regulations applicable to the Company, the entity authorised to conduct the audit is selected by the Supervisory Board, acting on the recommendation of the Audit Committee;
- it is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an entity authorised to carry out analysis from among a specified category or list of entities authorised to carry out analysis;

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

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

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

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

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

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

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

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

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

In 2021, the Audit Committee held 3 stationary and 3 remote meetings.

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

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

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

The Management Board adopted the Diversity Policy for application with respect to the company's governing bodies and its key managers, however, it was not adopted by the Supervisory Board in relation to the Management Board, and in relation to the Supervisory Board, it was not adopted by the general meeting. Persons entitled to elect members of the Company's bodies take into account the diversity of the composition of individual bodies, including gender diversity, but the basic criteria are the candidates' abilities, experience and competences.

However, this policy does not provide for the obligatory differentiation of the company's bodies (i.e. the Management Board and Supervisory Board) in terms of gender at the level of at least 30%. In the opinion of the Management Board, it is practically impossible to achieve such differentiation in the case of the Management Board. While this differentiation in the case of the Supervisory Board for its current term of office is even 40%, in the case of a 2-person Management Board, adopting such a postulate would mean that one of the members of the Management Board would have to be replaced by a female person or the composition of the Management Board would have to be deliberately enlarged by additional member (a female).

Taking into account the fact that the composition of the management board reflects the current organizational structure (the shape of which seems optimal and has been developed as a result of many years of experience and observation) and the division of competences of individual members of the management board (who also perform specific functions in it - i.e. the general director and financial director), changes in this respect are pointless and in practice difficult to implement. Moreover, expanding the composition of the management board would also mean increasing the remuneration costs of this body of the Company, which is also not justified.

Part III. Declaration on non-financial information

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

1. Management area

1.1. Description of the business model and strategic development directions

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

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

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

The Management Board of the parent company sets the development directions of the Capital Group, coordinates the strategy of individual companies. It also initiates and supervises optimization activities that streamline the Group's operations. The effect of such activities are, among others, mergers of companies that have taken place in the last few years.

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

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

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

With a property located in the center of Krakow (at 6 Kopernika St.). A few years ago, the company decided to build a 5-star hotel called Ferreus in Krakow. The construction of this facility was completed last year.

On March 9, 2021, the contract of the company Hotel Ferreus Sp. z o. o was concluded. The share capital of this company is PLN 500 thousand and is divided into 500 shares with a nominal value of PLN 1 thousand each, which were fully acquired by Stalprodukt S.A. as its sole shareholder. 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. Despite the establishment of the special purpose vehicle, the Management Board of Stalprodukt finally decided to run the hotel business directly by the Company. The planned date of commissioning this facility: the end of June 2022.

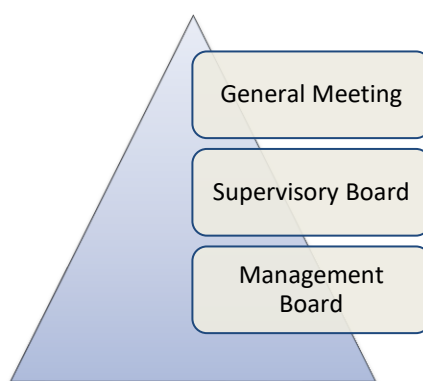
The company also has other undeveloped properties in the center of Krakow that it plans to use in the future.

1.2. Managerial governance

- Stalprodukt S.A.

Stalprodukt S.A. operates pursuant to the provisions of the Commercial Companies Code and the Company's Articles of Association. The company is subject to the corporate governance principles contained in the document "Good Practices of Companies Listed on the WSE 2021".

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



In 2021 the Management Board of the Company currently consists of 2 people.

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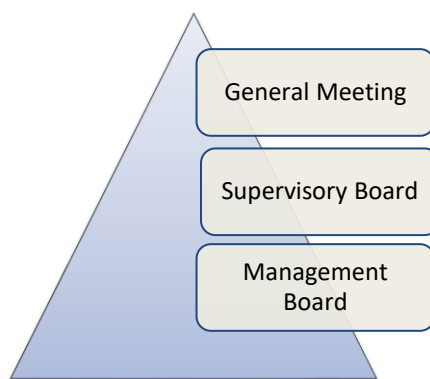
Statement of the Management Board on the activities of the Capital Group

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

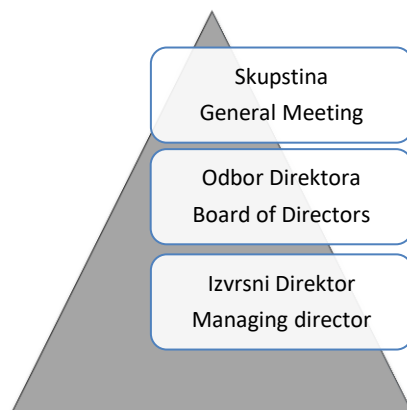
- ZGH "Bolesław" Group

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

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



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



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

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

- Other companies of the Stalprodukt Capital Group

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

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

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

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

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

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

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

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

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

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

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

1.3 Key non-financial effectiveness indicators

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

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

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In 2020-2021, the above-mentioned indicators for the parent company and for the entire Capital Group were as follows:

Indicator	Capital Group	
	2020	2021
Revenue per employee (thousand x PLN)	894,1	1 478,8
Energy consumption per unit of revenue (GJ/PLN 1 thousand)	1,15	0,77

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

	2020	2021
Zinc production per employee (t Zn / average employment).	46	57
Electricity consumption / for zinc production (GJ / t Zn)	14	13
Coke and coal consumption / for zinc production (GJ / t Zn)	32	332
CO ₂ emissions / for zinc production (t CO ₂ / t Zn)	3.7	3.6

1.4. Social and environmental risk management

- Stalprodukt S.A.

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

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

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

- ZGH „Bolesław” Group

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

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

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

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

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

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

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

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

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

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

• Other companies of Stalprodukt Capital Group

Due to the scale and size of the activities conducted, there are no significant threats to the environment in the remaining subsidiaries of the Group. This applies to all environmental components (air, noise, water, waste, etc.). The applied technical and technological solutions guarantee a high level of protection of the environment as a whole. The companies operate on the basis of internal regulations regulating the safety of people and the environment.

In addition, the remaining companies of the Stalprodukt Capital Group are not classified into any of the categories of industrial accident risk in the light of the classification contained in the ordinance of the Minister of Economy of January 29, 2016 on the types and quantities of hazardous substances, the

presence of which in the plant determines its classification as a plant. an increased risk or a plant with a high risk of a serious industrial accident (Journal of Laws of 2016, item 138).

All subsidiaries of the Group have assessed the environmental aspects in order to eliminate or reduce the negative effects of the conducted activities on the environment as much as possible.

1.5. Ethics management

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

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

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

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

2. The environmental area

In terms of operating activities, the companies that build the Capital Group are characterized by autonomy. Due to the diversified profile and specificity of the operations of the companies belonging to the Capital Group, management of environmental areas is based on solutions based on certified management systems implemented in individual subsidiaries.

All elements of the companies' activities that may have an impact on the environment have been identified. Taking into account the specific nature of the industries belonging to the Capital Group, we are particularly aware of their significant impact on the environment. The impact of the environmental aspects identified in the Capital Group's units is constantly monitored, and measures are taken to reduce the harmful impact on the environment.

The circular economy model is becoming increasingly important for the future of the economy and conditions of the environment. The ZGH "Bolesław" Group is an example of building a circularity in the zinc industry, which goes perfectly with the policy of the European Union. Setting this policy favoring an economy in which resources are used in a more sustainable way, ie rationalizing resources and increasing the proportion of recyclable materials.

Observing the activities on the European and global market, from the point of view of the Stalprodukt Capital Group, reducing emissions and the carbon footprint of products will be one of the competitive advantages. Therefore, it is important to carry out a low-emission energy transformation as a goal subordinated to the long-term prospects of running production activities.

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

- Stalprodukt S.A.

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

The Quality Management System used by Stalprodukt S.A. leads to the improvement of the system, production and management processes as well as the manufactured products and it is implemented through the constant optimization of cooperation with customers and suppliers based on the results of monitoring and analysis of their needs, expectations and satisfaction with cooperation with our company, continuous modernization of manufacturing processes and managers and their results, i.e. manufactured products, by undertaking organizational and investment projects, meeting the requirements of legal and other regulations, systematic training of the company's personnel to increase their competences and ensuring high qualifications resulting from more and more perfect manufacturing and management processes, continuous improvement of the working environment, so that it was perceived by the staff as friendly and enabling the optimal implementation of the objectives of the Quality Policy, continuous modernization and internal development of IT systems conditioning the proper flow in the information.

The Environmental Management System used in Stalprodukt S.A. in the field of production and sale of highly processed steel products is in line with the international ISO 14001 standard and determines the most important elements of mutual interactions between the company and the environment, as well as the direction of continuous improvement in the areas of design, production and delivery of products to the customer, as well as the disposal of waste and incomplete products.

Planning and executing of the activities of Stalprodukt S.A. for the benefit of natural environment relate in particular to the use of technologies in compliance with the best BAT techniques that are available, limiting the consumption of raw materials, materials and energy, reducing the emission of pollutants into the environment, minimizing the amount of waste generated and handling them properly, meeting legal requirements and others that relate to environmental aspects, raising employees' awareness of the impact of their work on the natural environment and the potential consequences of not complying with the applicable rules of conduct.

