



Stalprodukt S.A.  
Financial Statement of Stalprodukt S.A.  
for Year 2020

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

Bochnia, April 2021

## Selected financial data

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2020	2019	2020	2019
I. Net sales of products, goods and materials	1 253 496	1 508 581	280 161	350 686
II. Operating profit (loss)	22 917	-4 439	5 122	-1 032
III. Profit (loss) before taxation	56 285	96 053	12 580	22 329
IV. Net profit (loss)	54 843	92 808	12 258	21 574
V. Net cash flow from operating activities	141 301	115 108	31 581	26 758
VI. Net cash flow from investment activities	26 146	79 386	5 844	18 454
VII. Net cash flow from financial activities	-25 523	-170 486	-5 704	-39 631
VIII. Total net cash flow	141 924	24 008	31 721	5 581
IX. Total assets	2 162 912	2 148 481	466 450	504 516
X. Liabilities and provisions for liabilities	408 563	469 336	88 532	110 212
XI. Long-term liabilities	86 597	107 126	18 765	25 156
XII. Short-term liabilities	217 850	251 909	47 206	59 154
XIII. Shareholders' equity	1 754 349	1 679 146	378 569	394 304
XIV. Share capital	11 161	11 161	2 419	2 621
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	9,83	16,63	2,20	3,87
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	314,38	300,91	68,12	70,66
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)		5,00		1,16

- Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31<sup>st</sup> December 2019. Other comparable data is presented for the period from 1<sup>st</sup> January 2019 to 30<sup>th</sup> December 2019.
- EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
  - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 31<sup>st</sup> December 2020 and amounting to 4.6148 and 4.2585 for this 31<sup>st</sup> December 2019.
  - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.4742 for 2020 and PLN 4.3018 for 2019.
- For profit-per-share calculation the number of 5 580 267 shares was adopted.
- In the item XVIII the amount of the dividend for 1 share to paid out in 2019 by the Issuer.

**BALANCE SHEET AS 31 DECEMBER 2020**

BALANCE SHEET	Note	thousand x PLN		
		2020	2019	after conversion 2019
<b>Assets</b>				
<b>I. Fixed assets</b>		<b>1 471 502</b>	<b>1 521 494</b>	<b>1 521 494</b>
1. Intangible assets, including:	1	116 921	118 340	118 340
- right of perpetual land use		84 548	86 920	86 920
2. Property, plant and equipment	2	784 102	822 231	822 231
3. Long-term receivables	3			
4. Long-term investments	4	567 881	578 411	578 411
4.1. Real estate investments		50 425	52 317	52 317
4.2. Intangible and legal assets				
4.3 Long-term financial assets		517 455	526 094	526 094
4.4. Other long-term investments				
5. Long-term accruals		2 598	2 512	2 512
5.1. Assets on account of deferred income tax	5	2 598	2 512	2 512
5.2. Other accruals				
<b>II. Current assets</b>		<b>691 410</b>	<b>626 987</b>	<b>647 346</b>
1. Inventories	6	238 059	300 833	291 300
2. Short-term receivables	7	216 211	251 769	251 769
- including trade receivables in excess of 1 year		290	435	38
3. Short-term investments		212 433	74 080	74 080
3.1. Short-term financial assets	8	211 945	73 121	73 121
a) loans		18 400	21 500	21 500
b) short-term securities				
c) cash and cash equivalents		193 545	51 621	51 621
3.2. Other short-term investments		488	959	959
4. Short-term accruals	9	24 708	304	30 197
<b>Assets in total</b>		<b>2 162 913</b>	<b>2 148 481</b>	<b>2 168 841</b>
<b>Liabilities</b>				
<b>I. Shareholders' Equity</b>		<b>1 754 349</b>	<b>1 679 146</b>	<b>1 699 506</b>
1. Share capital	10	11 161	11 161	11 161
2. Reserve capital	11	103 750	103 749	103 749
3. Reserve capital from revaluation				
4. Other reserve capital	12	1 592 870	1 500 062	1 500 062
5. Retained earnings (losses)	13	-8 275	-28 634	-8 274
6. Net profit (loss)		54 844	92 807	92 807
<b>II. Liabilities and provisions for liabilities</b>		<b>408 564</b>	<b>469 335</b>	<b>469 335</b>
1. Provisions for liabilities	14	97 221	105 133	105 133
1.1. Provision for deferred income tax		76 740	75 325	75 325
1.2. Other provisions		20 482	29 808	29 808
a) long-term		15 007	25 948	25 948
b) short-term		5 475	3 860	3 860
2. Long-term liabilities	15	86 597	107 126	107 126
2.1. Long-term credits and loans		30 000	50 000	50 000
2.2. Other long-term liabilities		56 597	57 126	57 126
3. Short-term liabilities	16	<b>217 851</b>	<b>251 909</b>	<b>251 909</b>
3.1. Short-term credits and loans				
3.2. Current part of long-term credits and loans		20 000	20 000	20 000
3.3. Trade liabilities		171 956	203 539	203 539
- including trade receivables in excess of 1 year		3 539		
3.4. Income tax liabilities		7 240		
3.5. Other short-term liabilities		18 655	28 370	28 370
4. Accruals	17	6 895	5 167	5 167
<b>Total liabilities</b>		<b>2 162 913</b>	<b>2 148 481</b>	<b>2 168 841</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

<b>Book value</b>		1 754 349	1 679 146	1 699 506
<b>Number of shares (in items)</b>		5 580 267	5 580 267	5 580 267
<b>Book value for one share (in PLN)</b>	18	314,38	300,91	304,56
<b>Diluted number of shares</b>		5 580 267	5 580 267	5 580 267
<b>Diluted book value per share (in PLN)</b>		314,38	300,91	304,56

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN		
		2020	2019	after conversion 2019
<b>I. Net revenue from sale of products, goods and</b>		<b>1 253 497</b>	<b>1 508 581</b>	<b>1 508 581</b>
1. Net revenue from sale of products	19	1 012 438	1 224 174	1 224 174
2. Net revenue from sale of goods and materials	20	241 058	284 407	284 407
<b>II. Costs of sold products, goods and materials,</b>	<b>21</b>	<b>1 165 582</b>	<b>1 418 468</b>	<b>1 398 109</b>
1. Cost of manufacture of sold products	21	930 343	1 136 508	1 116 149
2. Value of sold goods and materials	21	235 239	281 960	281 960
<b>III. Profit (loss) gross on sales</b>		<b>87 915</b>	<b>90 113</b>	<b>110 472</b>
IV. Costs of sales		40 129	47 938	47 938
V. General administrative costs		36 814	42 990	42 990
<b>VI. Profit (loss) on sales</b>		<b>10 972</b>	<b>-815</b>	<b>19 544</b>
VII. Other operational revenue	22	27 929	10 877	10 877
VIII. Other operational costs	23	15 983	14 501	14 501
<b>IX. Profit (loss) from operational activity</b>		<b>22 918</b>	<b>-4 439</b>	<b>15 920</b>
X. Financial revenue	24	47 269	110 907	110 907
XI. Financial costs	25	13 901	10 414	10 414
<b>XII. Profit (loss) gross</b>		<b>56 286</b>	<b>96 053</b>	<b>116 413</b>
XIII. Income tax	26	1 442	3 245	3 245
<b>XIV. Profit (loss) net</b>	<b>27</b>	<b>54 844</b>	<b>92 808</b>	<b>113 168</b>
<b>Profit net</b>		<b>54 844</b>	<b>92 808</b>	<b>113 168</b>
<b>Weighted average number of ordinary shares</b>		<b>5 580 267</b>	<b>5 580 267</b>	<b>5 580 267</b>
<b>The weighted average number of ordinary shares</b>		<b>5 580 267</b>	<b>5 580 267</b>	<b>5 580 267</b>
<b>Profit (loss) for one ordinary share (in PLN)</b>	<b>28</b>	<b>9,83</b>	<b>16,63</b>	<b>20,28</b>

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	Note	thousand x PLN		
		2020	2018	after conversion 2019
Net result		54 844	92 808	113 168
Differences from evaluation				
<b>Total Comprehensive Income</b>		<b>54 844</b>	<b>92 808</b>	<b>113 168</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

Statement of changes in equity for the period from 1st January to 31st December 2020 and 2019	thousand x PLN						
	Share capital	Supplementary capital	capital from revaluation	Other reserve capital	Retained profit from previous years	Retained profit from current year	Equity in TOTAL
<b>As of 1.01.2020 (opening balance)</b>	<b>11 161</b>	<b>103 750</b>	<b>0</b>	<b>1 500 062</b>	<b>64 174</b>		<b>1 679 147</b>
Adjustment of the result from previous years					20 359		20 359
Condition after conversion on 1.01.2020	<b>11 161</b>	<b>103 750</b>	<b>0</b>	<b>1 500 062</b>	<b>84 533</b>	<b>0</b>	<b>1 699 506</b>
Profit distribution				92 808	-92 808		<b>0</b>
Change of shares - merger of companies							<b>0</b>
Dividend							<b>0</b>
Profit/Loss from previous years							<b>0</b>
Total comprehensive income for period 1.01 - 31.12.2020						54 843	<b>54 843</b>
<b>As of 31.12.2020 (End of Period)</b>	<b>11 161</b>	<b>103 750</b>	<b>0</b>	<b>1 592 870</b>	<b>-8 275</b>	<b>54 843</b>	<b>1 754 349</b>
<b>As of 01.01.2019 (Beginning of Period)</b>	<b>11 161</b>	<b>104 184</b>		<b>1 402 915</b>	<b>114 616</b>		<b>1 632 876</b>
Profit distribution				97 147	-97 147		<b>0</b>
Intercapital transfer		-434					-434
Dividend					-27 901		-27 901
Loss from previous years					-18 203		
Total comprehensive income for period 1.01 - 31.12.2018						92 808	92 808
<b>As of 31.12.2018 (End of Period)</b>	<b>11 161</b>	<b>103 750</b>	<b>0</b>	<b>1 500 062</b>	<b>-28 635</b>	<b>92 808</b>	<b>1 679 146</b>

## FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN		
	2020	2019	after conversion 2019
<b>A. Cash flow from operational activity - indirect method</b>	141 301	115 108	115 108
<b>I. Profit (loss) net</b>	<b>56 285</b>	<b>96 053</b>	<b>116 413</b>
<b>Tax paid</b>			
<b>II. Adjustments in total</b>	<b>85 016</b>	<b>19 055</b>	<b>-1 305</b>
1. Depreciation	52 754	51 605	51 605
2. (Profit) loss from exchange rate fluctuations	0	10	10
3. Interest and profit share (dividends)	-32 719	-94 514	-94 514
4. (Profit) loss on investment activities	-2 663	662	662
5. Change in reserves	-2 873	-811	-811
6. Change in inventories	64 818	77 820	87 353
7. Change in receivables	35 558	30 837	30 837
8. Change in short-term liabilities except for loans	-33 529	-39 566	-39 566
9. Change in accruals	-22 731	-3 743	-33 636
10. Other adjustments	26 401	-3 245	-3 245
<b>III. Net cash flow from operating activities</b>	<b>141 301</b>	<b>115 108</b>	<b>115 108</b>
<b>B. Cash flow from investment activity</b>	26 146	79 386	79 386
<b>I. Inflows</b>	<b>47 198</b>	<b>108 469</b>	<b>108 469</b>
1. Sales of intangible and tangible fixed assets	5 484	58	58
2. Sales of real estate properties and intangible			
3. From financial assets, including:	41 715	108 411	108 411
- financial assets sold			
- dividends and profit share received	37 057	102 311	102 311
- repayments of long-term loans granted			
- interest received	657	1 100	1 100
- other inflows from financial assets	4 000	5 000	5 000
4. Other investment inflows			
<b>II. Outflows</b>	<b>-21 052</b>	<b>-29 083</b>	<b>-29 083</b>
1. Purchase of intangible and tangible fixed assets	-15 088	-29 083	-29 083
2. Real estate property and intangible assets			
3. To financial assets, including:	0		
- financial assets purchased	-25		
- long-term loans granted	-900		
4. Other investment outflows	-5 039		
<b>III. Net cash flow from investment activities</b>	<b>26 146</b>	<b>79 386</b>	<b>79 386</b>
<b>C. Cash flow from financial activity</b>	<b>-25 523</b>	<b>-170 486</b>	<b>-170 484</b>
	<b>0</b>	<b>0</b>	<b>0</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

2. Credits and loans	0	0	0
3. Issue of debentures			
4. Other financial inflows	0	0	0
<b>II. Outflows</b>	<b>-25 523</b>	<b>-170 486</b>	<b>-170 484</b>
1. Purchase of own shares			
2. Dividends and other dues paid to shareholders	0	-27 901	-27 901
3. Outflows from profit distribution, other than dues			
4. Credits and loans repaid	-20 000	-132 674	-132 674
5. Redemption of debentures			
6. From other financial liabilities			
7. Contractual payments of financial lease dues	-55	-54	-54
8. Interest paid	-4 995	-8 897	-8 897
9. Other financial outflows	-471	-958	-958
<b>III. Net cash flow from financial activities</b>	<b>-25 523</b>	<b>-170 486</b>	<b>-170 484</b>
<b>D. Net cash flow, total</b>	<b>141 924</b>	<b>24 008</b>	<b>24 010</b>
<b>E. Balance sheet change in cash, including:</b>	<b>141 924</b>	<b>24 008</b>	<b>24 008</b>
<b>F. Cash (beginning of period)</b>	<b>51 621</b>	<b>27 612</b>	<b>27 612</b>
<b>G. Cash (end of period), including:</b>	<b>193 545</b>	<b>51 621</b>	<b>51 621</b>

Cash at beginning of the reporting period represent the amount of PLN 51,621 thousand, including cash at hand PLN 80 thousand, on bank accounts PLN 51,541 thousand, and at the end of the reporting period PLN 193,545 thousand, including PLN 47 thousand cash at hand and PLN 193,498 thousand on bank accounts.

Operating activities consist of the basic (main) activities of the Company, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Company.

The Company's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).

The Company's financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.

Explanations for cash-flows:
Adjustment of inventories for spare parts PLN 2,042 thous.
Adjustment of provisions for the realized obligation of Go Steel PLN 5,039 thous.
Purchase of intangible assets and tangible fixed assets
- adjustment for free CO2 emission rights: PLN 1,180,000 thous.
Other adjustments:
Adjustment for the result of previous years PLN 20,360 thous.
impairment loss on shares PLN 8,663.6 thous.
deferred tax - PLN 1,442 thous.
Redemption of free CO2 emission rights – PLN 1.180 thous.

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

### **1. General information**

#### **Company's identification data**

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

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

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

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

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

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

*The Company is established for an unlimited time.*

The consolidated financial statements are presented for the year 2020, and comparable financial data for the year 2019.



### **Composition of Management Board's and Supervisory Board**

In 2020, the Management Board of Stalprodukt S.A. worked in the following composition:

- from 1 January to 28 April 2020:

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

- therefore, in the period from 29 April to 31 December 2020, the Management Board worked in the following composition:

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

The Supervisory Board in 2020 included:

- from 1 January to 15 April 2020:

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

- from 15 April to 31 December 2020:

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

### ***Certified Auditor***

Polscy Biegli Sp. z o.o.

Ul. Bema 87 lok U3

01-233 Warszawa

### ***Banks:***

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

### ***Listing on the regulated market***

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

### ***Significant Shareholders***

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

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders, i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,
- FCASE Sp. z o.o. Sp. k. holding 300,010 shares, accounting for 5.38 %-share in capital and 1,500,050 votes, accounting for 12.30 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579,652 shares, accounting for 10.39 %-share in capital and 1,095,488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1,066,100 shares, accounting for a 19.10 %-share in capital and 1,066,100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

### Subsidiary

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

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	Nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	The applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	Date of take-over of control/ joint control/ obtaining a significant impact	Percentage of capital held	Share of the total number of votes at a general meeting	Shareholding of the parent company
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100.00	100.00	100.00
2.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100.00	100.00	100.00

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4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100.00	100.00	100.00
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100.00	100.00	100.00
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	Go Steel a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	100.00	100.00	100.00
10.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
11.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100.00	100.00	94.93
12.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92.82	92.82	88.11
13.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99.61	99.61	94.56
14.	Polska Technika Zabezpieczeń Sp z o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	80.00	74.29	80.00
15.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	shares held by Stalprodukt S.A./personal links	not applicable	not applicable	19.51	19.51	19.51
16.	StalNet Sp. z o.o.	Kraków	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	28.00	28.00	28.00
17.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	shares held by ZGH "Bolesław" S.A. /personal links	not applicable	not applicable	0.00	0.00	0.00
18.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0.00	0.00	0.00

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

19.	FCASE Sp. z o.o. Sp. k.	Myślenice, Jawornik	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00
20.	ArcelorMittal Sourcing a société en commandite par actions	Luxembor	financial activity	significant shareholder	not applicable	not applicable	0.00	0.00	0.00

## ***2. Compliance with the International Financial Reporting Standards***

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

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

### ***Assumptions for the Continuation of Economic Activities***

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

### ***Functional and Presentation Currency***

The currency in use, as the basic currency of the economic environment in which the Company operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.

### ***3. Applicable accounting rules (policy)***

Since 01.01.2005, the Company has been applying the accounting rules (policy), including methods of valuation of assets and liabilities, as well as revenues and expenses, determining the financial result and drawing up financial statements in accordance with IFRS, adopted by the European Union, and in matters not governed by IFRS, pursuant to the Polish Accounting Act.

To ensure a clear and full understanding of these financial statements, there are presented below the basic principles of valuation of assets and liabilities, determination of financial result and other accounting policies adopted in the Company.

#### **Fixed assets**

a) as of the date of transition to international standards, in accordance with MSSF1 "the application of International Financial Reporting Standards for the first time", the Company adopted a valuation of previously used tangible fixed assets at fair value and decided to use this value as expected (implied) cost as of this day. Revaluations were made in-house with technical staff, based on their technical and market knowledge, taking into account the previous lifetime of the assets, the degree of wear and tear, made improvements, modernization and repairs. The following lifetimes and depreciation rates were adopted for the tangible fixed assets used in the Company prior to the date of transition to IFRS: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), machinery and equipment for general use 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).

Difference (surplus) due to the initial revaluation was applied to equity as retained earnings.

b) items of tangible fixed assets, qualified as assets, initially (at time of adoption for use) are measured at cost or production cost.

The initial value of tangible fixed assets comprises their purchase price or production cost plus any costs directly related to the purchase and adaptation of the asset to a state suitable for production use.

The initial value of fixed assets is increased by the value of the expenditures on their improvement (reconstruction, development, reconstruction, modernization).

c) after the initial recognition of items of tangible fixed assets as assets, they are disclosed on the balance sheet by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation and any accumulated impairment losses. Decrease in amortization does not apply to own land, for which there is no amortization write-offs.

The right of perpetual usufruct of land is depreciated in accordance with IFRS 16.

d) each of the components of tangible fixed assets, purchase price or production cost of which is significant when compared to the purchase price or production cost of the whole

item, and the expected lifetime of which differs significantly from the expected lifetime of the whole item, is depreciated separately.

e) assets of the unit initial value up to PLN 3,500 are depreciated once, writing their value off as costs when transferring such assets to use.

f) other fixed assets or their separate and significant components are depreciated with a straight-line method based on rates estimated based on the expected period of use, taking into account the residual value, if the amount is significant. The residual value is the estimated amount that an entity has obtained from the sale of an asset, after deducting the estimated costs of disposal if the asset was as old and in such condition as expected at the end of its lifetime. There were no significant residual values identified for previously used fixed assets.

The Groups adopts the lifetime of new investments in the form of machinery and equipment 10 - 20 years.

Depreciation rates are reviewed annually for compliance with the economic lifetime of fixed assets. The residual value of fixed assets is also subject to verification.

g) fixed assets under construction are valued in the amount of total costs directly arising in connection with their acquisition or construction, less any impairment losses. Assets under construction are not depreciated until the completion of their construction and putting into use.

h) overhaul costs of fixed assets are capitalized and amortized in equal periods of repair cycles. Maintenance costs of fixed assets and their maintenance affect the result of the financial period in which they are incurred.

i) intangible assets are recognized if it is probable that they will ensure the Company the benefit in the future, which can be directly related to those assets.

They are shown at acquisition or production cost less accumulated amortization and the total amount of any impairment losses. They are amortized with a straight-line method over a period of use, which should be determined reliably. Intangible assets with an indefinite lifetime are not amortized but tested for impairment. The lifetime of intangible assets is subject to verification on the balance sheet date.

The expenses incurred for the acquisition of perpetual usufruct of land are classified by the Company as intangible assets because the title concerned, alike land, does not lose in value and is valid for an indefinite period of time. It is not subject to depreciation or redemption either.

j) if there are any indications of possible loss in value of tangible fixed assets and intangible assets, an impairment test shall be carried out and the determined revaluation write-offs shall reduce the balance sheet value of an asset, to which they refer, and they shall be included in the profit and loss account. The amount of revaluation write-offs is determined as the excess of the balance sheet value of these items over their recoverable value. The

recoverable value is the higher of the following values: net selling price or value in use measured by generated cash flows of a given asset or cash-generating unit, discounted to the present value using a discount rate, which reflects current market prices of the money value over time and the risks of a given asset.

