

REPORT ON AUDIT PREPARED BY AN INDEPENDENT STATUTORY AUDITOR

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

Report on the audit as regards the annual financial statements

Opinion

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

According to our opinion the attached financial statements:

- presents a reliable and explicit representation of the property related and financial situation of the Company as at 31 December 2019 and its financial result as well as cash flows as regards the financial year which ended on that day following the applicable International Financial Reporting Standards approved by the European Union together with adopted accounting principles (policy);
- is consistent as regards the form and content of the legal provisions applicable in reference to the Company and the statute of the Company.
- have been prepared on the basis of correctly kept accounting books in accordance with the provisions of Chapter 2 of the Act of September 29, 1994 on accounting ("Accounting Act" - consolidated text, Journal of Laws of 2019, item 351, as amended).

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

Grounds for the opinion

Our company conducted the audit following the National Standards of Audit in accordance with the International Standards of Audit adopted based on the resolution of the National Council of Statutory Auditors no. 2041/37a/2018 on 5 March 2018 as regards national professional standards and § 1 sec. 1 item 7, 24, 29 to 32 and 34 of Resolution no. 3430/52a/2019 issued by the National Council of Statutory Auditors on 21 March 2019 as regards national audit standards and other documents ("NAS") as well as pursuant to the Act issued on 11 May 2017 on statutory auditors, audit companies and public supervision (hereinafter referred to as the "Act on Statutory Auditors" – the Polish Journal of Laws item 1089, as amended). According to these standards our company bears liability for the audit. The aforementioned liability is described in more detail in the section of our report titled "The liability of the Statutory Auditor for auditing the financial statements".

Our company is independent in reference to companies within the Group following the Code of Professional Ethics of the International Federation of Accountants (hereinafter referred to

as “IFAC Code”). The aforementioned code was adopted based on the resolution of the National Council of Statutory Auditors no. 2042/38/2018 on 13 March 2018 as regards the professional ethics of statutory auditors and other requirements. Our company fulfilled our ethical obligations following the aforementioned requirements as well as IFAC Code. The key statutory auditor and the audit company remained independent in reference to the Company in the course of conducting the audit in accordance with the independence requirements determined in the Act on Statutory Auditors.

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

Explanation with comments

We would like to point to Section 9 Other Information and Explanations in the Notes to the Consolidated Financial Statements, which contains information on the impact of the ongoing pandemic on the future operation of the Group. The Management Boards of the Group companies have undertaken appropriate organisational measures to limit the risk of continuing the operations. As on the date of this opinion, it is not possible to determine the potential impact of the current situation on the entity's future operations, but at this moment, the Management Board of the Parent Company sees no significant threats to the continuation of operations relating to the impact of the pandemic.

At the same time, on 29 April 2020, the Management Board of the Parent Company stated in the Current Report no. 6/2020, that the Management Board of its subsidiary adopted a resolution to discontinue the extraction of zinc and lead ore by 31 December 2020 and to close the mining department of the plant, which was a part of the business run. The discontinuation of the mining activities results from the entity's development strategy, and the Consolidated Financial Statements provide for a provision for this purpose.

We voice no reservation regarding these matters.