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

Administrative decisions held by Stalprodukt S.A. in 2021:

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

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

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

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

In 2021, the following administrative decisions regarding the use of the environment were obtained:

- Decision - amendment of the decision granting the integrated permit for the operation of an installation for the treatment of wastewater from installations requiring an integrated permit,

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i.e. the Sewage Treatment Plant located on the premises of Stalprodukt S.A. in Bochnia - dated April 30, 2021;

- Decision - approving changes to the greenhouse gas emission monitoring plan for the installations of the Transformer Sheets Department - dated April 23, 2021;
- Decision - amendment of the decision granting the permit for greenhouse gas emissions from the plant's boiler room installation - dated April 30, 2021;
- Decision - monitoring methodology plan for the installation of the Transformer Sheets Department - dated April 30, 2021;
- Decision - monitoring methodology plan for the plant's boiler house installation - dated 30/04/2021;
- Decision - integrated permit for the installation of the Transformer Sheets Department - dated August 26, 2021;
- Decision - limitation without compensation of the decision granting the permit to discharge of gases and dust into the air from the installation; for the production of cold-formed steel sections, sheets in rolls, sheet metal sheets and road barriers; company boiler room - dated August 20, 2021;
- Decision - amendment of the decision granting permission to emit greenhouse gases from the installation entitled Plant boiler room of Stalprodukt S.A. - dated December 14, 2021;
- Decision to approve changes to the greenhouse gas emission monitoring plan for the installation of the Transformer Sheets Department - dated December 15, 2021.

• ZGH „Bolesław” Group

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

Technologies, the technical and technological level of individual production processes matches the level of leading European and world plants. These activities led to equipping individual departments in the ZGH "Bolesław" Group with low failure rate installations and covering them with the control, supervision and computer visualization system. As a result, the nuisance related to business activity is minimized, and thus the negative impact of the Company on the natural environment is limited.

Both the electrolysis and the pyrometallurgical (ISP) methods of zinc production are associated with a significant impact on the natural environment. Both companies meet environmental standards resulting from more and more stringent legal regulations by systematically modernizing installations built in the past and building new low-emission ones. The technologies used today comply with international standards. This state of affairs is confirmed by the fact that ZGH "Bolesław" S.A. and HC "Miasteczko Śląskie" S.A. certified management systems.

The production companies of the ZGH "Bolesław" Group carry out and plan a number of research, development and eco-efficient tasks. These are both large, key projects that significantly change the technologies used, as well as smaller projects responding to the needs of individual elements of the technological line. Their effect is not only to improve technology and economy, but above all to protect the environment.

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Both companies meet environmental standards resulting from more and more stringent legal regulations by systematically modernizing installations built in the past and building new low-emission ones.

ZGH "Bolesław" S.A. has an implemented, integrated, certified quality, environment and health and safety management system based on the ISO 9001: 2015 and ISO 14001: 2015 and 45001: 2018 standards. The scope of the system includes: production of zinc and zinc alloys, sulfuric acid, zinc and lead concentrates, recovery of zinc-bearing waste, production and sale of heat and sale of laboratory services in accordance with ISO 17025: 2018.

HC "Miasteczko Śląskie" S.A. has implemented the quality policy in accordance with the PN-EN ISO 9001: 2015 standard. Since 2019, HC has been implementing an Energy Management Policy in accordance with the requirements of PN-EN-ISO 50001. In 2021, the Information Security Management System was implemented in accordance with the ISO / IEC27001 standard.

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

- for zinc products ISO 9001: 2015; ISO 14001: 2015; ISO 45001: 2018,
- for aggregates PN - EN 13043, PN - EN 1342,
- for transport based on industry quality certificates.

There are no certified quality management systems in Gradir Montenegro.

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

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

- installations for the production of electrolytic zinc and its alloys with a production capacity of 130,120 tons / year, valid for an indefinite period;
- installation of deep dechlorination, defluorination and leaching of raw zinc oxide with a processing capacity of 70,000 tons of zinc oxide / year, valid for an indefinite period;
- installations for flotation enrichment and filtration of waste from zinc hydrometallurgy, valid for an indefinite period;
- rotary kiln installations for the production of zinc concentrate from waste zinc-bearing materials in the Waelz tumble process, valid for an indefinite period;

and sectoral environmental decisions, i.e.:

- Permit for the production of waste, taking into account the treatment in the recovery process by the flotation enrichment method of waste with the code 01 03 81 obtained (excavated) from the mining waste treatment facility - tailings ponds at the Flotation Waste Processing Plant ZGH "Bolesław" S.A., valid until July 2027 .;
- Permit for waste processing in the recovery process at a mining waste neutralization facility - tailings ponds, valid until January 2025;
- Permit for the processing of waste in the recovery process in the Department of Mechanical Processing Olkusz-Pomorzany, valid until January 2025;
- Permit to generate waste for the Mining and Processing Part, including the Dąbrówka Boiler House and Olkusz Boiler Plant at ZGH Bolesław S.A., valid until January 2025;
- Permit to generate waste for the Bolesław Boiler Plant, valid until September 2028;
- Decision authorizing the operation of a mining waste treatment facility, valid until April 2022;

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- Permit for the production of extractive waste from a mining waste treatment facility, valid until June 2027;
- Extractive waste management program approved by the decision of November 30, 2017;
- Consent for the extraction of mining waste obtained from the eastern side of the mining waste neutralization facility of ZGH Bolesław S.A. valid for an indefinite period;
- Permits for the introduction of gases and dusts into the atmospheric air for:
 - "Dąbrówka" and "Olkusz" boiler houses, valid until December 2025;
 - "Bolesław" boiler house, valid until December 2029;
- Integrated permit for industrial wastewater treatment plants (OSP), valid for an indefinite period;
- Water permit for the drainage of the mining plant - the western part of the Pomorzany region by pumping through the Dąbrówka and Mieszko shafts, for the collection of water from the mining plant drainage from the intake No. 2 - Dorotka, and the discharge of sewage constituting a mixture of water from the plant drainage through the Dąbrówka Canal through the Dąbrówka Canal mining, post-flotation waters from sedimentary ponds and treated domestic wastewater from the treatment plant at the Dąbrówka shaft, valid until January 2025;
- Water permit for drainage of the mining plant - eastern catchment area of Pomorzany, Olkusz sub-level and Olkusz region by pumping through Chrobry, Stefan and Bronisław shafts, intake of water from mining plant drainage, intake No. 1 located in the pump chamber at the Stefan and Bronisław shafts and the coastal intake WP2 and discharge into the Baba River through the South Canal, sewage constituting water from the mine drainage, valid until January 2025;
- Water permit for the drainage of the mining plant with a deep water intake located in the shaft of the decommissioned Mieczysław shaft and for the intake of water from the mine drainage from the intake located in the shaft of the decommissioned Mieczysław shaft, valid until January 2025;
- Water permit for water services, including collection and treatment of sewage, valid until October 2051;
- Water permit for the construction of a water device - drainage boxes and for the introduction of rainwater and snowmelt from the premises of Zakład Przerobu Odpadów Flotacyjnych ZGH "Bolesław" S.A. with this system, valid until April 2025;
- Water permit for the construction of a water device, i.e. a groundwater intake consisting of the OW-1, OW-2 and OW-3 wells, and for water services consisting in the abstraction of groundwater for the production of concentrates, metallic zinc and zinc alloys, valid until February 2052 .

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

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

- Integrated permit for installations for the production of non-ferrous metals from metal ores, concentrates or recovered products as a result of metallurgical and chemical processes of 28 March 2012 – decision of the Marshal of the Silesian Voivodeship No. 726/OS/2012 amended by decisions No. 1723/OS/2013 of 5 August 2013, No. 2706/OS/2014 of 24 November 2014 and No. 1296/OS/2015 of 25 June 2015,
- Integrated permit for the hazardous waste landfill of 4 November 2014 – decision of the Marshal of the Silesian Voivodeship No. 2240/OS/2014 amended by decision No. 2382/OS/2014 of 4 December 2014,

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- Permit required by Water Law Act of 29 March 2013 - decision of the Marshal of the Silesian Voivodeship No. 780/OS/2013,
- Permit for greenhouse gas emissions from 4 October 2018 - decision of the Marshal of the Silesian Voivodeship No. 03078/OS/18 (replacing the authorisation No. 00322/OS/17 of 1 February 2017),
- Greenhouse gas emission permit - decision of the Marshal of the Śląskie Voivodeship no. 00322 / OS / 2017 of February 1, 2017 amended by decision no. 03078 / OS / 2018 of October 4, 2018, decision no. 175 / OS / 2020 of January 21, 2020 year and Decision No. 2786 / OS / 2021 of August 25, 2021.

- Other companies of Stalprodukt Capital Group

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

Stalprodukt Zamość sp. z o.o.

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

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

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

STP Elbud sp. z o.o.

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

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

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environment, so that it is perceived by the personnel as friendly and conducive to the optimal implementation of the objectives of the Integrated Management System Policy.

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

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

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

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

Cynk-Mal S.A.

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

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

- Decision integrated permit, Reg. No. DM.S.IV.7650-2858/08/10, L.dz.IV/LS/7660-46/352-III/09/10, Decision No. PZ 184/2010. of 20 August 2010,
- Modification of the decision, integrated permit, DOW-S-IV.7222.108.2014.LS, L.dz. 690/12/2014, Decision No. PZ 184.1/2014 of 4.12.2014,
- permit for the production of waste (sector permit) - the application was submitted to the Marshal's Office on July 23, 2020, in the letter No. DOW-SV.7221.100.2020.AT of December 15, 2021, a new deadline for settling the matter was set until March 31, 2021 ;
- Water permit for the discharge of rainwater cleared by the sand trap from the site to the drainage ditch - Decision No. 108/2021 of 07/04/2021, ref. WR.ZUZ.1.4210.359.2020.MK;
- Water permit for special use of water, i.e. water abstraction from the groundwater intake (drilled well No. 1), reference number OŚR.6210 / 8/2005 of July 22, 2005.