The amounts recognized as revaluation write-offs are reversed if the reasons for their creation cease to appear. The effects of such reversal are recognized in the profit or loss account as other operating income.

k) long-term loans and receivables are measured by the adjusted purchase price (amortized cost) with the use of the effective interest method, observing the principle of materiality.

The realized gains and losses arising from changes in value are recognized in the profit or loss account in the period in which they arose.

l) investment real properties (leased fixed assets) are valued in the same manner as fixed assets by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation (amortization) and accumulated impairment losses.

ŧ) long-term financial assets (shares) are valued at purchase prices less their impairment losses.

m) fixed assets used based on the financial lease agreements that transfer for the beneficiary, all benefits and risks associated with ownership of the assets are generally recognized in the balance sheet according to the cost model, as all tangible fixed assets. Lease fees are divided between financial costs and reduction of outstanding liability balance. Financial costs are recorded directly in the profit and loss account. Fixed assets used based on financial lease agreements are depreciated over their useful life. Agreements classified as operating lease are accounted for as finance leases. The costs of leasing fees are charged to the income statement on a straight-line basis over the period of the agreement,

n) in accordance with IFRS No. 3, negative goodwill at the time of its creation is written off once into revenues. Negative goodwill that arose before the date of transition to IAS was removed from the balance sheet and written off in full in the undistributed result from previous years, thereby increasing equity. Negative goodwill arising after 1 January 2004 is directly related to the profit and loss account (increase of the financial result).

### **Current assets**

Inventories - are valued according to the actual purchase prices or production costs, not higher than their net realization values (net selling prices). Net realization value is the estimated selling price in the ordinary course of business, less estimated costs to complete the inventory item and the costs necessary to make the sale.

Total disbursements are measured by the prices of these items, which were acquired as first (FIFO principle "first in - first out").

Cost of producing finished goods and work in progress includes the cost of direct materials, labour and other costs, as well as the appropriate mark-up of indirect production costs determined on the assumption of normal capacity utilization, excluding borrowing costs.

The production costs do not include costs:

- arising from the unused production capacity and production losses,
- of general management, not associated with developing the product to a form and place in which it is found at the valuation date.

Any write-offs of inventories to net realizable value and all losses of inventories are recognized as operating costs of the period in which the write-off or loss occurred. If the circumstances, which led to the reduction of inventories, cease to prevail or if there is clear evidence of increase in net realization value, the amount of previously made write-off shall be restored (reversal of write-off). The amount corresponding to the restored value of inventories due to higher net realization value, is recognized as a reduction in inventory costs recognized in the profit and loss account in the period in which the value was restored.

The Company keeps a record of material values and quantities. It is allowed to recognize the purchase of materials as costs without keeping the record of values and quantities provided that such materials will be transmitted to use immediately after purchase.

Spare parts for machinery and equipment of long-term lifetime are disclosed in the balance sheet under tangible fixed assets.

a) short-term debts and claims for supplies and services - are recognized according to the amounts originally invoiced including write-offs for bad debt charged to other operating costs.

Denominated in foreign currency receivables are valued on the balance sheet date according to the average rate for that day, for the valuation are assumed the rates of the bank in which the Company has the largest turnover of foreign exchange. While transactions in foreign currencies are valued at the rate of immediate execution at the transaction date. The foreign exchange differences resulting from the valuation are recognized in the profit and loss account, in the period in which they arise (revenues/expenses).

According to the accepted principles (policy), the Company creates revaluation write-offs to:

- national debts not paid within 6 months, and the export receivables of more than 9 months,
- disputed receivables and receivables related to the liquidation and bankruptcy proceedings, as well as arrangements and compositions,
- interest on receivables, accrued but not paid.



b) cash and cash equivalents include cash at bank and in hand, short-term deposits and other instruments with a high degree of liquidity. They are valued at their nominal value. Denominated in foreign currency cash is valued on the balance sheet date at the closing rate, which is the immediate exchange rate. Resulting foreign exchange differences are classified as financial income or expense.

## **Equity**

1.1. Equity of the Company includes: share capital, capital reserve, supplementary capital, revaluation reserve, retained earnings from previous years and the result of the current period. All capital is valued at nominal value. The value of own shares is deducted from equity.

Share capital is included in the amount specified in the contract or statute, and entered in the court register. Declared but not paid capital is recognized as a called-up capital. Share capital represents ordinary bearer shares and privileged registered shares.

Capital is created in the Parent Company obligatorily (by the operation of law) and is intended to cover any lack of share capital. Pursuant to the Commercial Companies Code, the Company must allocate at least 8% of annual net profits to the capital reserve until it reaches one third of the share capital.

The capital reserve is increased by surpluses while the shares are issued above their nominal value and the difference from the revaluation of fixed assets that were liquidated or sold. In addition, the capital reserve was increased in 2005 due to the revaluation of fixed assets to fair value at the date of transition to IFRS, as retained earnings.

The revaluation reserve includes the differences from the revaluation of fixed assets, land and perpetual usufruct of land, except the value resulting from the revaluation as of the date of transition to IFRS, which was disclosed in the capital reserve as retained earnings. In the case of disposition or liquidation of an asset, the relevant part of revaluation reserve is transferred to the capital reserve. A write-off due to the impairment of fixed assets that had previously been subject to the revaluation reduces the revaluation reserve to the amount of the reserve, which refers to such fixed assets.

Other supplementary capital is created from profit, the distribution of which is determined by the General Meeting of Shareholders. These serve to finance investments and current assets, and cover potential losses. Their use is determined by the General Meeting of Shareholders.

Minority capital, constituting shares in the equity of subsidiaries, belonging to entities other than those covered by the consolidation, is presented in a separate item of liabilities in the consolidated financial statements.

1.2. Bank credits, loans and other financial liabilities (leasing) are disclosed at amortized cost (corrected purchase price) with an effective interest rate method, observing the principle of

materiality. Interest cost is allocated to the respective periods and disclosed in the profit and loss account.

1.3. Short-term trade liabilities are recognized according to the amounts originally invoiced. Liabilities denominated in foreign currencies are valued at the rate of the immediate implementation (exchange), which is the closing price on the balance sheet date. The resulting exchange differences are disclosed in the financial income or expense in the profit and loss account.

1.4. Provisions are created when there is:

- an obligation (legal or constructive) on the balance sheet date resulting from past events,
- a probability that funds shall have to be spent,
- a possibility of making a reliable estimate calculation.

According to the accepted principles (policy), the Company creates provisions for:

- temporary income tax differences resulting from the fact that the moment when income was recognised as gained or cost as incurred was different, pursuant to the accounting law and tax regulations,
- employee benefits (retirement),
- other provisions for the expected or probable losses from business operations having a significant influence on earnings, observing the principle of materiality.

Provision for income taxes is created using the liability method for all temporary differences existing on the balance sheet date between the tax bases of assets and liabilities and their balance sheet amounts shown in the financial statements. Provision for deferred tax is created in relation to temporary gains, and deferred tax assets are recognized in relation to temporary losses.

In terms of depreciation, the provision (assets) for the differences between the tax and balance sheet depreciation is created for the last reporting period.

The balance sheet value of assets due to the deferred tax is reviewed on the balance sheet date and reduced as appropriate, if gaining the taxable income sufficient to realize the asset due to the deferred income tax is no longer probable. The difference between the balance of provisions and deferred tax assets at the end and the beginning of financial year affects the financial result or equity if the provisions and assets relate to operations settled directly with equity.

Provision for retirement benefits is determined with the actuarial method, and its amount depends on the previous period of employment specifying the degree of benefit development and the rotation rate of employment, the likelihood of payment and the discount rate. Provisions for employee benefits are accounted for on the balance sheet date, ending the financial year.

1.5. Pre-payments and accruals. Group makes prepayments, if they relate to future reporting periods. Accrued expenses payable are made in the amount of probable liabilities attributable to the current reporting period.

### **Profit and loss account**

1. Revenues from sales includes the fair value of revenues from sales of products, goods and services, net of tax on goods and services.

Revenues are recognized in two major categories:

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

Revenues are recognized in the amount in which it is probable that the Company shall gain the economic benefits associated with the transaction and the amount of revenue can be measured reliably.

2. According to IFRS 15 revenues are recognized when the customer obtains control of a good or service. The customer obtains such control when he is able to manage the use of the good or services and gain benefits from them.

3. An entity shall recognize a contract with a customer that is within the scope of this standard only if all of the following criteria are met:

- a) the parties have concluded a contract (in writing, orally or in accordance with other customary commercial practices) and are required to perform their obligations;
- b) the entity is able to identify the rights of each party regarding the goods or services to be transferred;
- (c) the entity is able to identify the payment terms for the goods or services to be transferred;
- d) the contract has economic substance (i.e. the risk, distribution over time or future cash flows of the entity can be expected to change as a result of the contract); and
- (e) it is likely that the entity will receive the consideration that it will be entitled to receive in exchange for goods or services that will be provided to the customer.

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

Own cost is presented as broken down into two basic categories:

- cost of products sold (including services),
- value of goods and materials sold.

Cost of sales includes the costs of trade and the costs of representation and advertising. General and administrative costs include costs associated with managing the unit and the costs of administration and representation.

5. The financial result is also influenced by:

- other operating income and operating expenses indirectly related to the activities in such areas as gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, the creation and termination of provisions for future risks, penalties, fines and compensation, receipt or transfer of donations,
- financial income from dividends (profit sharing), interest, gains on disposal of investments, revaluation of investments, surplus from foreign exchange benefits over foreign exchange losses,
- the financial costs of interest, loss on disposal of investments, revaluation of investments, the surplus of foreign exchange losses on the positive
- mandatory financial burden as a result of income tax.

6. A write-off (provision) in a full amount is created according to the accruals principle, observing the precautionary principle, for interest income. Interest received according to the cash principle is disclosed in the profit and loss account.

7. Operating expenses are recorded in the period to which they relate.

Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time in order to be fit for use or resale, are added to the manufacturing costs of such assets until the hand-over of these assets to use.

All other borrowing costs are disclosed directly in the profit and loss account in the period in which they are incurred. (IAS 23).

8. Income tax disclosed in the profit and loss account includes some current and deferred tax. Current tax is the tax liability in respect of taxable income for the given financial year, determined using tax rates applicable on the balance sheet date and tax adjustments for previous years.

There was adopted the principle of cost grouping by type in the accounts under group 4 and settling them by type of activity under group 5. The Company uses and reports the calculation variant of the profit and loss account.

### **Leasing**

Fixed assets used under financial leasing agreements, which transfer to the Company substantially all benefits and risks associated with the possession of assets, are disclosed in the balance sheet acc. to IFRS 16 by the cost model, as all the components of tangible assets. Lease payments are allocated between finance charges and reduction of the outstanding liability. Financial expenses are accounted for directly in the profit and loss account. Fixed assets used under financial leasing are depreciated over their lifetime. Leasing agreements, under which all the risks and benefits are borne by the lessor, are classified as operating leasing agreements. Cost of leasing payments are related linearly in the profit and loss account during the contract period.