Key issues covered by the audit

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

| Key issues covered by the audit | How did our audit refer to the discussed issue |
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| <p>Risks connected to sales revenues</p> <p>The Group generated sales revenues amounting to PLN 1 508.58 million in the audited period.</p> <p>Due to the significant value of the discussed position in the statement of total income and in connection with the application of IFRS no. 15 “Revenues resulting from contracts with customers” the aforementioned issue was subject to our analyses in the first year of application.</p> | <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Analysis and understanding of the principles concerning revenue apprehension, • Understanding and assessing the internal control conditions as regards the apprehension of revenues in case of individual operating segments. • Verification based on a selected sample and analytical procedures concerning the correctness of the apprehension of sales revenues in reference to individual entities, including verification of the moment when revenue was generated and the correctness of attributing revenues to proper accounting period. • Assessment of the correctness and completeness as regards the disclosures following the applicable International Accounting Standards and International Financial Reporting Standards. <p>The aforementioned procedures provided our company with sufficient and appropriate audit evidence necessary to describe the risk concerning sales revenues.</p> |
| <p>In connection with the implementation of IFRS 16 Leases, the entity recognized, with the effect as of the beginning of the audited period, an increase in the value of the Rights to assets under perpetual usufruct of land in the total amount of PLN 38.98 million. The assets are demonstrated under intangible assets and investment properties.</p> <p>As a result of the valuation of the above-mentioned rights to assets, a long-term liability in the amount of PLN 57.1 million was disclosed as of the balance sheet date.</p> <p>Due to the change of the accounting standards and the significant value of the above items of the Statement of Financial Position of the Entity, a key audit risk has been identified in the above area of the Financial Statements.</p> | <p>Our procedures included for example:</p> <ul style="list-style-type: none"> • Analysis and comprehension of the rules of recognition and valuation of the rights to assets, including the applied simplifications regarding the implementation of IFRS 16. • Verification of significant items of increases in Rights to assets on a sample basis by reconciliation with the source documents, and verification of the correctness of the calculations. • Analysis of accepted estimates, particularly of the applied discount rates. • Analysis and verification of the correctness of recognising the costs under the use of rights to assets. • Assessment of the correctness and completeness of disclosures in accordance with applicable International |

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| | <p>Accounting Standards and International Financial Reporting Standards.</p> <p>The conducted procedures described above have provided us with sufficient and appropriate audit evidence to address the described risk in the area of long-term investments in subsidiaries and affiliated companies.</p> |
| <p>Risk concerning tangible fixed assets and intangible assets</p> <p>The company owned intangible assets and legal assets as well as tangible assets valued as in total amounting to PLN 940.57 million at the balance sheet date and this amount accounted for 43.8% of the balance sheet total as at the balance sheet date.</p> <p>Due to the specific character of the industry and the number of the items in fixed assets category, our company identified risk concerning accounting principles applied by the entity, in particular the ones relating to the valuation of fixed assets and intangible assets.</p> <p>In particular, we have analysed continued investments in fixed assets and research and development works related to the wind turbine project.</p> | <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Analysis and understanding of the principles as regards the apprehension and measurement of intangible assets and legal assets as well as tangible assets. • Verification based on a selected sample as regards increases and decreases in tangible fixed assets and intangible assets. • Understanding and assessing the internal control conditions regarding the discussed investments. • Using the method of observing the existence of fixed assets – confirmation based on the selected target sample. • Confirmation of the correctness as regards the presentation of uncompleted investments. • Verification of the conditions as regards activating development works indicated by the Management Board of the Parent Company in reference to developing an innovative wind turbine. • Assessment of the correctness and completeness as regards the disclosures following the applicable International Accounting Standards and the International Financial Reporting Standards. <p>The aforementioned procedures resulted in presentation of changes regarding the scope of presenting the development works and the costs of planned major overhaul to be realized.</p> |

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

The Management Board of the Company is liable for preparation of the financial statements. These statements are to present a reliable and clear representation of the material and financial situation and the financial result obtained by the Company following the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the applicable laws and statute. Additionally, it refers to internal control considered by the Management Board of the Company as necessary to enable the preparation of consolidated financial statements without significant distortion resulting from fraud or error.