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GO Steel a.s.

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

The scope of the operational activity corresponds to the activities included in the integrated permit issued by the Regional Office of the Moravian-Silesian Region in Ostrava, which has been in force since 13.07.2009, and which has been updated 16 times. The integrated operating permit is classified in category 2.6 - i.e. devices for surface treatment of metals and plastics using electrolytic or chemical processes, if the Spa content is greater than 30 m³.

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

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

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

2.1 Consumption of raw materials and other materials

In a table below summarising consumption of the most important materials used in production processes have been shown.

Organisational unit	Type of material	Unit	Consumption	
			2020	2021
Stalprodukt S.A.	Hot rolled steel	thousand x Mg	265,1	263,6
	Cold rolled steel	thousand x Mg	17,7	16,7
	Galvanized steel	thousand x Mg	2,7	3,1
	<i>The cost of used materials in relation to net revenue from the sale of products</i>	%	67,5	69,6
ZGH „Bolesław” Group	Olkusz-Pomorzany Mine - own concentrates	thousand x Mg (wet weight)	25,4	18,7
	Gradir Mine - own concentrates	thousand x Mg (wet weight)	8,0	5,5
	Sulphide concentrates from import	thousand x Mg (Zn)	48,8	52,9
	Concentrates from flotation waste (¹)	thousand x Mg (Zn)	3,6	5,2
	Own oxides from steelmaking dusts (¹)	thousand x Mg (Zn)	31,4	33,5
	Oxides from import (¹)	thousand x Mg (Zn)	44,0	37,6
	Concentrates from sludge	thousand x Mg	6,7	7,7

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		(Zn)		
	Dusts and other zinciferous waste (ⁱ)	thousand x Mg (Zn)	7,6	19,3
	Value of external raw materials used as % of income	%	39	44
Other companies of the Capital Group	Hot rolled steel sheets	Mg	84 147	90 948
	Steel	Mg	20 159	22 785
	Zinc	Mg	2 428	2 419
	Paints	Mg	52	58
	Iron vitrol	Mg	937	1 225
	Hydrochloric acid	Mg	152	145
	Pickling acids	l	1 142	1 276

ⁱ – from recycling

Stalprodukt S.A.

Over 98% of charge materials used by Stalprodukt S.A. are coils of hot and cold rolled steel. These materials are used in the basic production processes implemented in the Company related to the production of: electrical transformer steels, cold formed sections and road barriers. It should be emphasized that materials intended for the production of individual products differ from each other in technical parameters, i.e. chemical composition, steel grade, thickness and width of coils, etc.

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

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

ZGH "Bolesław" Group

The main raw materials on which the zinc production technology is based are concentrates from mining production and concentrates produced from zinc-bearing waste. These are both own and purchased raw materials.

In 2020, the ZGH "Bolesław" Group had the last active zinc mine "Olkusz-Pomorzany" in Poland, producing concentrates for both Huta Bolesław and HC "Miasteczko Śląskie". In 2021, after the mine was closed, the accumulated stocks were still used.

In the face of shrinking zinc and lead ore deposits, the Company has focused its raw material policy on improving its production technology based on recyclable materials. This approach allows to reduce the amount of waste and reduce the use of primary raw materials. Another element in building a closed cycle in the zinc industry is the use of sedimentary waste from flotation ore enrichment stored on the settling ponds. In 2017, a new Flotation Waste Processing Plant was launched, recovering zinc and lead minerals

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in the form of a certified concentrate. This concentrate is the charge for the production of zinc and lead in Huta Cynku "Miasteczko Śląskie" S.A.

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

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

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

Other companies of Stalprodukt Capital Group

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

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

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

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

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

2.2. Fuel and energy consumption

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

Organisational unit	Type of fuels and energy	Unit	Consumption	
			2020	2021
Stalprodukt S.A.	Electricity	GJ	575 223	602 589
	Natural gas, propane and butane	GJ	574 965	610 627
	Bituminous coal	GJ	283 685	312 888
	Fuels	GJ	3 676	3 892
	Heating oil	GJ	2 245	2 411

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ZGH „Bolesław” Group	Electricity ⁽¹⁾	GJ	2 274 703	2 161 352
	Coking coal and coke breeze ⁽²⁾	GJ	4 269 773	4 525 743
	Natural gas	GJ	1 204 935	1 208 335
	Bituminous coal	GJ	840 508	675 129
	Thermal energy	GJ	540 510	566 004
	Heating oil	GJ	4 598	5 889
Other companies of the Capital Group	Electricity	GJ	109 586	112 502
	Natural gas, propane and butane	GJ	347 447	357 339
	Thermal energy	GJ	7 569	6 831
	Fuels	GJ	4 268	4 358

¹ - use mainly by ZGH "Bolesław" S.A.

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

Stalprodukt S.A.

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

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

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

ZGH „Bolesław” Group

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

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

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

Other companies of Stalprodukt Capital Group

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

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2.3 Water consumption

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

Organisational unit	Water characteristics and origin	Unit	Consumption	
			2020	2021
Stalprodukt S.A.	Water supply network	m ³	31 000	32 071
	Surface water intake	m ³	685 760	513 301
	Water consumption for social and living purposes	%	4,3	5,8
	Processing water consumption	%	95,7	94,1
ZGH „Bolesław” Group	Water supply network	m ³	10 007	23 190
	Underground water	m ³	11 640 984	10 618 685
	Water consumption for social and living purposes	%	2,5	2,5
	Processing water consumption	%	97,5	97,5
Other companies of the Capital Group	Water supply network	m ³	18 569	17 654
	Surface water intake	m ³	1 992 997	2 068 330
	Water consumption for social and living purposes	%	5,1	5,3
	Processing water consumption	%	94,9	94,5

Stalprodukt S.A.

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

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

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

	Unit	2020	2021
Water collected from the Raba river	m ³	685 760	513 301
Reused water	m ³	251 383	264 710
% of water reuse	%	37	52

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

ZGH „Bolesław” Group

Water is an important component of the zinc production process. It is used, among others during ore and waste enrichment (flotation), waste hydrotransport, as well as in the process line of the steelworks. Most of the water is used during flotation, i.e. for mechanical separation in the presence of reagents) of the useful component - concentrate - from the depleted output (waste).

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Termination by ZGH "Bolesław" S.A. mining exploitation results in the cessation of mine drainage. In previous years, water from the mining plant drainage was used for the technological and social needs of the company. Considering the completion of mine drainage, which finally took place in January 2022, it became necessary to secure our own, alternative source of industrial water. Based on the three existing vents, an intake was made - well OW-1, OW-2, OW-3 for groundwater intake for technological purposes ZGH Bolesław S.A. i.e. for the needs of the Mechanical Processing Department, Flotation Waste Processing Department (OPOP) and the Metallurgical Technological Line.

The liquidation of the mining plant has a fundamental impact on the water and sewage management of ZGH "Bolesław" S.A. both in terms of water supply, as well as in terms of the quantity and quality of discharged sewage.

ZGH "Bolesław" S.A. regularly monitors the quality of groundwater in the vicinity of its plants and the parameters of discharged wastewater to ensure that the Company's operations meet the environmental protection standards.

Other companies of Stalprodukt Capital Group

The highest energy consumption is generated by GO Steel Frydek Mistek, which uses water for industrial purposes in over 95%. Water is taken from the surface watercourse (Ostravice river) on the basis of an integrated permit. The highest amount of water from the water supply network is consumed by Cynk-Mal SA and STP Elbud sp. z o.o.

2.4. Biodiversity protection

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

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

2.5 Emissions into the atmosphere

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

Organisational unit	Emissions type	Unit	Emissions	
			2020	2021
Stalprodukt S.A.	CO ₂	Mg	57 346	63 186
	CO	Mg	102	108
	Dusts	Mg	2,7	3,1
	SO ₂	Mg	83	57
	NO _x	Mg	43	47
	Aromatic hydrocarbons and aliphatic hydrocarbons	Mg	0,86	0,88
	Hydrofluorocarbons	Mg	0,034	0,022

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	Sulphuric acid	Mg	0,20	0,17
ZGH „Bolesław” Group	CO ₂	Mg	592 428	598 856
	CO	Mg	4 448	4 486
	Dusts	Mg	44	27
	SO ₂	Mg	1 206	1 154
	NO _x	Mg	230	236
	Zinc	Mg	3,0	2,6
	Lead	Mg	1,1	1,0
Other companies of the Capital Group	CO ₂	Mg	1 746	1 702
	CO	Mg	11,90	13,40
	Dusts	Mg	0,94	0,79
	NO _x	Mg	10,46	12,80
	Chlorine	Mg	1,39	0,42
	Zinc	Mg	0,03	0,02
	Ammonia	Mg	0,20	0,20

Stalprodukt S.A.

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

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

Additional sources of emissions in the Company are also:

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

The following methods are used to reduce atmospheric emissions:

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

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

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

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

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ZGH „Bolesław” Group

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

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

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

Other companies of Stalprodukt Capital Group

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

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

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

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

2.6 Waste management

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

Organisational unit	Waste type	Unit	Amount	
			2020	2021
Stalprodukt S.A.	Hazardous waste	Mg	1 849	2 229
	Waste other than hazardous	Mg	30 326	31 021
	<i>Total waste</i>	<i>Mg</i>	<i>32 175</i>	<i>33 250</i>
	Stored waste	Mg	721	608
	Waste recovered	Mg	1 362	1 462
	Waste sent to recovery organisations	Mg	30 092	31 180
ZGH „Bolesław” Group	Hazardous waste	thousand x Mg	171,8	186,7
	Waste other than hazardous	thousand x Mg	1 117,8	1 303,9
	<i>Total waste</i>	<i>thousand x Mg</i>	<i>1 289,6</i>	<i>1 490,6</i>

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	Stored waste	thousand x Mg	47,5	24,9
	Waste recovered	thousand x Mg	1 241,7	1 465,1
Other companies of the Capital Group	Hazardous waste	Mg	1 574	1 861
	Waste other than hazardous	Mg	14 319	13 885
	<i>Total waste</i>	<i>Mg</i>	<i>15 893</i>	<i>15 746</i>

Stalprodukt S.A.