**Negative goodwill**

According to IFRS No. 3, negative goodwill at the time of its creation is once written off in revenues. Negative goodwill which arose before the date of transition to IFRS, was removed from the balance sheet and written off in full in the undistributed profit from previous years, thus increasing equity. Negative goodwill arising after the date of 01.01.2004 is referred directly to the profit and loss account.

**Professional opinion, estimates and assumptions.**

While drawing up the consolidated financial statements in conformity with IFRS, the Management Board has the obligation to express its professional opinion, prepare estimates and assumptions that affect the adopted rules and presented values of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other factors, which are considered reasonable in the circumstances, and their results provide the basis to express professional opinion as to the balance sheet amounts of assets and liabilities, which do not result directly from other sources. Actual results may differ from the estimate. The estimates and associated assumptions are subject to ongoing review. Changes in accounting estimates are recognized in the period in which they were made.

Key assumptions and estimates in the process of applying the rules (policies) concerning the balance sheet amounts are:

- a) revaluation write-offs of receivables,
- b) revaluation write-offs of inventories,
- c) provisions for retirement,
- d) assets and deferred tax liabilities,
- e) periods of depreciation of fixed assets.

**4. Changes of the applicable accounting rules (policies)**

The accounting principles applied in the preparation of the present Report are coherent with the ones applied for the preparation of the Financial Report for the year ended on 31 December 2019.

The changed standards and interpretations that are applied for the first time in 2020, do not have a significant impact on the financial statements of the Company.

Amendments to the International Financial Reporting Standards effective from January 1, 2020

- Amendments to IFRS 3: Definition of a business - As a result of the amendment to IFRS 3, the definition of a business has been modified. The definition currently

introduced has been narrowed down and is likely to result in more acquisitions being classified as acquisitions of assets.

- Amendments to IFRS 7, IFRS 9 and IAS 39. Reform of interest rate benchmarks - The published changes modify some specific requirements for hedge accounting, mainly so that the expected reform of the reference rates (IBOR reform) does not generally result in the termination of hedge accounting.
- Amendments to IAS 1 and IAS 8 Definition of the term "material" - Amendments clarify materiality and increase consistency between standards.
- Conceptual Framework for Financial Reporting of March 29, 2018 - The Verified Conceptual Framework is used by the International Accounting Standards Board and the Interpretation Committee when working on new standards. Nevertheless, preparers of financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not dealt with in current IFRS.
- Amendment to IFRS 16 Leases: Rental concessions related to COVID-19 - In line with the amendments to IFRS 16 Leases: Covid-19 Rent Concessions a lessee may not assess whether a pandemic rent concession that meets all specified conditions is a modification to the lease. The lessee analyses whether all the criteria are met:
  - changes in lease payments result in adjusted lease consideration that is substantially the same or less than the lease consideration for the pre-change lease terms;
  - any reductions in lease payments only apply to payments originally due;
  - no significant changes in and in other lease terms.

A lessor that makes a decision shall account for any change in lease payments resulting from a rent relief in the same way it would account for a change under IFRS 16 if the change were not a change to the lease.

As at the balance sheet date, the Company has not identified any contracts for which it could use the practical solution to IFRS 16.

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

New standards and interpretations published but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet effective:

- IFRS 14 Regulatory Deferral Accounts (published on January 30, 2014) - in accordance with the decision of the European Commission, the approval process of the standard in its draft version will not be initiated before the standard is issued in its final version - until the date of approval of these financial statements, not approved by the EU - applicable for periods annuals commencing on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28 Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on September 11,

2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed by the IASB for an indefinite period;

- IFRS 17 Insurance Contracts (published on May 18, 2017) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term - postponement of the effective date (published on January 23, 2020 and July 15, 2020, respectively) - until the date of approval of these financial statements, not approved by the EU - applicable for annual periods beginning on or after 1 January 2023;
- Amendment to IFRS 3 Business Combinations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments to IAS 16 Property, plant and equipment: revenues achieved before putting into use (published on May 14, 2020) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IAS 37 Onerous Contracts - Costs of Meeting Contractual Obligations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IFRS 17 Insurance Contracts - including, inter alia, clarifications to simplify the implementation of IFRS 17 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmarks reform - Phase 2 (published on August 27, 2020) - applicable to annual periods beginning on or after January 1, 2021.

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

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

## 5. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2020	2019
1. concessions, patents, licenses and similar	1 807	284
a) computer software	80	220
2. right of perpetual land use	84 549	86 920
3. research and development works	30 566	29 895
4. other intangible assets	0	1 241
Intangible assets, total	<b>116 921</b>	<b>118 340</b>

All intangible assets are owned by Stalprodukt. The Company does not hire, rent or lease intangible assets. Research and development works are related to works for the implementation of a project in the scope of renewable energy sources, i.e. the construction of an innovative wind turbine prototype with a vertical axis of rotation, with a capacity of 1.5 MW. In the management's assessment, the conditions for activating works set out in IAS 38 are met (i.a. the possibility of and means for continuing work, the possibility of applying effects and achieving economic benefits in the future).

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



FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

1b NOTE - Changes of intangible assets (by group type)							
thousands of PLN							
	a	b	c		d	e	Intangible assets, total
	cost of completed developmental works	goodwill	concessions, patents, licenses and similar values, including:		other intangible assets	advance payments for intangible assets	
				- computer software			
I. gross value of intangible assets at the beginning of the period	29 895		1 129	1 020	6 203	103 330	140 557
1. increase (due to)	671		1 623		1 180		3 474
- received CO2 emission rights					1 180		1 180
- change in the balance of development costs	671		-				671
- reclassification from investment properties			1 623				1 623
- transfer from fixed assets under construction							0
2. decrease (due to)			75	75		1 374	1 449
- liquidation			75	75			75
- sales						1 374	1 374
II. gross value of intangible assets at the end of the period	30 566		2 677	945	7 383	101 956	142 582
5. accumulated depreciation (amortization), at the beginning of the period			845	840	4 962	16 410	22 217
6. depreciation for the period (due to)			25	25	2 421	998	3 444
- depreciation allocated to the costs			95	95	1 241	1 025	2 361
- amortization of CO <sub>2</sub> emission rights					1 180		1 180
- decrease due to liquidation			70	70			70
- decrease due to sale						27	27
III. accumulated depreciation (amortization) at the end of the period			870	865	7 383	17 408	25 661
1. charges for permanent loss of value at the beginning of the period							
2. write-offs for permanent loss of value at the end of the period							
IV. net value of intangible assets at the end of the period	30 566	0	1 807	80	0	84 548	116 921

NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2020	2019
1. fixed assets, including:	<b>708 264</b>	<b>753 162</b>
a) land	20 707	20 727
b) buildings, premises, civil engineering objects	183 353	194 402
c) plants and machinery	496 428	529 635
d) means of transport	3 715	4 035
e) other fixed assets	4 060	4 362
2. fixed assets under construction	<b>75 838</b>	<b>69 069</b>
Tangible fixed assets, total	<b>784 102</b>	<b>822 231</b>

Tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.

Tangible fixed assets were measured at cost, i.e. purchase price (production cost) less accumulated depreciation (depreciation) charges. As at the balance sheet date, no impairment write-offs were made for tangible fixed assets in the electrical sheet metal segments and the profiles segment, as there were no indications of this. In the reporting year, a decrease in production volumes was recorded by 13%, which due to circumstances (including working time shortened by 20% in the first quarter of 2020) should be considered proportionate. At the same time, due to the lack of external and internal premises, in the opinion of the Company, there were no factors causing the necessity to make write-offs for impairment of segment assets.

NOTE 2B -BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	w tys. zł	
	2020	2019
1. own assets	784 102	753 162
Total balance sheet fixed assets	<b>784 102</b>	<b>753 162</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)						
thousands of PLN						
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
I. gross value of fixed assets at the beginning of the period	20 522	365 988	883 272	6 284	7 030	1 283 096
1. increase (due to)	205	2 910	3 809	1 176	229	8 329
a) investment	205	263	1 211	1 176	229	3 084
b) change in the state of major repairs *			2 598			2 598
c) change of status of long-term investments		2 647				2 647
d) change in the state of the exchangeable parts classified in accordance with IAS to fixed assets						0
2. decrease (due to)		1 962	2 413	27	33	4 435
a) sale			162	27		189
b) liquidation		1 385	704		33	2 122
c) change in the state of major repairs *		577				577
d) change of status of long-term investments			1 547			1 547
e) change in the state of the exchangeable parts classified in accordance with IAS to fixed assets						0
II. gross value of fixed assets at the end of the period	20 727	366 936	884 668	7 433	7 226	1 286 990
1. accumulated depreciation (amortization), at the beginning of the period		161 035	320 033	2 879	2 436	486 383
2. depreciation for the period (due to)		11 499	34 999	519	428	47 445
a) depreciation included in costs		12 324	35 742	541	446	49 053
b) reduction due to sale			81	22		103
c) reduction due to liquidation		825	662		18	1 505
d) reduction due to inventory shortages						0
e) decrease in respect of the reclassification						0
f) decrease in respect of revaluation						0
III. accumulated depreciation (amortization) at the end of the period		172 534	355 032	3 398	2 864	533 828
a) write-offs for permanent loss of value, at the beginning of the period						
b) increase						
c) decrease						
d) write-offs for permanent loss of value, at the end of the period						
IV. net value of fixed assets at the end of the period	20 727	194 402	529 636	4 035	4 362	753 162

\*The way of presentation is described in Supplementary Information pt 4 The changes in applied accountancy rules (policy).

**NOTE 3- CHANGE OF LONG-TERM RECEIVABLES - DID NOT OCCUR**

<b>NOTE 4 - LONG-TERM INVESTMENT (ACC. TO TITLES)</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. investment properties	<b>50 425</b>	<b>52 317</b>
2. long-term financial assets	<b>517 456</b>	<b>526 094</b>
a) stocks and shares	517 456	526 094
Long-term investment, total	<b>567 881</b>	<b>578 411</b>

<b>NOTE 4a - CHANGE OF STATUS OF REAL ESTATE INVESTMENT</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. balance at the beginning of the period	<b>52 317</b>	<b>62 974</b>
2. increases (due to)	<b>0</b>	<b>5 926</b>
a) discounted value of perpetual usufruct right	0	5 926
3. decreases (due to)	<b>1 892</b>	<b>16 583</b>
a) amortization	1 892	1 892
b) liquidation of facilities		
c) reclassification to fixed assets		14 691
4. balance at the end of the period	<b>50 425</b>	<b>52 317</b>

Investment properties constitute fixed assets including: the right of perpetual usufruct of land PLN 5,7803 thousand, land PLN 148 thousand and buildings and structures PLN 44,497 thousand. These properties are not intended for sale. Total revenues from rent for the year 2020 amounted to PLN 5,085 thousand, while the costs associated with these real properties are estimated approximately at PLN 4,627 thousand. With real estate investments valuation rules by cost model are in force, i.e. cost of purchase less accumulated depreciation (amortization) and the total amount of any deductions due to impairment of value. The initial value of the investment properties is PLN 80 328 thousand. The fair value of the investment properties is PLN 75 000 thousand.