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

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

The liability of the statutory auditor for auditing the financial statements

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

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

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

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

- our company identifies and assesses risks as regards material misstatement of the consolidated financial statements resulting from fraud or error, plans and conducts audit procedures related to these risks and collects audit evidence adequate and sufficient for providing grounds our opinion. The risk of not indicating a significant misstatement resulting from fraud is greater than that the one resulting from the error – the fraud can involve conspiracy, falsification, omissions on purpose, misrepresentation or avoiding internal control;
- our company understands the internal control which is appropriate as regards the audit to plan audit procedures suitable under particular circumstances does not express an opinion on the effectiveness of the internal control within the Company;
- our company assesses the suitability of the applied accounting principles (policy) and the reasonableness of accounting estimates as well as disclosures conducted by the Management Board of the Company;
- our company draws conclusions as regards the suitable manner in which the Company's Management Board comply with the principle of continuing the business activity as an accounting grounds. It evaluates, based on the audit evidence, whether there is material uncertainty as regards the events or conditions which could undermine the ability of the Company to continue business activity. If one concludes that there is significant uncertainty, it is required to indicate that in our auditor's report in reference to disclosures in the financial statements. If such disclosures are inadequate, the company modifies our opinion. Our conclusions result from audit evidence collected prior to the date of our audit report. Nevertheless, events or conditions in the future can result in the Company terminating its business activity;
- the company assesses the overall presentation, structure and content of the financial statements. This includes disclosure and whether the consolidated financial statements represent corresponding transactions and events in a manner providing a reliable presentation

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

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

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

circumstances our company can conclude that a particular issue should not be disclosed in our report as one could reasonably expect that the negative consequences would outweigh the benefits of such information from the perspective of the public interest.

Other information, including a report on business activity

Other information includes a report on the business activity of the Company covering the financial year which ended on 31 December 2019 (“Report on business activity”) together with a statement on corporate order and a statement on non-financial information referred to in the Art. 49b sec. 1 of the Act on Accounting which constitute separate parts of this Report as well as the Annual Report covering the financial year which ended on 31 December 2019 (“Annual Report”) (together referred to as “Other information”).

Liability of the Management Board and Supervisory Board of the Company

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

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

Liability of the statutory auditor

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

What is more, our company is required to provide an opinion on whether the Company covered required information in its statement on corporate order. Additionally, it has to provide information whether the Company prepared statements concerning non-financial information.

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

Opinion on the Report on activities

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

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

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

Opinion on the statement concerning the application of corporate order

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

Information concerning non-financial information

Our company confirms that the Company prepared a statement on non-financial information referred to in art. 49b sec. 1 of the Act on Accounting as a separate part of the Report on activities of the Company. Our company performed this obligation observing the requirements of the Act on Certified Auditors.

Our company did not conduct any assurance work as regards the statement concerning non-financial information. Consequently, our company cannot provide any attestation in this regards.

Report on other legal and regulatory requirements

The Company's Management Board is responsible for preparing regulatory financial information in accordance with the requirements of Art. 44 of the Energy Law of April 10, 1997 ("Energy Law" - Journal of Laws of 2018, item 755, as amended).

In accordance with the requirements of art. 44 of the Energy Law, it is our responsibility to examine the regulatory financial information and issue the opinion required by the Energy Law.

Regulatory financial information has been presented in section 6 of the additional information. Our audit did not include an assessment of whether the information required for

disclosure by this law is sufficient to ensure equal treatment of recipients and to eliminate cross-subsidization between activities.

In our opinion, both the relevant balance sheet items and profit and loss accounts for the year ended 31st December 2019, included in the regulatory financial information (explanatory note No. 7), prepared separately for each business activity meet, in all significant aspects, the requirements, referred to an article 44 paragraph 2 of the Energy Law, in terms of the recipients' equal treatment assurance and elimination of cross-subsidization between these activities.

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

Based on our best of our knowledge and belief the services not covered by audit concerning the financial statements presented to the Company and controlled companies comply with legal provisions and regulations effective in Poland. Our company did not provide non-audit services prohibited based on the Art. 5 section 1 of the EU Regulation and the Art.136 of the Act on statutory auditors. The services which are not deemed an audit of financial statements, and which we provided to the Company and its subsidiaries during the audited period, have been listed in note 31 of the Report on the Company's Operations.

Selection an auditing company

Our company was appointed to audit the financial statements of the Company based on a resolution issued by the Supervisory Board of the Company on 25 May 2018. Our company audits the financial statements of the Company for the first time.

Katarzyna Kiec-Domańska is the key statutory auditor responsible for the audit. This audit resulted in this independent statutory auditor's report.

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

Document signed by

Katarzyna Kiec-Domańska
Key Statutory Auditor reg. no. 13309

Date: 2019.04.30