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

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

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

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

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

ZGH „Bolesław” Group

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

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

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In Huta Cynku "Miasteczko Śląskie" S.A. waste is recovered, only 2% of waste is stored in its own hazardous waste landfill.

Other companies of Stalprodukt Capital Group

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

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

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

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

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

Organisational unit	Waste water	Unit	Amount	
			2020	2021
Stalprodukt S.A.	Total amount of water and waste water	thousand of m ³	1 377	1 445
	Discharged	thousand of m ³	394	361
	Treated	thousand of m ³	983	1 084
ZGH „Bolesław” Group	Total amount of water and waste water	thousand of m ³	112 180	113 100
	Discharged <i>including mine water</i>	thousand of m ³	108 403	109 110
	Treated	thousand of m ³	3 777	3 990

Stalprodukt S.A.

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

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

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

ZGH „Bolesław” Group

In the metallurgical part of ZGH "Bolesław", the drainage water used as technological wastewater is subjected to treatment in the on-site industrial wastewater treatment plant before being discharged to a surface receiver. The quality parameters of mine and technological waters introduced into the Baba and Biała rivers and the Warwas watercourse belonging to the Biała Przemsza River catchment area do not cause significant physical, chemical and biological changes that would prevent the proper functioning of aquatic ecosystems.

In Huta Cynku "Miasteczko Śląskie" S.A. all technological wastewater (combined with rainwater) are subject to treatment prior to discharge to surface waters in the final mechanical-chemical treatment plant. Acidic wastewater is initially treated in the neutralization and removal plant. The generated waste is subject to recovery processes, only 1.0% of waste is stored in its own hazardous waste landfill. According to the initial report, the pollution of the earth's surface is of the nature of historical pollution.

Other companies of Stalprodukt Capital Group

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

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

2.7 Other environmental aspects

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

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

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

2.8 Enhanced environmental responsibility

- Stalprodukt S.A.

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

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

Environmental activities are planned and implemented, which mainly concern:

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

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

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

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

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

- demonstrating compliance with the requirements concerning the product,
- ensuring compliance of Integrated Management System Policy with specific requirements,
- continuous improvement of Integrated Management System Policy.

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

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

During internal audits and data analysis, opportunities for system improvement are identified. Implementation of corrective and preventive actions allows to restore the effectiveness of Integrated Management System Policy and reduces the probability of problems in the future. Strategic actions for continuous improvement are undertaken during the review of the top management of Stalprodukt S.A.

- ZGH „Bolesław” Group

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

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

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

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

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

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

Gradir Montenegro based in Montenegro

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

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

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

Water

The company draws water for the technological process from nearby streams and brooks. Its availability varies depending on the season. In addition, process water from the sedimentation ponds is used, which is re-directed to the process after settling and sedimentation. Gradir does not use water from the water supply system in its production activities.

At the end of 2017, the Company began activities related to the implementation of the water treatment plant construction project, the aim of which is to purify water from flotation ponds and, optionally, old drifts, and to increase the share and possibility of its use in the process. The project will be carried out in stages, and one of the initial stages is the construction of a pilot plant that will track the parameters and efficiency of the process in relation to the conditions in the mine. At the end of 2018, the construction phase of the pilot installation was completed, and then the monitoring of its operating parameters and treatment efficiency began and continued. After collecting the conclusions from the work to date and

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making the necessary changes, in 2019, further monitoring of the operation of the pilot water treatment installation was carried out, on the basis of which the final concept of the industrial installation will be developed. This monitoring was carried out until the end of the first quarter of 2020, and then in the second quarter of 2020, a feasibility study was prepared for the project on an industrial scale. After analysing the document and other technical and economic conditions, it was decided to temporarily suspend the project implementation until the Company's financial situation improved. During this time, based on the received feasibility study, the Company will commission the installation design and apply for the necessary permits.

Emissions to the atmosphere

The production activity of Gradir is not directly related to the emission of harmful substances into the atmosphere. The only factor that can be mentioned in this area is the periodic dusting during strong gusts of wind, occurring in dry seasons, on the slopes of the open pit and the emission of diesel fumes resulting from the use of mining machinery.

Waste

At Gradir Montenegro, the main 'waste material' is flotation tailings stored in tailings ponds.

In addition, waste sensu stricto are used oils, greases and other petroleum substances that are used in mining machines (engines, hydraulics, gears) and technological devices (hydraulics, lubrication-cooling), used filters, plastic parts, as well as used batteries. Neutralized of the above-mentioned materials is outsourced, and the total cost of disposal services for 2020 was EUR 2,273.

Environmental policy

The environmental policy of Gradir is aimed at adapting its activities to the growing requirements for environmental protection, which result from legal regulations aimed at unifying standards in this area with EU requirements. These actions are enforced by opening new pre-accession treaties.

In the nearest future, the Company's environmental policy provides for ordering water management on the premises of the plant by launching a water purification installation, which will allow for better use of water resources and more effective management of its availability.

In Gradir Montenegro, there were no serious accidents with an environmental effect, and no violations of environmental protection regulations, in relation to which administrative proceedings would be initiated. In 2020, no penalties were imposed on the Company for violating the conditions of using the environment.

- Other companies of Stalprodukt Capital Group

Stalprodukt Zamość sp. z o.o.

Environmental activities are planned and implemented, which mainly concern:

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

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STP Elbud sp. z o.o.

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

Environmental activities are planned and implemented, which mainly concern:

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

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

Cynk-Mal S.A.

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

- application of production technology in accordance with the principles of the Best Available Technique (BAT),
- adherence to the technological regime, the use of automatic regulation and control of the technological process parameters,
- Minimising water consumption through:
 - monitoring water consumption by means of water meters installed at the supply point for each plant,
 - sequencing process tanks in such a manner as to eliminate unnecessary rinsing,
 - the use of three pickling tanks in a cascade (overflow) configuration to reduce rinse water consumption,

- the use of cascade rinsing,
- the use of post-rinsing water and the water from the acid vapour absorber to prepare a new hydrochloric acid bath,
- The protection of the soil and water environment through:
 - conducting the manufacturing process in sealed process tanks,
 - positioning plants and storage locations for chemicals in rooms equipped with sealed and properly shaped floors (slopes, thresholds),
 - positioning process tanks containing solutions which are particularly dangerous for the environment (acid pickling), as well as storage tanks for acid and acidic solution (post pickling) in sealed, undrained sumps equipped with pumps to enable pumping of spilled liquids to tanks designed to collect waste acids,
- The reduction of the amount of substances emitted to the atmosphere through:
 - the addition of substances (inhibitors) limiting the evaporation of hydrogen chloride (at the narrow strip galvanising line),
 - the air-tight sealing of the process at the wire and wide strip galvanising line,
 - pickling in closed tanks equipped with extraction systems at the narrow strip galvanising line, fluxing is done in a tank equipped with a lid, galvanising in a covered tank equipped with an extraction system (lids opened for loading and unloading),
 - chrome plating with the use of rollers (without dipping in tanks) – the emission of chromium compounds is reduced to a minimum,
 - the use of sheet heating in a nitrogen and hydrogen atmosphere in a continuous induction furnace,
 - the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 25 mg/m³ in chlorine equivalent) for purifying the air from the narrow strip pickling tanks, wire pickling tanks, as well as hydrochloric acid tanks,
 - the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 10 mg/m³ in chlorine equivalent) for purifying the air from the wide strip pickling tanks,
 - the purification of the air from above the narrow strip galvanising tank and the wire galvanising tank with a shared fabric filter,
 - fitting the grit-blasting machine used for cleaning sheet surface with a fabric filter,
- Minimising the amount of generated waste through:
 - the sound management of materials and raw materials,
 - maximising the pickling properties of acids by extending the pickling time and reducing the acid concentration level,
 - the absence of raw material treatment processes (e.g. degreasing in solvents, chromium+6 passivation), which are the source of deleterious hazardous waste,
 - the use of additives (inhibitors) extending the service life of the process solutions (pickling acids and flux),
 - the use of waste rinse water and waste water from the acid vapour absorber in the process of preparing the pickling solutions,
 - transferring the generated waste first to recovery and only then for disposal – only to recipients with appropriate waste management licences.

GO Steel Frydek Mistek

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

3. Taxonomy

At the beginning of 2022, new requirements for disclosure of stock exchange issuers under Regulation 2020/852 EU on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088, also known as the Taxonomy Regulation, entered into force.

This regulation sets out the criteria for the determination

- **whether the given economic activity qualifies as environmentally sustainable,**
- **determining the extent to which a given investment is compliant with the Taxonomy, ie environmentally sustainable.**

In accordance with the applicable regulations, for the purposes of fulfilling the disclosure obligations arising from the Regulation, this Statement on non-financial information (being part of the Management Board's Report on activities for 2021), allows to determine the extent to which the activities carried out by individual companies of the Stalprodukt Capital Group qualifies for the taxonomy.

The analysis was based on the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical selection criteria to determine the conditions under which an economic activity qualifies as making a significant contribution to climate change mitigation or adaptation, and determining that this economic activity does not cause serious damage to any of the other environmental objectives.