<b>NOTE 4b – LONG-TERM FINANCIAL ASSETS (OWNERSHIP STRUCTURE)</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. in subsidiaries	<b>517 337</b>	<b>525 975</b>
a) shares	517 337	525 975
b) loans granted		
2. in other entities	<b>119</b>	<b>119</b>
a) shares	80	80
b) shares in associates	39	39
c) loans granted		
Long-term financial assets, total	<b>517 456</b>	<b>526 094</b>

The stakes and shares held are not quoted on stock exchanges or regulated markets. They are not characterized with limited transferability. The pledge on the shares of GO Steel a.s. was established on 23 August 2018 in favour of PKO BP S.A. to secure an investment credit in the amount of PLN 100 000 thousand for refinancing the purchase of shares of the Czech company.

On 29 April 2020 the Management Board of ZGH "Bolesław" S.A. ("the Company") informed the Issuer that it had adopted a resolution on the termination of mining of zinc and lead ores in "Olkusz - Pomorzany" Mine on 31 December 2020. The termination of mining is understood as the submission, on 31 December 2020, of a declaration on the surrender of the mining concessions held and the commencement of the mine decommissioning process. The cost of decommissioning the "Olkusz-Pomorzany" mine in accordance with the decommissioning program is estimated at approx. PLN 140 million. The above-mentioned deadline for completion by ZGH "Bolesław" S.A. mining activity is in line with previous plans. In particular, this date was specified in the development strategy of the Zinc Segment, published in the current report No. 33 of 27 October 2016. Management Board of ZGH "Bolesław" S.A. presents the position that in the light of the cited definitions of IFRS 5, the decommissioning of the "Pomorzany" mine does not meet the conditions for recognizing it as discontinued operations. In addition, the Company's financial plans assume maintaining production at at least the same level, and thanks to the completed investment in a new tank hall, an increase in production volumes to 100,000 tons per year. Additionally, at the time of settlement of the merger in accordance with IFRS 3, a provision in the amount of PLN 296.1 million was created in the consolidated statement of financial position, among others, for the purpose of liquidating the mine and covering any related damages. In view of the above, no impairment of assets is identified due to the held shares of ZGH "Bolesław" S.A.

NOTE 4c - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousands of PLN	
	2020	2019
1. balance at the beginning of the period	526 094	529 502
2. increase (due to)	25	26
a) purchase of shares	25	26
3. decrease (due to)	0	3 434
a) an impairment loss	8 664	434
b) loans repaid	0	3 000
4. balance at the end of the period	517 456	526 094
Long-term financial assets, total	517 456	526 094

The amount of PLN 25 thousand results from the increase in the share capital of ZGH "Bolesław" S.A. up to 94.93%. The Increase occurred as part of the process of repurchasing employees' shares of ZGH "Bolesław" S.A.

The amount of PLN 8 664 thousand PLN concerns the write-off of shares in Anew Institute Sp. z o.o. up to the amount of the subsidiary's equity.

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

NOTA 4e - UDZIAŁY LUB AKCJE W JEDNOSTKACH ZALEŻNYCH																		
Lp.	nazwa jednostki	w tys. zł																
		a	m						n			o			p	r	s	t
			kapitał własny jednostki, w tym:						zobowiązania i rezerwy na zobowiązania jednostki, w tym:			należności jednostki, w tym:			aktywa jednostki, razem	przychody ze sprzedaży	nieopłacona przez emitenta wartość udziałów / akcji w jednostce	otrzymane lub należne dywidendy od jednostki za ostatni rok obrotowy
			- kapitał zakładowy	- należne wpłaty na kapitał zakładowy (wielkość ujemna)	- kapitał zapasowy	- pozostały kapitał własny, w				- zobowiązania długoterminowe	- zobowiązania krótkoterminowe		- należności długoterminowe	- należności krótkoterminowe				
					rezerwow y	zysk (strata) z lat ubiegłych	zysk (strata) netto											
1	Stalprodukt-Wamech Sp. z o.o.	19 045	4 270	0	0	15 311	-976	440	6 553	1 533	5 020	8 317		8 317	25 599	32 039		
2.	Stalprodukt-Centrostal Kraków Sp. z o.o.	9 224	10 797		0	260	-502	-1 331	3 542	2 484	1 058	3 189	0	3 189	12 766	4 341		
3	Stalprodukt-Zamość Sp. z o.o.	30 293	2 450		0	23 728	0	4 115	8 012	1 426	6 586	6 455		6 455	38 305	68 625		
4.	Stalprodukt-Ochrona Sp. z o.o.	1 619	600			1 183	-163	-295	597	0	597	914		914	1 922	4 721		
5.	STP Elbud Sp. z o.o.	32 752	20 613	0	36 150	2 118	-19 020	-7 107	24 055	392	22 084	13 809	0	13 809	56 808	59 439		
6.	Cynk-Mal S.A.	38 531	20 191		22 496		-11 323	7 168	13 266	130	13 136	6 989	0	6 989	58 243	65 369		
7.	Anew Institute Sp. z o.o.	6 010	14 649		76	21	-5 886	-2 850	4 331	273	4 058	166		166	10 342	749		
8.	ZGH "Bolesław" SA	1 089 826	166 116		764 409	0	1 437	85 660	296 682	43 458	253 224	220 390		220 390	1 643 158	1 198 518	31 539	
9.	GO Steel a.s.	222 977	213 165				6 149	3 525	77 937	33 835	44 102	53 722		53 722	302 798	350 540	5 515	

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

NOTA 4e' - UDZIAŁY LUB AKCJE EMITENTA W JEDNOSTKACH PODPORZĄDKOWANYCH OBJĘTYCH KONSOLIDACJĄ																		
Lp.	nazwa jednostki	w tys. zł																
		m							n			o			p	r	s	t
		kapitał własny jednostki, w tym:							zobowiązania i rezerwy na zobowiązania jednostki, w tym:			należności jednostki, w tym:						
		- pozostały kapitał własny, w tym:																
		- kapitał zakładowy	- należne wpłaty na kapitał zakładowy (wielkość ujemna)	- kapitał zapasowy		zysk (strata) z lat ubiegłych	zysk (strata) netto		- zobowiązania długoterminowe	- zobowiązania krótkoterminowe		- należności długoterminowe	- należności krótkoterminowe					
1	BOLTECH Sp. z o.o.	62 513	16 262			42 923	0	3 328	60 159	8 282	39 438	33 507	694	32 813	122 671	220 018		
2	Karo Sp. z o.o.	1 043	300			552	0	190	1 096	9	1 029	793	0	793	2 138	8 088		
3	Huta Cynku Miasteczko Śląskie S.A.	467 713	79 000			239 594	88 827	-7 824	145 766	20 336	84 095	98 320	0	98 320	613 479	918 744		15 800
4	Gradir Montenegro d.o.o. Niksic	34 113	93 290			0	1 616	-59 880	75 080	52 607	19 251	4 634	0	4 634	109 193	54 086		
5	PTZ Sp. z o.o.	441	500			437		-720	1 070	0	1 070	412	0	412	1 512	1 940		

NOTE 4f – STOCKS OR SHARES IN AN ASSOCIATED COMPANY									
w tys. zł									
a	b	c	d	e		f	g	h	i
Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	book value of shares	including:		Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
					- capital held				
Stalprodukt Profil S.A.	Bochnia	Internet commerce	80	79 951	410	16.00	16.00		

Moreover, the Issuer owns small amounts of shares and stocks in 7 entities for which a 100% write-down was created due to their impairment.

NOTE 4g' – STOCKS OR SHARES IN AN ASSOCIATED COMPANY									
w tys. zł									
a	b	c	d	e		f	g	h	i
				including:					
Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	book value of shares		- capital held	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
StalNet Sp. z o.o.	Bochnia	Internet commerce	39	57 413	200	28.00	28.00		



<b>NOTE 5 - Change in assets due to deferred income tax</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	<b>2 512</b>	<b>1 681</b>
a) attributed to the financial result	2 512	1 681
b) attributed to equity		
2. Increases	<b>597</b>	<b>2 621</b>
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	597	2 621
- appearance of temporary differences	597	2 621
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	<b>511</b>	<b>1 790</b>
a) attributed to financial result of the period in respect of negative temporary differences (due to)	511	1 790
- reversal of temporary differences	511	1 790
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)		
4. Balance of assets due to deferred income tax, at the end of the period, including:	<b>2 598</b>	<b>2 512</b>
a) attributed to the financial result	2 598	2 512
b) attributed to equity		

<b>NOTE 5a – The amounts of negative temporary differences by main groups of assets and liabilities</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. inventory (materials and products)	3 246	5 934
2. receivables	1 172	1 110
3. liabilities for employee benefits	3 081	2 595
4. liabilities and other bonus	4 792	2 494
5. exchange rate differences	1 385	1 090
<b>Total negative temporary differences</b>	<b>13 676</b>	<b>13 223</b>
Tax rate	19%	19%
<b>Assets due to deferred income tax</b>	<b>2 598</b>	<b>2 512</b>

The sum of tax losses for 2017-2019 is PLN 61,427 thousand, in 2020, PLN 21,932 thousand were deducted. PLN 39,495,000 remained to be deducted for the following years.

Due to the precautionary principle - the uncertainty of deducting tax losses from future tax income - the asset due to the tax loss in the amount of PLN 7 504 thousand was not recognized.

<b>NOTE 6 – Inventory</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. materials	101 593	152 715
2. semi-finished products and work in progress	57 845	57 063
3. finished products	75 736	79 124
4. goods	2 885	11 931
<b>Inventory, total</b>	<b>238 058</b>	<b>300 833</b>

As of the balance sheet day, materials are subject to a registered pledge up to the amount of PLN 20 000 thousand in favor of PNB Paribas S.A., up to the amount of PLN 15 000 thousand in favor of Bank Handlowy S.A., up to the amount of PLN 100 000 thousand in favor of Bank PKO BP S.A. and up to the amount of PLN 35 000 thousand in favor of Bank PeKaO S.A., securing the granted credit limits.

