

## 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 of the annual financial statement

### 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 2020 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 statement").

According to our opinion the attached financial statement:

- presents a reliable and explicit representation of the property related and financial situation of the Company as at 31 December 2020 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 statutes of the Company.
- has been prepared on the basis of correctly kept accounting books in accordance with the provisions of Chapter 2 of the Accounting Act of September 29, 1994 ("Accounting Act" - consolidated text, Journal of Laws of 2021, item 217).

### *Grounds for the opinion*

We conducted our audit in accordance with the National Auditing Standards in the wording of the International Standards on Auditing adopted by the Resolution of the National Council of Statutory Auditors No. 3430 / 52a / 2019 of March 21, 2019 on national audit standards and other documents as amended ("KSB") and pursuant to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision ("Act on statutory auditors" - i.e. Journal of Laws of 2020, item 1415). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent from the Company in accordance with the International Code of Ethics of Professional Accountants (including the International Standards of Independence) of the Council of International Ethical Standards for Accountants ("IESBA Code") adopted by the resolution of the National Council of Statutory Auditors No. 3431 / 52a / 2019 of March 25, 2019 on the principles of professional ethics of statutory auditors and other ethical requirements that apply to audits of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent from the Company in accordance with the independence requirements specified 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 an opinion

#### *Explanation with comments*

We would like to point out that the current global situation related to the spread of the COVID-19 corona virus determines the activities of each entity under conditions of uncertainty, both on a macro and microeconomic scale. The state of the pandemic in 2020 and extending to 2021 has a negative impact on the national and global economy. The observed significant depreciation of the Polish currency, fluctuations in commodity prices, a decline in the value of shares may also affect the situation of the entity in 2021. The management board of the entity refers to this issue in "Other information and explanations" in the item "Impact of the COVID-19 corona virus pandemic on the situation of the Company". However, it is not possible to present precise figures about the potential impact of the present situation on the future situation of the entity.

At the same time, we pay attention to note 1a Intangible assets, in the part concerning research and development works related to the implementation of the project (Demonstrator +) in the area of renewable energy sources, i.e. the construction of a prototype of an innovative wind turbine. The Management Board of the Company concluded that the current state of knowledge does not allow for the assumption of a commercialization forecast for this project, which may have an impact on the possibility of generating economic benefits in the future. The choice of the method of commercialization will be possible after conducting tests and appropriate certification.

We voice no reservation regarding these matters.

#### *Key issues covered by the audit*

The key issues covered by the audit include issues which proved to be the most significant during the audit of the financial statement 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 statement 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.

<b>Key issues covered by the audit</b>	<b>How did our audit refer to the discussed issue</b>
Recognition of revenues from contracts with customers  Revenues from contracts with customers in 2020 amounted to PLN 1,253,497 thousand	Our procedures included, among others: <ul style="list-style-type: none"><li>• understanding and evaluation of the internal control system in the sales process; ~</li><li>• analysis of sales contracts concluded with</li></ul>

<p>(2019: PLN 1,508,581 thousand), which is a decrease by approx. 17%.</p> <p>Revenue from contracts with customers is one of the key figures reflecting the results of the Company's operating activities and indicates the degree of use of production capacity, coverage of fixed costs of the conducted activity and are an indicator of market share.</p> <p>There is a risk of distortion of the financial statement as a result of intentional overestimation of revenues by, for example, recognizing fictitious sales transactions, recognizing transactions in an incorrect value and in an incorrect reporting period.</p> <p>Bearing in mind the above, we decided that this is a key issue for our study.</p>	<p>key recipients;</p> <ul style="list-style-type: none"> <li>• independent confirmation with customers of the existence and value of selected items of trade receivables as at the balance sheet date;</li> <li>• test, in terms of the correct recognition in the period, of a selected sample of postings adjusting the value of revenues, recognized in the books of accounts during the audited financial year and after its end;</li> </ul>
<p>Impairment of long-term financial assets</p> <p>In the statement of financial position prepared as at December 31, 2020, the Company shows long-term financial assets in the amount of PLN 567,881 thousand. Long-term financial assets include shares and stocks in subsidiaries, which the Company evaluates at historical value, taking into account a permanent loss in value.</p> <p>Due to the identified indications of impairment of assets, as at December 31, 2020, the Company conducted tests for the loss of long-term financial assets.</p> <p>This issue was considered of key importance due to the significance of the tested items for the Company's financial statements and the issues of estimates and judgments necessary to determine the value of assets as at the balance sheet date.</p>	<p>Our procedures included for example:</p> <ul style="list-style-type: none"> <li>• understanding the process and internal audit related to the assessment of the existence of premises for impairment of financial assets, as well as analysis of the identification of premises for impairment made by the Management Board;</li> <li>• discussing with the Company's Management Board the situation of individual subsidiaries and the existence of any premises for impairment;</li> <li>• obtaining impairment tests prepared by the Company with detailed calculations;</li> <li>• analyzing and discussing with the Company's Management Board the adopted assumptions and methodology of impairment tests;</li> </ul>

#### *Other issue – scope of the audit*

This opinion was issued for the financial statements corrected on May 14, 2021, the correction related to editorial errors consisting in transferring data from the draft to the financial statement.