In accordance with the above-mentioned technical qualification criteria, the only activity carried out within the Stalprodukt Capital Group and eligible for the Taxonomy is "hydrogen production" (marked with no. 3.10). This activity is carried out within the company Stalprodukt S.A. For this activity, the percentage of economic activity eligible for taxonomy and economic activity not eligible for taxonomy in the total turnover, investment expenditure and operating expenditure should be provided.

For practical reasons, a significance criterion of 3% was adopted for the 1st factor (share in turnover).

Taking into account the share of the activity qualifying for the Taxonomy (hydrogen production) in the total turnover of the Stalprodukt S.A. group, amounting to 0.11%, the Company considers this type of activity to be irrelevant and thus refrains from providing further required indicators (share in investment and operating expenses).

4. Social and employee area

4.1. Using public aid and public sector contracts

- Stalprodukt S.A.

In 2021 Stalprodukt S.A., at the time of preparing this statement, it used public aid in the amount of PLN 2,244,131.45 (according to the nominal value). It was operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration, while in 2020 it benefited from public aid in the amount of PLN 988,079.97 (according to the nominal value). It was also operating aid for the promotion of renewable energy and for high-efficiency cogeneration.

- ZGH Group "Bolesław"

Public aid in the form of subsidies or non-returnable benefits and a reduction in the amount of the fee (according to the nominal value) granted to the companies of the ZGH "Bolesław" Group in 2021 amounted to PLN 43.1 million, compared to PLN 28.4 million in 2020.

Public aid in 2021 in the Capital Group, except for the company ZGH "Bolesław", was only received by the company Huta Cynku "Miasteczko Śląskie" S.A. for the amount of PLN 9.5 million, compared to 2020, where it was PLN 3.1 million.

Public procurement in 2021 in the Capital Group was carried out by Boltech (due to the merger with Przedsiębiorstwo Robót Drogowych S.A.) for the amount of PLN 7.1 million, and in 2020, public procurement in this company amounted to PLN 6.5 million.

- Other companies of the Stalprodukt Capital Group

Public aid granted to other companies of the Capital Group (according to the nominal value of aid) in 2021 amounted to PLN 135,258.00 as a refund, i.e. aid in the form of subsidizing wages for the recruitment of disabled workers. However, in 2020 it amounted to PLN 21,886.53 (de minimis aid) and PLN 200,472.00 mainly as aid in the form of subsidizing wages for the recruitment of disabled workers.

4.2. Level of employment and level of remuneration

All presented data reflect the situation at the end of a given year.

The employment structure by positions

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		2020						2021					
	Type of position	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	Management staff	3	44		0	47		6	47	0	0	53	0
	White-collar	60	170		8	222	1	69	169		5	233	1
	Blue-collar	29	1096		10	1115		27	1033	1	0	1059	0
	total	92	1310	0	18	1384	1	102	1249	1	5	1345	1
ZGH Bolesław Gorup	Management staff	14	103	0	5	113	6	14	99	0	9	104	0
	White-collar	180	561	3	49	480	17	171	302	2	58	413	11
	Blue-collar	115	2347	9	384	2277	80	101	2094	12	403	1780	66
	total	309	3011	12	438	2870	103	286	2495	14	470	2297	77
Other companies of STP Capital Group	Management staff	23	30	0	4	45	0	18	31	0	3	46	0
	White-collar	108	174	9	32	245	34	83	146	1	15	214	20
	Blue-collar	21	1012	9	110	911	119	19	981	26	108	865	121
	total	152	1216	18	146	1201	153	120	1158	27	126	1125	141

Employment structure by gender

		2020				2021			
	Employees by gender	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	women	0	5	87	0	0	3	99	0
	men total	0	13	1297	1	1	2	1246	1
	razem	0	18	1384	1	1	5	1345	1
ZGH Bolesław Group	women	3	35	271	13	2	37	247	11
	men total	9	405	2597	90	12	433	2050	66
	razem	12	440	2868	103	14	470	2297	77
Other companies of STP Capital Group	women	3	26	123	20	0	21	99	16
	men total	15	120	1078	133	27	113	1018	125
	razem	18	146	1201	153	27	134	1117	141

The majority of employees in the employment structure of the Stalprodukt Capital Group are men. In Stalprodukt S.A. they constitute over 92% of employees, 90% in the ZGH “Bolesław” Group, and 91% in the remaining Companies. Employees are mainly employed in blue-collar positions. Such specificity of the employment structure is related to the subject and specificity of the activity of the Stalprodukt S.A. Capital Group.

The contract for an indefinite period has been the most popular form of employment in the entire Capital Group for years. Their share for all contracts in Stalprodukt S.A. is over 99%, and in the ZGH “Bolesław” Group and in other Companies it is 83% and 87% respectively.

In 2021, there was a slight decrease in employment compared to 2020, reaching about 4%. In the ZGH "Bolesław" Group, the decrease in employment amounted to approximately 16% and was mainly caused

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by the liquidation of the "Olkusz-Pomorzany" mine. In other companies of the Stalprodukt Group, employment was 7% lower than in 2020, and this was mainly due to the liquidation of the company "Stalprodukt-Centrostal Kraków" at the end of 2021.

Employment structure by age

		2020				2021			
	Division by age	women	men	Blue-collar positions	White-collar positions	women	men	Blue-collar positions	White-collar positions
Stalprodukt S.A.	do 30 lat	8	152	144	16	6	111	108	9
	31- 50 lat	54	774	649	179	63	759	625	197
	>51 lat	30	384	332	82	33	379	327	85
ZGH Bolesław Group	do 30 lat	29	391	376	44	25	248	236	37
	31- 50 lat	149	1666	1449	366	143	1387	1191	339
	>51 lat	131	954	845	240	119	859	768	210
Other companies of STP Capital Group	do 30 lat	16	157	144	29	7	141	111	37
	31- 50 lat	82	512	389	202	70	487	343	212
	>51 lat	54	546	442	158	45	531	412	160

In the structure of employment by age, the most employed are employees aged 31-50 (similar to the previous year).

Newly employed employees by age and gender

		2020			2021		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years				0	1	1
	31- 50 years	2	0	2	12	12	24
	> 50 years				5	4	9
ZGH Bolesław Group	up to 30 years	3	7	40	5	58	63
	31- 50 years	5	56	61	9	215	224
	> 50 years	11	45	56	6	89	95
Other companies of STP Capital Group	up to 30 years	6	22	28	3	26	29
	31- 50 years	8	27	35	7	52	59
	> 50 years	3	11	14	0	23	23

In 2021, an increase in newly hired employees is visible compared to 2020. This applies to both Stalprodukt S.A. and the Group of ZGH "Bolesław".

Pracownicy zwolnieni w podziale na wiek i płeć

		2020			2021		
	Division by age	women	men	total	women	men	total
Stalprodukt	up to 30 years	1	18	19	1	13	14

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S.A.	31-50 years	0	37	37	2	28	30
	>51 years	12	53	65	4	31	35
ZGH „Bolesław” Group	up to 30 years	2	42	44	3	154	157
	31-50 years	5	108	113	11	478	489
	>51 lat	23	185	208	27	244	271
Other companies of STP Capital Group	up to 30 years	1	39	40	5	26	31
	31-50 years	10	39	49	21	69	90
	>51 lat	8	66	74	15	71	86

In the years 2020-2021, 649 and 1 203 people were dismissed in the entire Capital Group, respectively. The percentage of the dismissed to the total number of employees at Stalprodukt is approximately 6%, and in the ZGH “Bolesław” Group it is 33%.

Employment of people with disabilities

	2020		2021	
	Number of people with disabilities	Employment share [%]	Number of people with disabilities	Employment share [%]
Stalprodukt S.A.	4	0,29	5	0,37
ZGH “Bolesław” Group	35	1,05	32	1,15
Other companies of STP Capital Group	41	2,97	38	2,95

Average remuneration (PLN)

	2020		2021	
	Average remuneration regardless of gender		Average remuneration regardless of gender	
Stalprodukt S.A.		5 216		6 228
ZGH “Bolesław” Group		6 718		6 961
Other companies of STP Capital Group		5 047		5 689

In Stalprodukt, the average annual remuneration increased by approximately 20% compared to 2020. In the ZGH "Bolesław" Group there was an increase by about 4%, while in the remaining Companies there was also an increase by about 13%.

4.3. Relations with the employees and freedom of association

- Stalprodukt S.A.

There are two trade unions in Stalprodukt S.A.: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A. s and MOZ NSZZ "Solidarność". In 2021, the ratio of employees belonging to trade unions was about 19%, whereas in 2020 it was about 17%.

In the Company, no collective dispute was initiated in 2021.

Social activities

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

- non-returnable financial and material or material aid in the form of hardship benefits (aid to persons who have been affected by individual random events, long-term (chronic) illness or death of the closest family members);
- aid in the form of repayable loans for home, flat renovation, house construction; change (from a smaller to a larger one) of a cooperative or temporary type of flat,
- co-financing for leisure organized in the form of colonies, camps, winter camps, holidays,
- co-financing for individual leisure, the so-called "wczasy pod gruszą",
- co-financing for cultural and educational activities (e.g. admission tickets for cultural and educational events, to the cinema, stage performances, concerts),
- co-financing for sports and recreation activities (rallies, trips, sports events for children).

- ZGH „Bolesław” Group

Depending on the company, the ZGH "Bolesław" Group has from 1 to 7 trade union organizations. The unionisation rate in 2021 was around 49% compares to 46% in 2020.

In 2020 there were no strike actions.

Social activities:

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

- Other companies of Stalprodukt Capital Group

In the other companies of Stalprodukt Capital Group, there are five trade unions: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A., MOZ NSZZ "Solidarność", Komisja Zakładowa NSZZ Solidarność 80,

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NSZZ Solidarność and OS Kovo. The share of employees belonging to unions in 2021 as well as in 2020 was the same and amounted 35%.