During the reporting period write-down due to impairment of value was made on finished products to the net realizable value. The value of the write-down amounted to PLN 2,688 thous. At the same time, the valuation was adjusted in the amount of PLN 472 thousand concerning 2nd quality of finished products. In 2020, the costs of unused production capacity were recognized in the amount of PLN 1,367 thous.

NOTE 7a – Short-term receivables	thousand x PLN	
	2020	2019
1. from related parties	21 666	32 475
a) trade receivables, maturing:	21 666	32 475
- up to 12 months	21 666	32 475
- above 12 months		
2. receivables from other entities	194 545	219 294
a) trade receivables, maturing:	174 700	192 524
- up to 12 months	174 410	192 486
- above 12 months	290	38
b) receivables from tax, subsidy, customs, social security and other benefits	14 546	20 900
c) other	5 299	5 869
Net short-term receivables, total	216 211	251 769
a) write-downs of receivables	2 100	1 931
Gross short-term receivables, total	218 311	253 700

As of the balance sheet date applies charge of receivables: silent assignment duties in the amount of PLN 10 000 thousand, which constitutes security of the limit for guarantees and letters of credit in Bank Handlowy S.A. and the undetermined amount of the silent cession of claims from 11 customers, as security for a limit on guarantees and letters of credit in BNP Paribas Bank Polska S.A. and silent assignment duties in the amount of PLN 10 000 thousand, which constitutes security of the limit in Bank PeKaO S.A.

NOTE 7b – Change in short-term receivables write-down	thousands of PLN	
	2020	2019
Balance at the beginning of the period	1 931	1 748
1. increase (due to)	532	655
a) provision for doubtful receivables	532	655
2. decrease (due to)	363	472
a) cancellation		
b) adjustment	100	133
c) payment	263	339
Balance of short-term receivables write-downs at the end of the period	2 100	1 931

<b>NOTE 7c – Gross short-term receivables (currency structure)</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. in Polish currency	<b>99 289</b>	<b>123 256</b>
2. in foreign currencies (according to currencies converted into PLN)	<b>119 022</b>	<b>130 444</b>
a) in EURO	23 410	26 126
converted into PLN	<b>108 032</b>	<b>111 264</b>
b) in USD	2 924	5 044
converted into PLN	<b>10 990</b>	<b>19 180</b>
Short-term receivables, total	<b>218 311</b>	<b>253 700</b>

<b>NOTE 7d – Trade receivables (gross) – maturing as at the balance day:</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
up to 1 month	105 020	109 566
above 1 month up to 3 months	69 954	86 125
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year	290	435
overdue receivables	23 201	30 804
Trade receivables, total (gross)	<b>198 465</b>	<b>226 930</b>
trade receivables write-downs	2 100	1 931
Trade receivables, total (net)	<b>196 365</b>	<b>224 999</b>

The normal course of sales is connected with the time interval for repayment of receivables up to 3 months.

<b>NOTE 7e – Trade receivables, overdue (gross) – divided into unpaid receivables within the period:</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
up to 1 month	19 115	26 262
above 1 month up to 3 months	886	2 195
above 3 months up to 6 months	-33	331
above 6 months up to 1 year	911	1 978
above 1 year	2 322	38
Trade receivables, total (gross)	<b>23 201</b>	<b>30 804</b>
trade receivables write-downs	2 100	1 931
Trade receivables, total (net)	<b>21 101</b>	<b>28 873</b>

Out of the total amount of gross short-term receivables, i.e. PLN 218,311 thousand, overdue receivables amount to PLN 23,201 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of PLN 2,100 thousand was covered by write-downs. The remaining outstanding receivables were not adjusted with revaluation write-offs due to the fact that most of them related to subsidiary companies and are justified by the Parent Company's strategy and sales policy. However, as far as other external recipients are concerned, overdues are admissible because the receivables are secured with bank guarantees, sureties and guaranteed/ avalized bills of exchange.

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NOTA 8a - KRÓTKOTERMINOWE AKTYWA FINANSOWE	thousands of PLN	
	2020	2019
1. loans granted	18 400	21 500
a) loans granted in subsidiaries	1 400	3 500
b) loans granted in other units	8 000	8 000
c) loans granted to an associate	9 000	10 000
2. cash and other pecuniary assets	193 545	51 621
a) cash in hand and at bank	193 545	51 621
3. own shares		
a) own shares within the first tranche		
Short-term financial assets, total	211 945	73 121

The loans granted relate to long-term loans with an annual repayment period.

NOTE 8b – Cash and equivalents (currency structure)	thousands of PLN	
	2020	2019
1. in Polish currency	156 378	13 482
a) cash on the VAT account	1 996	903
2. in foreign currencies (according to currencies converted into PLN)	37 167	38 139
a) in Euro	7 356	8 517
converted into thousand PLN	33 946	36 272
b) in USD	857	492
converted into thousand PLN	3 221	1 867
Cash and other pecuniary assets, total	193 545	51 621

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

NOTE 9 - Short-term accruals	thousands of PLN	
	2020	2019
1. active cost accruals, including:	24 708	304
a) costs of insurance and subscription	130	84
b) other	78	220
c) bonus settlement	24 500	
Short-term accruals, including:	24 708	304

### Write-offs

Asset write-offs due to impairment of value refer to long-term financial assets, which constitute long-term investments (stocks and shares in other entities) and short-term receivables and stocks of finished products. The total value of the write-offs as at the balance sheet date is PLN 27,958 thous., including the amount of PLN 20,773 thous. concerning shares, receivables PLN 2,100 thous. and finished products PLN 5,085 thous. In the reporting period, an impairment loss was created for ANEW shares in the amount of PLN 8,664 thous., the write-off in the amount of PLN 2,688 thous. was released with regard to inventories of finished products and a write-down was created updating inventories of finished products in the amount of PLN 1,839 thous., including 1,367 thous. due to unused production capacity. Also, an impairment charge was made for doubtful receivables and interest in the amount of PLN 532 thous. and part of the earlier write-offs in the amount of PLN 363 thous., in connection with the payment of receivables, cancellations and corrections.

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

NOTE 10 - Share capital of the parent company (structure)								
thousand x PLN								
Series/issue	Type of shares	Share preference type	Type of limitation of rights to shares	Number of shares	Value of a series/issue according to nominal value	Manner of capital coverage	Registration date	The right to dividend (since)
A	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		71 663	143 326	cash	3.07.1991	1.07.1992
A	registered shares without preference	Non-preference		1 820	3 640	cash	3.07.1991	1.07.1992
B	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		281 030	562 060	cash	16.11.1993	1.01.1994
B	registered shares without preference	Non-preference		14 510	29 020	cash	16.11.1993	1.01.1994
C	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
D	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
E	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		1 301 874	2 603 748	cash	30.09.1996	1.01.1996
E	registered shares without preference	Non-preference		44 370	88 740	cash	30.09.1996	1.01.1996
F	ordinary bearer shares	Non-preference		1 105 000	2 210 000	cash	17.12.1996	1.01.1997
G	ordinary bearer shares	Non-preference		1 200 000	2 400 000	cash	13.05.1997	1.01.1997
Number of shares, total				5 580 267				
Share capital, total					11 160 534			
Nominal value of one share (in PLN)		2,00						

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

NOTE 11– Supplementary capital	thousands of PLN	
	2020	2019
1. from sale of shares above their nominal value	35 054	35 054
2. statutorily created	646	646
3. created in accordance with the statute / articles of association, above the statutorily required (minimum) value		
4. from subsidies of the shareholders / partners		
5. other (by type)	68 049	68 049
a) from revaluation of fixed assets	285	285
b) from liquidation and revaluation of fixed assets	180	180
c) from sale of shares	148	148
d) retained profit	60 510	60 510
e) transfer of profit retained in the previous years	33 998	33 998
f) negative difference between the nominal value and purchase price of own shares	-26 638	-26 638
g) change of shares after merger of subsidiaries	-434	-434
Supplementary capital, total	103 749	103 749

Supplementary capital is mandatory created in the company (by law). According to the Code of Commercial Companies, the company must allocate to the reserve capital at least 8% of annual net profit until the capital reaches 1/3 of share capital. Supplementary capital is increased by the excess over the issue of shares above their nominal value and the difference from the revaluation of fixed assets, which have been liquidated or sold. Supplementary capital also includes profit from previous years in the amount of 33,998 thousand PLN, referring to negative goodwill from previous years and settled in accordance with IAS, as well as retained profits on revaluation of fixed assets and the right of perpetual usufruct of land, made on the date of transition to IFRS.

NOTE 12 – Other reserve capitals (by appropriation)	thousands of PLN	
	2020	2019
1. reserve capital for investments	1 529 724	1 436 917
2. reserve capital for financing of current assets	12 146	12 145
3. other reserve capital	51 000	51 000
Revaluation reserve, total	1 592 870	1 500 062

The remaining reserve capitals are created from profit, which distribution is agreed by Shareholders. Equity is used to financing of working capital and to covering potential losses. The General Shareholders' Meeting decides about use of these capitals.

On 20 June 2016, the General Meeting adopted resolution No. XXXIII/18/2016 granting the Company authorization within the meaning of Article 365 § 1 item 8 to purchase its own shares for redemption. The maximum number of shares that can be purchased by the company under the program is 200,000. The purchase price for one share is PLN 250. The purchase involves A, B and E series named preference shares. The value of the programme increased by the purchase price is PLN 51 million. The purchase of shares may take place on the terms and conditions set forth by the Management Board of the Company within 2 years from the moment of adoption of Resolution No. XXXIII/18/2016. The resolution expired on 20 June 2018. In the event of an appropriate resolution adopted by the GMS, this capital will be transferred to reserve capital.

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

NOTE 13 – Profit from previous years	thousands of PLN	
	2020	2019
1. due to the revaluation of the provision for deferred income tax	-10 432	-10 432
2. due to the update of the perpetual usufruct right IFRS 16	-18 202	-18 202
3. for the conversion of the bonus	20 359	
<b>Profit from previous years, total</b>	<b>-8 275</b>	<b>-28 634</b>

In connection with the implementation of IFRS 16 Leases and the recognition of perpetual usufruct as leasing, the property value was revaluated by a revaluation recognized in equity as of the date of application of IAS for the first time, i.e. on January 1, 2005. The adjustment for the conversion of the bonus applies to the bonus from the previous year included in the year 2020.