### *Liability of the Management Board and Supervisory Board of the Company for the financial statement*

The Management Board of the Company is liable for preparation, on the basis of properly kept accounting books, of the financial statement that presents a reliable and clear representation of the material and financial situation and the financial result obtained by the Company in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the applicable laws and the statutes. Additionally, and is responsible for internal audit 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 statement. 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 statement fulfils the requirements provided for in the Accounting Act. 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 include obtaining reasonable assurance that the financial statement as a whole does not contain any material misstatement due to fraud or error 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 prepared in accordance with KSB 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 this financial statement.

In accordance with par. 5 of the National Auditing Standard 320 as amended by the International Standard on Auditing 320, 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 statement. 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 KSB as well as:

- we identify and assesse risks as regards material misstatement of the financial statement resulting from fraud or error, plans and conducts audit procedures related to these risks and collects audit evidence adequate and sufficient for providing grounds for 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 audit;
- we understand the internal audit 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;
- we assess 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;
- we draw 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, we are required to indicate in our auditor's report a reference to disclosures in the financial statements. If such disclosures are inadequate, we modify 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;
- we assess the overall presentation, structure and content of the financial statement. This includes disclosure and whether the financial statement represents corresponding transactions and events in a manner providing a reliable presentation.

We make a statement to the Parent Entity's Supervisory Board that we have complied with the relevant ethical requirements regarding independence and that we will inform them about all relationships and other matters that could reasonably be considered to be a threat to our independence, and, where applicable, about the applied safeguards ..

From the matters communicated with the Parent Entity's Supervisory Board, we determined those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation prohibits public disclosure, or when, in exceptional circumstances, we determine that the matter should not be presented in our report because the negative consequences could reasonably be expected to outweigh the benefits of such information for 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 2020 ("Report on business activity") together

with a statement on applying the rules of corporate governance and a statement on non-financial information referred to in the Art. 49b sec. 1 of the Accounting Act which constitute separate parts of this Report as well as the Annual Report covering the financial year which ended on 31 December 2020 (“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 other information 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 Accounting Act.

#### *Liability of the statutory auditor*

Our opinion on the audit of the financial statement does not cover Other Information. In connection with the audit of the financial statement, our responsibility is to get familiar with the Other Information and, in doing so, consider whether it is not materially inconsistent with the financial statement or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, on the basis of the work performed, we find material misstatements in the Other Information, we are required to disclose this in our audit report. Our duty, in accordance with the requirements of the Act on statutory auditors, is also to issue an opinion on whether the report on activities has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statement. In addition, we are required to inform whether the Company has prepared a statement on non-financial information and to issue an opinion whether the Company has included the required information in its statement on applying the rules of corporate governance.

We obtained the report on the Company's activities before the date of this audit report, and the Annual Report will be available after that date. In the event that we identify a material misstatement in the Annual Report, we are required to inform the Company's Supervisory Board about it.

#### *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 prepared in accordance with the art. 49 of the Accounting Act;
- is consistent with the information covered by the financial statement.

Moreover, based on our the knowledge concerning the Company and the environment it operates in which our company obtained during our audit, we declare that no significant distortions were identified as regards the Report on the activities of the Company.

#### *Information concerning non-financial information*

In accordance with the requirements of the Act on statutory auditors, we confirm that the Company has prepared a statement on non-financial information referred to in Art. 49b paragraph 1 of the Accounting Act as a separate part of the Report on Activity. We have not performed any assurance work with respect to the non-financial statement, and we do not express any assurance thereon.

### **Report on other legal and regulatory requirements**

Our opinion on the audit of the financial statements includes the opinion on the regulatory financial information ("Regulatory Information") prepared in accordance with the requirements of Article 44 of the Energy Law Act of April 10, 1997 ("Energy Law" - Journal of Laws of 2019, item 755, as amended). The Management Board of the Company is responsible for the preparation of the Regulatory Information in accordance with the provisions of the law. Moreover, the Management Board of the Company is obliged to ensure that the Regulatory Information prepared in accordance with Art. 44 of the Energy Law meets the requirements stipulated therein.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the compliance of Regulatory Information with the requirements of Art. 44 of the Energy Law. In our opinion, the Regulatory Information (explanatory note No. 37: "Energy Company Report") prepared for the period from 1 January to 31 December 2020 complies, in all material respects, with the provisions of Article 44 of the Energy Law.

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

Based on our best knowledge and belief we declare that the services not covered by audit concerning the financial statement presented to the Company and its subsidiaries 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 statement of the Company based on a resolution issued by the Supervisory Board of the Company on 20 August 2019.

The key statutory auditor responsible for the audit, the result of which is this independent statutory auditor's report, is Renata Lubowicka, acting on behalf of POLSCY BIEGLI Sp. z o.o. with headquarters in Warsaw, at ul. Józefa Bema 87 lok. 3U entered on the list of audit firms under number 4159, on behalf of which the key statutory auditor has audited the financial statements.

Renata Lubowicka

Key Statutory Auditor reg. no. 11041

Warsaw, 14 May 2021