Social activities

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

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

4.4 Occupational health and safety (OHS)

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

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

- Stalprodukt S.A.

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

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

The company declares taking all actions aimed at:

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

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

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

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

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

Human causes are the most frequent causes of accidents at work in 2020-2021.

Specification	2020	2021
Total number of accidents at work	9	13
Accident frequency indicator (number of accidents/number of people employed x 1000)	6,43	9,61
Number of heavy accidents	0	0
Number of fatalities	0	0
Total number of days of inability to work among employees due to accidents	597	813
Accident severity indicator (number of days of inability/1 accident)	66,33	62,54
Number of cases of occupational diseases reported.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	196	186
Number of work stations at which the level of assessed occupational risk is unacceptably high (i.e. actions are necessary to reduce the risk level)	0	0

- ZGH „Bolesław” Group

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

Such activities include, among others:

- additional OHS and fire training (weekly, monthly),
- technical inspection of equipment, compliance with technical tests and approvals,
- OHS competitions;
- reporting near misses,
- use during training of a number of didactic aids (alco-goggles, dummies, training AED),

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- agreeing with the team on introducing new protection measures through their earlier testing;
- monitoring the state of exposure of employees to lead content,
- equipping critical parts of the plant with Automatic External Defibrillators (AED),
- aiding people who participated in dangerous accidents,
- preventive care (proper maintenance of sanitary and hygienic rooms, washing work clothing, personal care products, extended preventive care, health monitoring of exposed people also by facultative examinations, vitamin C, prophylactic meals and drinks, vitamin programme, reimbursement of dietary supplements and medicines, and organizational improvements in the use of medical care as part of the preventive care)

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

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

The most common cause of accidents are activities performed by the injured person at the time of the accident: stumbling, slipping, and being overwhelmed.

Specification	2020	2021
Total number of accidents at work	19	19
Accident frequency indicator (number of accidents/number of employees x 1000)	5,7	6,8
Number of heavy accidents	0	2
Number of fatalities	0	0
The total number of days of inability to work due to accidents	1 303	1 137
Accident severity rate (number of days of incapacity/1 accident)	69	60
Number of diagnosed cases of occupational diseases.	0	1
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	419	372
Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary)	0	0

• Other companies of Stalprodukt Capital Group

In all other companies of the Stalprodukt Capital Group, there are appropriate health and safety regulations regulating work safety. In addition, all legal provisions covering the scope of health and safety issues are applied.

Specification	2020	2021
Total number of accidents at work	6	12
Accident frequency rate (number of accidents/number of employees x 1000)	4,3	10,0
Number of severe accidents	0	1
Number of fatal accidents	0	0
Total number of days of incapacity for work for employees caused by accidents	361	385

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Accident severity rate (number of days of incapacity/1 accident)	60,2	32,1
Number of diagnosed cases of occupational diseases.	0	1
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	295	319
Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary)	0	33

3.5 Development of education

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

- Stalprodukt S.A.

For the sake of satisfaction with the work performed, the Company invests in the professional development of employees and a good atmosphere at work. It creates friendly conditions that make it easier for its employees to acquire knowledge, improve qualifications and use various forms of education. Constant replenishment of knowledge and skills as well as improvement of qualifications is consistent with the company's strategy. The acquired qualifications are used by employees in the position held or will be used in the future. Facilitating the improvement of qualifications creates a positive assessment in the Company towards the studying employees. Continuous improvement of professional qualifications becomes a necessity. The need for continuous learning is related to technological and organizational changes and in order to ensure a sufficiently high level of security, therefore knowledge must be constantly supplemented and updated.

Stalprodukt S.A. helps in the professional development of its employees in various ways. For example, with employees who, on their own initiative, undertake postgraduate studies or training at specialized courses, in accordance with the scope of their professional activities, contracts are concluded to improve qualifications, granting co-financing up to 50% of the price or studies. The company also undertakes to grant training leave and to reimburse the costs of the delegation if the training or studies take place in another city.

Training in Stalprodukt is conducted on the basis of an annual training plan. The training plan covers all organisational units of the Company. Due to the situation as it happened at the beginning of 2020 and still ongoing, i.e. the epidemic in the country, the Company has not implemented the assumed training plan, only training courses were conducted that resulted from the urgent needs of the Company. Training companies gave up the traditional form of training and offered on-line training. In 2020, 32 training courses were conducted in which employees of various professional levels participated.

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

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

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

	2020	2021
Number of persons trained	219	228

- ZGH „Bolesław” Group

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

The companies organise:

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

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

	2020	2021
Number of persons trained	2 076	2 232

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

In the Capital Group in 2020, 47 employees improved their professional qualifications by participating in various forms of further education.

- Other companies of Stalprodukt Capital Group

All other companies of the Stalprodukt S.A. Group they also enable employees to improve their qualifications through training and courses.

4.6 Managing diversity

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

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

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

4.7 Human rights

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

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

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

In 2021, there were no cases of discrimination, mobbing or sexual harassment in the companies of the Capital Group.

4.8 Child and forced labour

None of companies of the Capital Group employs children or uses forced or compulsory labour.

4.9 Local communities and social engagement

- Stalprodukt S.A.

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

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

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

Stalprodukt S.A. is one of the largest companies operating in Małopolska region and a large employer, employing at the end of 2021 1403 employees. Therefore, the Management Board of the Company, being aware of its responsibility, treats CSR issues, and above all good relations with the local community (in addition to increasing the value of the company), as a priority.

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

The most important projects in the area of corporate social responsibility supported financially by the Company in 2021 include:

- donation to Caritas at the parish of St. Nicholas in Bochnia, intended for hot meals for people in need of help, including the homeless,
- financial support for the 14th edition of the Festival of the song "Integration painted with sound",
- financial support for the Association of Bochnia and Bochnia Land Lovers,
- support for charity runs organized by the Auxilium Foundation in Bochnia, which helps people with disabilities.

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

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

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

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

- ZGH „Bolesław” Group

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

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

- Responsible business
- Social partnership
- Caring for traditions

The Company as a socially conscious entity, whose main task is not only to ensure current operations in accordance with the applicable law, also has a positive impact on the raw material economy by implementing the idea of a closed-loop economy. In addition, the Company conducts activities aimed at supporting the local community, protecting and improving the natural environment, supporting the development of local self-government and building civil society.

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

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In order to promote and preserve the knowledge about the history and traditions of lead and zinc mining in the region of Bukowno for future generations, ZGH "Bolesław" S.A. created an interactive exhibition "Zinc Knowledge Mine" at its plants. In the Company's opinion, this history and knowledge of traditions should be saved from oblivion, especially as the mining industry in the Bukowno region, at the end of 2020 years in the area passes into history.

One of the pillars of corporate social responsibility is the Zakłady Górniczo-Hutnicze "Bolesław" Foundation established in 2018, which conducts charity works. In September 2020, the Foundation received the status of a public benefit organization, therefore it is possible to support the Foundation by paying 1% of PIT [Personal Income Tax] for its activities. This activity is focused on health prevention, promotion of sport, culture and science, ecology and environmental protection, as well as popularization of the heritage and mining and metallurgical traditions of the Olkusz-Bolesławski region.

In 2021, ZGH "Bolesław" S.A. granted support in the form of donations to schools, foundations organizing charity campaigns, public benefit organizations and for parishes - as usual on the occasion of industry holidays.

When making donations, the interests of companies, employees employed in companies belonging to the Group, as well as the involvement of potential recipients in activities for the benefit of the local community were taken into account. Taking into account the above, donations were made to entities operating in and for the inhabitants of the Olkusz region, the successful rate of whom are employed by the companies that belong to the Capital Group.

On the other hand, the activities of ZGH in the field of advertising and sponsorship assume the allocation of most of the funds to the implementation of planned activities aimed, on the one hand, at promoting the Company and the Olkusz land, and, on the other hand, at supporting cultural, sports, scientific and social projects. The amount allocated in 2021 by ZGH "Bolesław" S.A. under sponsorship is PLN 243.5 thousand. Including to support the 1st-league women's handball team - PLN 115.0 thousand.

In 2021, the total value of donations, sponsorship and other forms of social involvement of ZGH "Bolesław" was PLN 685.6 thousand.

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

The values we follow in our activities are:

- People
- Safety
- Development

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- Responsibility
- Transparency

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

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

In 2020, the implementation of the Scientific Project entitled "Assessment of the mineral balance in children environmentally exposed to lead" implemented under the project "Mechanisms of the toxic effect of lead on the human body". The aim of the project is to determine the basic parameters of blood counts and macronutrients in children, such as iron, calcium, magnesium and vitamin D, as well as to supplement the deficiencies of these elements in the case of their occurrence. This will allow us to answer the question to what extent supplementing the deficiencies in the body with macro- and microelements and vitamin D in children will allow to reduce the concentration of lead in the blood and reduce the effects of its toxicity. The project was implemented by the Foundation for Children "Miasteczko Śląskie" and the Eko-Prof-Med Medical Center. The implementation of the task was entirely financed by Huta Cynk "Miasteczko Śląskie" Spółka Akcyjna.

In addition, in Huta Cynku "Miasteczko Śląskie" SA in 2020, the following activities were undertaken in the field of cooperation with the local community:

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

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

4.10 Counteracting corruption

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

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

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

- Stalprodukt S.A.

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

The principles contained in it include, inter alia:

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

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

- ZGH „Bolesław” Group

To ensure the highest standards of economic transparency and openness, the Group companies have implemented the Anti-Corruption and Whistleblower Protection Policy.