NOTE 14 a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2020	2019
1. The balance of deferred income tax, at the beginning of the period, including:	<b>75 325</b>	<b>71 458</b>
a) attributed to financial result (due to)	64 893	61 026
- difference between balance and taxable amortization	64 838	61 026
- investment allowance		
b) attributed to equity	10 432	10 432
- for revaluation of fixed assets		
2. Increases	<b>1 414</b>	<b>3 867</b>
a) attributed to the financial result due to positive temporary differences (due to)	1 414	3 867
- difference between depreciation and taxable amortization fixed assets	697	3 812
- due to exchange differences	717	55
3. Decreases		
a) recognized in the financial result for the period due to positive temporary differences (due to)		
- reversal of temporary differences (use of the provision for deferred income tax)		
b) charged to equity due to positive temporary differences (due to)		
- the difference between the balance sheet and tax depreciation		
4. Balance of reserve at the end of the period, total	<b>76 739</b>	<b>75 325</b>
a) attributed to the financial result	66 307	64 893
- due to differences between depreciation and taxable amortization fixed assets	61 723	64 838
b) attributed to equity	10 432	10 432

NOTE 14 b – Change of the balance of other long-term reserves	thousands of PLN	
	2020	2019
<b>1. balance at the beginning of period</b>	<b>25 948</b>	<b>32 665</b>
<b>2. increase (due to)</b>	<b>352</b>	<b>230</b>
a) creation of a provision for the retirement severance pays	297	175
b) creation of a provision for the recultivation of a settling tank	55	55
<b>3. solution (due to)</b>	<b>11 293</b>	<b>6 947</b>
a) transfer to current provisions		692
b) decrease in provision for the purchase of GO STEEL	11 293	6 255
- decrease of a provision due to the HRC contract	5 038	6 255
-"Earn-out" remuneration liabilities	6 255	



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c) decrease of a provision in relation to the payment of the retirement severance pays		
<b>4. balance at the end of period</b>	<b>15 007</b>	<b>25 948</b>

The "Earn-out" remuneration is a component of the price associated with the purchase of the shares of GO Steel a.s. and denotes the seller's right to 50% of share pursuant to the above-assumed level of EBITDA in the valuation prepared for the transaction in the period of 4 consecutive years, provided that the total amount of payments due to this may not exceed EUR 3 500 thousand. This amount constitutes contingent liabilities and is measured at fair value. A provision was created for the entire amount. In 2020, due to the materialization of the condition, the provision for the amount of PLN 5,038 thousand was used. The year 2021 is the last year subject to settlement with the Seller according to the rules set out above.

The liability under the HRC contract is a component of the price associated with the purchase of the shares of GO Steel a.s. and denotes the Company's liability to purchase additional 50 thousand tonne of hot-rolled sheet per year for the period of 3 years, on market conditions that do not deviate from the standard purchase conditions. This value was estimated by the Seller to be EUR 4 500 thousand and constitutes fair value. A provision was created for the entire amount. In 2020, due to the partial fulfilment of the liability, release of the provision was made for the amount of PLN 6 255 thousand. 2020 was the last year in which the Company had an obligation to purchase additional quantities of HRC.

NOTE 14 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousands of PLN	
	2020	2019
1. balance at the beginning of the period	3 860	1 821
2. increases (due to)	5 300	3 132
a) transfer to a short-term reserve	1 151	693
b) formation of a provision for the purchase of energy origin certificates	4 149	2 072
c) creation of a provision for a bonus		367
3. dissolution (due to)	3 686	1 093
a) paid retirement benefits	1 361	749
b) purchase of energy origin certificates and CO <sub>2</sub> allowances	2 072	
c) reserves for the bonus	253	344
4. balance at the end of the period	5 474	3 860

NOTE 15 - NON-CURRENT LIABILITIES (BY TITLE)	thousand x PLN	
	2020	2019
1. long-term credits and loans	30 000	50 000
2. other long-term liabilities (acc. to IFRS 16 valuation)	56 597	57 126
<b>Total non-current liabilities</b>	<b>86 597</b>	<b>107 126</b>

On 31 July 2018, the Company signed a long-term loan contract with PKO BP S.A. for the amount of PLN 100 000 thousand for refinancing the purchase of the shares of GO Steel a.s. The credit was granted for 5 years (until 30 June 2023) with a quarterly straight-line depreciation. On 31 December 2020, the outstanding amount is PLN 50 000 thousand (PLN 30 000 thousand of non-current liability and PLN 20 000 thousand of current liability – in the annual repayment period). The credit is collateralised with a blank bill of exchange and pledge on shares of GO Steel a.s.

Other long-term liabilities (acc. to IFRS 16 valuation) result from perpetual usufruct defined in IFRS 16 as leasing. This liability has been appraised at the present value of other perpetual usufruct fees (leasing fees), discounted over the period of its use. An interest rate of 5% was used to discount the liability for annual perpetual fees, consisting of the interest rate on 10-year bonds and the risk premium. The amount of the valued liability was recognized in the statement of financial position, in the related part with revaluation as at the date of transition to IAS in profit/loss from previous years, and the remaining part to the right to perpetual usufruct.

<b>NOTE 16 a – Short-term liabilities</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. to related parties	<b>16 608</b>	<b>23 710</b>
a) trade liabilities, maturing:	<b>16 608</b>	<b>23 710</b>
- up to 12 months	16 608	23 710
2. to other entities	<b>201 242</b>	<b>228 199</b>
a) credits and loans, including:	<b>20 000</b>	<b>20 000</b>
- long-term, maturing	20 000	20 000
b) trade liabilities, maturing:	<b>154 761</b>	<b>179 830</b>
- up to 12 months	154 761	177 375
- over 12 months	0	2 455
c) other short-term liabilities	<b>26 481</b>	<b>28 369</b>
c.1 received advances for deliveries	587	794
c.2 tax, customs, insurance and other liabilities	7 240	8 717
c.3 payroll	8 096	8 240
c.4 other (by title)	10 558	10 618
- social fund	8 020	7 995
- PKZP	304	377
- deposit received	2 000	2 000
- PZU	200	216
- other	34	30
Short-term liabilities, total	<b>217 850</b>	<b>251 909</b>

<b>NOTE 16 b - Short-term liabilities (currency structure)</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. in Polish currency	<b>172 579</b>	<b>197 648</b>
2. in foreign currency (by currency and converted into PLN)	<b>45 271</b>	<b>54 261</b>
a) in EUR (thousands of EUR)	9 691	12 629
converted into thousands of PLN	<b>44 722</b>	<b>53 784</b>
b) In USD thousands of PLN	145	125
converted into thousands of PLN	<b>545</b>	<b>474</b>
other currency in thousand PLN	4	3
Short-term liabilities, total	<b>217 850</b>	<b>251 909</b>

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NOTE 16c - CURRENT LIABILITIES ARISING FROM CREDITS AND LOANS													
Name (business name) of the entity	Registered office	in PLN thousand											
		The amount of the credit/loan limit in accordance with the Agreement				The amount of the outstanding credit/loan				Interest conditions	Date of repay ment	Securities	Other
		thousand x PLN	in currency	unit	currency	thousand x PLN	in currency	unit	currency				
Bank PekaO S.A.	Warsaw	100,000	PLN	in thousand	PLN	0	PLN	in thousand	PLN	wibor+margin	Sept.21	blank bill of exchange, pledge on stock, secret transfer of dues	Limit on the overdraft facility, limit on guarantees and letters of credit. In the context of the limit, the Companies of the Capital Group have limits up to PLN 28 000 thousand (PLN 13 000 thousand Stp Elbud and PLN 15 000 thousand Cynk Mal S.A.)
Bank Handlowy S.A.	Warsaw	65,000	PLN	in thousand	PLN	0	PLN	in thousand	PLN	wibor+margin	Sept.21	blank bill of exchange, pledge on stock, transfer of dues	Limit on the overdraft facility and short-term guarantee of PLN 50 000 thousand, long- term guarantee PLN 15 000 thousand valid up to 07 2020
Bank BGŻ BNP Paribas S.A.	Warsaw	50,000	PLN	in thousand	PLN	0	PLN	in thousand	PLN	wibor+margin	Novem.21	blank bill of exchange, secret transfer of dues, pledge on stock	Limit on the overdraft facility, limit on guarantees and letters of credit. In the context of the limit, Stalprodukt Wamech has a limit up to PLN 2 000 thousand
Societe Generale S.A.	Warsaw	15,000	PLN	in thousand	PLN	0	PLN	in thousand	PLN	wibor+margin	April 21	none	Limit on the overdraft facility and on guarantees and letters of credit up to PLN 15 000 thousand
PKO Bank Polski S.A.	Warsaw	150,000	PLN	in thousand	PLN	0	PLN	in thousand	PLN	wibor+margin	Jan.23	promissory note, pledge on stocks	Overdraft facility limit of PLN 90 000 thousand and limit on guarantees and letters of credit of PLN 40 000 thousand. In the context of the limit of the companies of the Capital Group have a limit of up to PLN 20 000 thousand including STP Elbud PLN 10 000 thousand and GO Steel PLN 5 000 thousand
PKO Bank Polski S.A.	Warsaw	100,000	PLN	in thousand	PLN	20,000	PLN	in thousand	PLN	wibor+margin	June 23	promissory note, pledge on GO Steel shares	A short-term part of an investment loan refinancing the purchase of shares of GO Steel Frydek Mistek a.s.

NOTE 17 – Accruals	thousands of PLN	
	2020	2019
1. deferred income	5 167	5 167
a) long-term (by titles)	4 435	4 302
- grant	4 435	4 302
b) short-term (by titles)	2 460	865
- received advances	2 457	865
Other accruals, total	6 895	5 167

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

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

The total subsidy amount is PLN 12 539 923.

As part of the consortium (which includes, apart from the Company, the AGH University of Science and Technology in Kraków and ANew Institue Sp. z o.o.) created by the agreement of 10 December 2013 for the performance and financing of the above-mentioned project. Due to the turbine failure during its testing, repair work was required to be carried out, which in 2019 included:

- wing repair
- replacement of bolts in central nodes.

In 2020, the operation of the turbine and its tests were resumed. It should be expected that the obtaining of a use permit from the Provincial Building Supervision Inspector will be carried out by the end of the first half of 2021. At the same time, it should be emphasized that the current state of knowledge does not allow for the assumption of a commercialization forecast (entry included in the "Report on the implementation as part of the NCBR pilot project entitled "Support for scientific research and development works in the Demonstrator + demonstration scale" of 16 July 2020). The choice of the method of commercialization will be possible after conducting tests and appropriate certification.

NOTE 18 - Book value per 1 share
The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (PLN 1,754,349 thousand : 5,580,267 shares = PLN 314.38).