The Anti-Corruption and Whistleblower Protection Policy defines the standards of behavior in detail in corruption-prone situations and indicates responsibility for abuses. Grupa ZGH "Bolesław" S.A. underlines its commitment to fighting corruption in business by adopting and strictly adhering to the

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principle of "zero tolerance for corruption and bribery". Employees are required to avoid taking any action or decision in situations of conflict of interest.

The document regulates that employees of the Capital Group entities and external partners are obliged to report suspected violations of this Policy to the Head of the Management Board and Corporate Affairs Office.

At the ZGH "Bolesław" Group, all commercial contracts are confidential, therefore information, both on the terms of trade and the contractor's data, remains only for the interested parties.

The companies pursue a commercial policy based on purchase / sale contracts, which means that cooperation with clients takes place on clearly defined terms, which hinders the possibility of unfair commercial practices. Commercial conditions are negotiated on the basis of the current market determinants (the so-called Benchmark) and coefficients calculated on the basis of production balances. During the negotiations, the quantities of goods, their quality and delivery conditions are also taken into account, which affect the price and value of the contract. When selecting contractors, companies are guided by openness and transparency of activities, preventing any attempts of illegal or unethical actions.

ZGH "Bolesław" S.A. as part of a long-term strategy assuming, inter alia, strengthening the market position and counteracting corruption, in previous years they introduced the Purchasing Policy of the ZGH "Bolesław" Capital Group covering the purchase of materials, goods and services.

In the purchasing process, ZGH "Bolesław" S.A. is guided by high ethical standards. The main message is to ensure the professionalism and honesty of people responsible for the implementation of purchasing processes. The purchasing procedures in force at ZGH are strictly defined in the adopted Purchasing Policy, and the selection of contractors is carried out in accordance with the principle of equal treatment of business entities.

The purpose of the Policy is:

- standardization of procedures and purchase contracts at the Capital Group;
- ensuring the transparency of the purchasing decision-making process;
- improving the efficiency of investment and renovation expenditures;
- reduction of expenses for services and materials;
- rationalization of the use of human resources;
- full monitoring of purchasing expenses thanks to the use of an electronic purchasing tool;
- constant expansion of the market of Suppliers of goods and services and their diversification;
- building partnership relations with Suppliers based on market principles;
- building appropriate relationships with Internal Clients (organizational units).

In addition, in accordance with the Act of March 1, 2018 on counteracting money laundering and financing of terrorism (Journal of Laws of 2018, item 723), ZGH "Bolesław" S.A. was introduced Procedure and internal instruction on counteracting money laundering and financing of terrorism.

- Other companies of Stalprodukt Capital Group

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

4.11 Product and consumer safety

- Stalprodukt S.A.

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

A document adopted by the parent company "Stalprodukt's task" contains the most important values that the Company's employees are guided by in their activities. These include: quality of products and processes, meeting customer expectations, increasing shareholder value, timely fulfilment of commitments, excellent cooperation with suppliers, environmental protection, ethics and culture.

Construction products manufactured by Stalprodukt S.A. are manufactured on the basis of harmonised technical specifications included in the standards:

- PN-EN 1317-5+A2:2012 Road restraint systems -- Part 5: Product requirements and evaluation of conformity for vehicle restraint systems,
- PN-EN 10219-1:2007 Seamless hollow sections made of non-alloy and fine structural steel - Part 1: Technical delivery conditions,
- Steel sections made of cold, open, structural steel in grades S235, S275, S355, JR, J0, J2 according to PN-EN 10025-2:2007 and S420M according to PN-EN 10025-4:2007, made according to PN-EN 10162:2005,
- PN-EN 10025-1:2007 Hot-rolled products of structural steel - Part 1: General technical delivery conditions.

The rules of marketing or making construction products available on the domestic market, the rules of controlling construction products marketed or made available on the market and the jurisdiction of the authorities to perform administrative tasks and obligations resulting from Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011 are specified in the Act of 16 April 2004 on construction products (consolidated text Journal of Laws of 2016, item 1570).

Other products manufactured by Stalprodukt S.A., in particular metal sheets, are manufactured on the basis of standards:

- PN-EN 10107:2014 Electrotechnical steel sheets and strips with grain oriented delivery. in the fully processed state,
- CEI IEC 60404-8-7 Ed 4.0 2017 Magnetic materials - Part 8-7,
- A 876-17:2017 Standard Specification for Flat-Rolled, Grain-Oriented, Silicon-Iron, Electrical Steel, Fully Processed Types.

- ZGH „Bolesław” Group

Zinc and lead are important bulk commodities whose trade has a long tradition and is quite well organised. There are internationally recognized trade rules for both zinc and metal concentrates. There are global exchanges of these metals, a network of warehouses, ports and other infrastructure components to trade zinc and lead in both processed and crude forms.

The sales offer of the ZGH "Bolesław" Group includes the following products:

- Zinc grade Z1 (SHG) with a minimum zinc content of 99.995%. Zinc produced in ZGH Bolesław in the form of tiles weighing 27 and 34 kg packed in packages with a weight of 900-

1000 kg and blocks weighing about 700 kg, 900 kg Eurojumbo blocks of 1,000 kg. Zinc produced by HC "Miasteczko Śląskie" is cast in plates weighing about 25 kg and dimensions 480 x 240 x 40 mm, then formed into packages of 44 pieces weighing about 1,000 kg and in jumbo blocks 2,000 kg and blocks 1440 mm with a weight of about 620 kg. SHG's zinc from ZGH and HCM zinc is registered at the London Metal Exchange.

- Zinc in grade Z5 (Good Ordinary Brand) with a zinc content of 98.5%. Zinc produced by HC "Miasteczko Śląskie" is cast in plates weighing about 25 kg and dimensions 480 x 240 x 40 mm, and then formed into packages of 44 pieces weighing approximately 1,000 kg.
- Galvanizing alloys
 - for continuous galvanizing with aluminum content: from 0.2% to 1% (so-called CGG continuous galvanizing grade), cast in blocks.
- Alloys are produced in ZGH "Bolesław" and HC "Miasteczko Śląskie"
 - for continuous galvanizing with ZnAlSb antimony, produced in blocks weighing approx. 700 kg. Manufactured in ZGH "Bolesław".
 - with nickel "Wegal Mod" for single galvanizing, in the form of blocks weighing about 900 kg and 25 kg tiles. The chemical composition is adapted to the client's needs, with the supervision and participation of the Institute of Non-Ferrous Metals in Gliwice. They are manufactured in ZGH "Bolesław".
- Zinc-aluminum alloys ZnAl (ZAMAK) - ZL5, ZL3, ZL2, ZL 2A
 - Alloys are produced in BOLTECH Sp. z o.o Cast alloys in the form of pig sows with a weight of approx. 8-10 kg. Pig sows arranged in bundles of 64 pieces.
- Zinc anodes - acc. to PN-EN1179 - rolled, balls with diameter of hemispheres 30x12 mm, ribbed bars with elliptical cross-section 52/77 mm.
- Refined lead is produced in HC "Miasteczko Śląskie" S.A. The amount of production depends on the content of lead in the purchased primary charges (mined). Refined lead is mainly used for the production of batteries and traction batteries, as well as for the production of lead oxides, used to produce, among others, paints and varnishes, and to a minimum degree of lead alloys. Refined lead is also a raw material for the production of steels, wires, ammunition and cables.

Lead Pb 970R (H20POLSKAMS) is certified by the London Metal Exchange. It is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, placed in packages of 25 pieces each with a weight of about 1,000 kg.

Lead Pb 985R is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, put into packages of 25 pieces each with a weight of about 1,000 kg.

Lead STP06002 is the answer to the needs of leading battery manufacturers. Reduced Ag content to max. 0.0010% and Bi up to the max. 0.0120% compared to lead PB985R according to PN-EN12659 guarantees longer battery life.

Lead STP06002 is cast in pig sows with a weight of about 40 kg and dimensions of 600 mm x 120 mm x 140 mm, put into packages of 25 pieces each with a weight of about 1,000 kg.

- Dore metal produced by HC "Miasteczko Śląskie" is a high-value usable waste generated during lead refining, suitable only for further processing (jewellery, electronics). It is a high silver alloy with admixtures of copper, lead and gold. It is cast in the form of anodes (plates) weighing about 16 kg.

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- Flotation galena (lead concentrate about 62% Pb) - obtained in the process of flotation enrichment of lead zinc ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro.
- Blenda bulk (collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of zinc-lead ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro.
 - The bulk blenda is consumed entirely by Huta Cynku MIASTECZKO ŚLĄSKIE, which produces zinc and lead in the ISP process.
- Reflot (a collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of post-flotation waste in ZGH "Bolesław". The reflow is used entirely by Huta Cynku MIASTECZKO ŚLĄSKIE,
- Lead zinc concentrate with increased silver content - obtained from flotation of metallurgical sludge, used in HC MIASTECZKO ŚLĄSKIE to produce, among others, Dore's metal (silver) as well as zinc and lead.
- Lead-zinc concentrate - obtained from sludge processing in the Waelza process, used in HC MIASTECZKO ŚLĄSKIE.
- Lead sulphate - a by-product obtained in the process of purification of zinc oxide from chlorine and fluorine at the Bolesław Chemical Plant. It is used in HC MIASTECZKO ŚLĄSKIE for the production of so-called Dore metal (silver) and lead.
- The sulphuric acid is produced in ZGH "Bolesław" and in Huta Cynku "Miasteczko Śląskie" as a by-product of the process of roasting sulphate concentrates.
 - The sale of acid takes place in rail tankers.
- Dolomite aggregates are produced in the subsidiary Boltech Sp. z o.o., based on dolomite produced as a by-product in the process of initial enrichment of ore from the "Olkusz-Pomorzany" mine.

The main recipients of aggregates are road building executive companies, plants producing mineral-bituminous compounds and manufacturers of road accessories.
- Refined cadmium is a product obtained in the process of zinc rectification in HC "Miasteczko Śląskie". It is cast in blocks with dimensions of 1400 x 300 x 246 mm and weight approx. 670 kg.
- Utilisation services for zinciferous materials

Utilisation of zinciferous materials is carried out by ZGH "Bolesław" and Huta Cynku "Miasteczko Śląskie". At ZGH "Bolesław", the utilization includes two waste streams. The first group consists of wastes from zinc hydrometallurgy, while the second basic waste stream is steelmaking dust from the steel production process in electric arc furnaces.

In 2021, no procedures concerning product and service safety were violated in any company of the Capital Group.

There were no administrative proceedings instigated against the Company by the Office of Competition and Consumer Protection.

4.12 Marketing communications

Communication is a key element in achieving socially responsible objectives. However, one of the basic strategic objectives of Corporate Social Responsibility is to build transparent, long-term and lasting relations with all interested parties in the process of Stalprodukt activity.

Building lasting relationships is the result of satisfaction on the one hand, and the effect of understanding needs and responding to identified needs on the other.

For many years, the Company has been conducting an annual survey of "Satisfaction, Loyalty and Trust of Stalprodukt Group's customers". It is carried out by means of a survey sent to customers. The survey consisted of two parts. The aim of the first part is to determine satisfaction, loyalty and trust levels and, consequently, to calculate a synthetic index that should reach a certain threshold level, set in the quality objectives for each year. If the synthetic indicator is lower than assumed, corrective and corrective actions are required.

In 2021, the synthetic index amounted to 87.7 points and was lower by approximately one point compared to the result obtained in the previous year. This is a high level, but it did not achieve the set target of 90 points. In connection with the above, the situation was analyzed and corrective actions will be taken by the Company.

The second element of the survey is a list of attributes that are assessed in terms of their importance and fulfilment by Stalprodukt and its competitors. These are attributes related to price, quality of products and services, timeliness, speed of response to inquiries and complaints, technical support, wide range of products, etc. According to the respondents, the most important attributes are: all time-related attributes and price. Continuous improvement is necessary in areas where the implementation differs from the importance and / or evaluation of the competition.

Among the strengths of Stalprodukt are professional service and relations with traders, which are always highly rated.

In 2021, there were no cases of non-compliance with marketing communication regulations and codes, including advertising, promotion and sponsoring, in the entire Capital Group.

No proceedings were conducted before the Office of Competition and Consumer Protection in this area.

4.13 Protection of privacy

The companies of Stalprodukt Capital Group have in place the legally required policies and procedures related to the protection of personal data resulting from the Regulation on the protection of personal data.

In 2021, there were no events related to the leakage of personal data or unauthorised use of employee or customer data.

4.14 Product labelling

- Stalprodukt S.A.

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Proper labelling of products is one of the most important issues in customer relations. All products manufactured by Stalprodukt S.A. are appropriately marked (label or tag with appropriate scope of information depending on the product and agreed requirements with the customer). In addition, each product is labelled in accordance with applicable internal instructions and procedures.

- ZGH „Bolesław” Group

In terms of quality, the basic products of the ZGH "Bolesław" Group, i.e. zinc and lead, have been precisely and clearly described in the standards applicable to all suppliers. In Europe, the PN-EN 1179 and the PN-EN 12659 standards are the major reference documents for all zinc and lead suppliers, respectively.

As the Group's products meet the requirements of the EN standards and have been registered on the London Metal Exchange, they can be sold on any market in Poland and worldwide.

In addition, zinc plates are marked permanently with the following inscriptions embossed on the casting moulds:

- In the case of ZGH "Bolesław" S.A. - ZGH Z1
- In the case of HC "Miasteczko Śląskie" S.A. - HCM SHG 99,995 or HCM GOB 98,5.

Zinc blocks and zinc alloy blocks are marked with a label including the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture and bar code.

Refined lead ingots feature permanent marks embossed on the casting moulds with the following inscription: H 20 POLSKA MS, each ingot has a stamped heat number and lead grade information; additionally, each package is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Dore silver in the form of ingots is marked with a permanently stamped heat number and a letter designation of the alloy. Additionally, each ingot is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Refined cadmium blocks are marked on the top with a permanent heat number, and a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

- Other companies of Stalprodukt Capital Group

Labeling of products in other companies of the Capital Group is carried out depending on the conducted activity and the type of offered products.

Stalprodukt Zamość sp. z o.o.

Each product is marked with a label which contains following information:

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- Version A: Interior door - advertising overlay, overprint, containing the address and data of the manufacturer, manufacturer's name, workmanship, product number, National Utility Declaration number, issue data, settings, standards, construction mark, year of production.
- Version B: Entrance doors - the sender, name, label contains the address and data of the manufacturer, name of the product, product, product, number of the Declaration of Settings of Use, settings, reference standards, CE settings, year of production.

STP Elbud sp. z o.o.

The company manufactures steel structures in accordance with the EN 1090-2 standard and in accordance with the standard EN 1090-1 and marks the products with the CE mark. The method of affixing the CE marking is specified in the standard and is described in the internal procedures of the Integrated Management System.

Cynk-Mal S.A.

Products of Cynk-Mal S.A. i.e. .:

- a. Hot-dip galvanized steel frame
- b. Hot dip galvanized wire
- c. Hot-dip galvanized wide strip (service)

are marked in accordance with the scheme described below:

- a. Hot-dip galvanized steel frame - 25 kg and 50 kg rolls, post-treatment:
 - strapping each disc with a tape measuring 19x0.8 mm or 19x0.63 mm, additionally strapping the goods collectively to a pallet or in bundles,
 - mounting with 19x45 mm size clips without LOGO or 19x45 mm with LOGO (branded as CYNK-MAL S.A.) for domestic and export contractors submitting such a demand,
 - each disc has a sticker containing the following elements:
 - type of produced hoop,
 - indication of the standard corresponding to the manufactured products,
 - production class designation,
 - barcode and system code containing information about the width of the hoop, thickness, coating and weight of the coil,
 - disc weight with the acceptable weight tolerance,
 - company name Cynk-Mal S.A.,
 - for export shipments, collective labels containing the following elements are used:
 - product name in English,
 - type of produced hoop,
 - total net weight of the hoop,
 - number of discs on a pallet or in a bundle,
 - for domestic shipments, the collective packaging of the goods contains a manual annotation about the total weight of the hoop, type of hoop and destination or the name of the Contractor,
 - each post-infection disc (non-standard weight) contains a handwritten weight.
- b. Hot-dip galvanized wire - rolls of 25 kg, 40 kg, 50 kg, post-treatment:
 - strapping each bundle with a tape measuring 16x0.5 mm or 19x0.8 mm or 19x0.63 mm, additionally strapping the goods together on a pallet or in bundles,

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- fastening with clips with dimensions of 16x25 mm without LOGO or 16x25 mm with LOGO (branded CYNK-MAL S.A.) for domestic and export contractors submitting such a demand, or clips with dimensions of 19x45 mm without LOGO or 19x45 mm with LOGO for domestic and exports that make such a demand,
 - for export shipments, collective labels containing the following elements are used:
 - o product name in English,
 - o the diameter of the produced wire, i.e. fi6, fi7, fi8, fi10,
 - o total net weight of the wire,
 - o the number of bundles on a pallet or bundle,
 - for domestic shipments, the collective packaging of goods contains a manual annotation about the total weight of the wire, wire diameter and the place of destination or the name of the Contractor,
 - each post-infection bundle (non-standard weight) contains a handwritten weight.
- c. Hot-dip galvanized wide strips - a service for STALPRODUKT S.A. - in accordance with the parameters contained in the Stalprodukt S.A. Company Order and on the delivery note.
- strapping each coil with a tape measuring 19x0.8 mm or 19x0.63 mm,
 - mounting with clips with dimensions of 19x45 mm without LOGO and 19x45 mm with LOGO,
 - each circle has a sticker containing the following elements:
 - production date,
 - order number,
 - name of the Ordering Party,
 - product name, including: coil size, production standard, steel grade, zinc coating, production class,
 - heat number,
 - package number (KP number),
 - stock number,
 - brigade identification,
 - coil weight,
 - bar code and coil identification number,
 - company name Cynk-Mal S.A.
 - each coil contains a manual annotation of coil weight, zinc coating, material size, production number and a color marking indicating the class of the finished product.

GO Steel a.s.

Procedures and rules for product labeling from the delivery of the base material to GO Steel a.s. they are guided by the internal directive S 25. Identification up to the shipment of finished products and tracking, applicable detailed technology regulations and labor procedures.

There are specific rules for:

- o identification of the basic material upon delivery to the ZM warehouse (main identification marks made by the supplier, identification of the condition upon receipt);
- o identification of the basic material when transferring to production (marking formalities of the preparation plan and material);
- o identification in the production process (production order formalities, material marking);

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- identification during conversion operations;
- identification upon delivery (formalities of the finishing document, shipping document, customer identification).

Each type of packaging is marked with a four-digit code in which:

- for first place - a capital letter means the type (form) of products (plate plates, rolls, divided strips);
- the second place - two digits, define the packaging means used in relation to the selected degree of product protection;
- third and place - lower case letter, indicates the palletizing agent used.

In 2021, in the entire Stalprodukt Capital Group, there were no cases of non-compliance related to improper labeling of products.

No proceedings have been conducted in this area.

Bochnia, 29 April 2022

Łukasz Mentel
Member of the Board
Financial Director

Piotr Janeczek
Chairman of the Board
Chief Executive Officer