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2020	2019
1. transformer sheets	418 218	550 615
including: from related parties		
2. toroidal cores	12 210	11 178
including: from related parties		
3. hydrogen	9 617	
including: from related parties	4 917	
4. steel sheet for banding steel	7	7
including: from related parties		7
5. steel sheets, hot-rolled and cold-rolled strips	28 065	35 122
including: from related parties	486	307
6. cold formed profiles	437 439	505 907
including: from related parties	10 071	4 982
7. road barriers	99 737	114 400
including: from related parties	26	72
8. services	7 145	6 945
including: from related parties	5 853	5 657
Net revenues from sales of products, total	1 012 438	1 224 174
including: from related parties	21 353	11 025

NOTE 19 b - NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousands of PLN	
	2020	2019
1. domestic	451 131	537 213
a) transformer sheets	29 897	44 576
b) toroidal cores	3 972	5 021
c) hydrogen	4 700	
d) steel sheet for banding steel	7	7
e) steel sheets, hot-rolled and cold-rolled strips	24 944	32 581
f) cold formed profiles	313 065	365 125
g) road barriers	67 837	83 526
h) services	6 709	6 377
2. export	561 307	686 961
a) transformer sheets	388 322	506 039
b) toroidal cores	8 238	6 157
c) hydrogen	4 916	
e) steel sheets, hot-rolled and cold-rolled strips	3 121	2 541
f) cold formed profiles	124 374	140 781
g) road barriers	31 900	30 874
h) services	436	569
Net income from sales of products, total	1 012 438	1 224 174

NOTE 19c - NET REVENUE FROM SALES ON THE BASIS OF CONTRACTS WITH CUSTOMERS	thousand x PLN	
	2020	2019
<b>Revenues: Transformer Sheet Segment</b>	<b>435 129</b>	<b>561 793</b>
Balances at the beginning and end of the period		
1. receivables	89 050	109 829
2. contract assets	0	0
3. contract liabilities	0	0
4. revenues recognized in a given statement period regarding liabilities	0	0
<b>Revenues: Profile Segment</b>	<b>565 248</b>	<b>655 435</b>
Balances at the beginning and end of the period		
1. receivables	85 359	103 068
2. contract assets	0	0
3. contract liabilities	0	0
4. revenues recognized in a given statement period regarding liabilities	0	0

Liabilities that are part of contracts with customers have an expected duration not exceeding one year.

NOTE 20a – Net sales of goods and materials (material structure – types of activities)	thousands of PLN	
	2020	2019
1. goods	218 924	257 695
including: from related parties	215 007	251 200
2. technological waste	21 555	25 303
including: from related parties	0	0
3. other materials	578	1 409
including: from related parties	2	0
Net revenues from sales of goods and materials, total	241 057	284 407
including: from related parties	215 009	251 200

NOTE 21 – Costs by type – cost of manufacture of products sold	thousands of PLN	
	2020	2019
1. amortization	52 754	51 605
2. consumption of materials and energy	739 476	893 395
3. external services	98 130	111 763
4. taxes and fees	12 533	12 635
5. payroll	91 044	105 751
6. social insurance and other benefits	21 952	24 885
7. other costs by type (due to)	6 685	7 263
a) business trips	80	615
b) property insurance	409	425
c) representation and advertising	63	505
d) other	6 133	5 718
Costs by type, total	1 022 574	1 207 297
Change in stocks, products and accruals	-14 351	20 902
Cost of manufacture of goods produced for own purposes (negative value)	-937	-763
Selling costs (negative value)	-40 129	-47 938

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General and administrative costs	-36 814	-42 990
Cost of manufacture of products sold	930 343	1 136 508

For the period of 2020, the Company assessed the unused production capacity in both operating segments. In the opinion of the Company, the calculated amount of PLN 5,119 thous., which is 0.53% of the total production cost. Due to the low share in the total cost of production, this cost was included in the cost of production of sold production.

NOTE 22 – Other operating revenues	thousands of PLN	
	2020	2019
1) reversed provisions (due to)	13 405	917
a) doubtful receivables		
b) retirement benefits	1 362	574
c) payroll		
d) energy origin certificates and purchase of CO2 emission rights	8 988	
e) write-offs updating inventories	2 688	343
f) for bonuses	367	
2. other, including:	14 524	9 960
a) payment of adjudicated court fees		15
b) received compensation	150	105
c) revenues from sales of fixed assets	3 099	0
d) working capital surpluses		139
e) co-financing for the protection of jobs	8 939	
f) allocated CO2 emission rights	1 180	
h) other	1 156	9 701
Other operating revenues, total	27 929	10 877

The item “co-financing for the protection of jobs” means the available financial resources under the solutions provided for in the so-called Anti-crisis shield (Act of 2 March 2020 on special solutions related to the prevention, counteraction and combating of COVID-19, other infectious diseases and crisis situations caused by them, and the Act of 31 March 2020 amending the above Act). The Company applied to the Voivodship Labor Office for support for entrepreneurs for the protection of jobs from the Fund of Guaranteed Employee Benefits. The amount of co-financing obtained in this respect was PLN 8,939 thous. Associated process with co-financing has been completed. In the opinion of the Company, there is no risk of the subsidy being refunded.

On 22 October 2020, the Company sold, on the basis of a sale agreement, the perpetual usufruct right to the property consisting of the land plot no. 126/12 with an area of 4,291 m<sup>2</sup> and the ownership title to the warehouse building with an area of 3,240 m<sup>2</sup> located at ul. Silnikowa 10 in Warsaw (formerly ul. Traktorzystów). The property in question has not been used for the Issuer's business activities for several years.

NOTE 23 – Other operating costs	thousands of PLN	
	2020	2019
1. reserves (due to)	14 588	6 052
a) doubtful receivables	65	
b) retirement benefits	1 449	

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

c) landfill (waste) reclamation	55	55
d) value of finished products	472	3 558
e) unused production capacity	1 367	
f) purchase of energy origin certificates CO <sub>2</sub>	11 066	2 072
g) bonus	114	367
<b>2. other, including:</b>	<b>1 395</b>	<b>8 449</b>
a) donations	12	37
b) costs of court proceedings	6	2
c) penalties, fines, compensations	22	20
d) shortages in financial resources	35	168
e) value of written-off receivables covered with insurance	20	931
f) costs of tests	1 136	1 248
g) value of liquidated fixed assets	0	604
h) other	164	5 439
<b>Other operating costs, total</b>	<b>15 983</b>	<b>14 501</b>

For the period of 2020, the Company assessed the unused production capacity in both operating segments. In the opinion of the Company, the calculated amount of PLN 5,119 thous. constitutes 0.53% of the total production cost. Due to the low share in the total cost of production, this cost was included in the cost of production sold. On the other hand, part of the cost of unused production capacity included in the valuation of the finished goods warehouse was included in other operating costs.

<b>NOTE 24 – Financial revenues</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
<b>1. revenues due to interests, including</b>	<b>1 274</b>	<b>2 050</b>
a) from related parties	639	1 067
b) from other entities	635	983
<b>2. exchange rate differences (the excess of negative over positive)</b>	<b>2 683</b>	<b>291</b>
a) realized		
b) unrealized	2 683	291
<b>3. released provisions, due to</b>	<b>6 255</b>	<b>6 255</b>
a) implementation of liabilities due to the HRC contract	6 255	6 255
<b>4. other, including:</b>	<b>37 057</b>	<b>102 311</b>
a) dividend received	37 057	102 311
b) revenues from the liquidation of a subsidiary		
<b>Financial revenues, total</b>	<b>47 269</b>	<b>110 907</b>

The General Meeting of Shareholders of ZGH "Bolesław" S.A. held on 23 June 2020 adopted a resolution on the payment of dividend from the result for the financial year 2019. The amount of the profit allocated to the dividend was PLN 3 per share, and the dividend payment date was set for 24 July 2020. The amount of dividend received was PLN 31,539 thous. The General Meeting of Shareholders of GO Steel a.s on 24 June 2020 decided to pay a dividend to the sole shareholder in the amount of CZK 33,133 thousand, i.e. PLN 5,515 thous. The dividend was booked on the account of Stalprodukt S.A. on 30 June 2020.



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NOTE 25 – Financial expenses	thousands of PLN	
	2020	2019
1. due to credits and loans	2 104	6 040
a) from related parties		
b) from other entities	2 104	6 040
2. other interests	0	427
a) from related parties		
b) from other entities	0	427
3. exchange rate differences (the excess of negative over positive), including	0	1 090
a) realized		
b) unrealized	0	1 090
4. released provisions, due to	237	0
a) accrued but not paid interests	237	0
5. other, including	11 560	2 857
a) interest on IFRS 16 leases	2 896	2 857
b) impairment losses	8 664	
Financial expenses, total	13 901	10 414

Settlement of exchange rate differences	thousands of PLN	
	2020	2019
1. positive exchange rate differences, including	19 567	10 216
a) realized	19 567	10 216
2. negative exchange rate differences	15 251	8 520
a) realized	15 251	8 520
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	4 316	1 696

NOTE 26 Current and deferred income tax	thousands of PLN	
	2020	2019
1. Gross profit (loss)	56 285	96 052
2. Differences between gross profit (loss) prior to income tax (by titles)	-34 353	-119 568
a) depreciation of the fixed assets classified for investment tax breaks		
b) amortization of tangible and intangible deductible expenses	-1 882	-19 232
c) donations and voluntary contributions	12	119
d) provision for the redemption of energy origin certificates	2 078	2 072
e) release of provision for retirement benefits	-1 362	-574
f) PFRON	1 725	1 880
g) provision for the reclamation of the Borek landfill site	55	55
h) write-off due to revaluation of long-term investments	8 663	
i) cost regarding provisions for retirement benefits	1 449	0
j) dividend received	-37 055	-102 311
k) social insurance for November and December '2018' and paid in January and February '2019'	-3 494	-3 494
l) social insurance for November and December '2019' and paid in January and February '2020'	3 081	3 169

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m) value reduction in respect of finished products and charge inventory	-849	3 558
n) costs of representation	16	40
o) the value of disposed fixed assets from valuation	436	44
p) release of the reserve for the purchase of GO STEEL	-6 255	-6 255
r) the difference between the fee for perpetual usufruct and interest on the lease of this right	-54	89
s) exchange differences arising on the balance sheet valuation	-2 693	800
t) other (including free CO <sub>2</sub> )	1 776	472
3. Taxable income	21 932	-23 516
4. Deduction of losses from previous years	-21 932	
4. Income tax at the rate 19%	0	0
5. Current income tax disclosed in tax declaration for the period, including:	0	0
a) disclosed in profit and loss account	1 441	3 245
b) the adjustment of the provision for deferred income tax for the years 2005-2009		
c) undistributed profit from previous years		
6. Deferred income tax due to temporary differences	1 441	3 245

The effective tax rate calculated by the method of dividing the tax shown in the income statement into gross profit is 3.75%, after adjusting for permanent differences - balance sheet revenues and costs, which will never become tax revenues and costs.

**NOTE 27 – PROFIT DISTRIBUTION**

Net profit for the financial year 2019 amounting of **92,807,837.99** PLN is proposed to be transferred in full to reserve capital.

Net profit for the financial year 2020 amounting of **54,843,411.16** PLN:

- reserve capital 21,361,809.16
- dividend 33,481,602.00.

**NOTE 28 – Profit per 1 share**

For profit-per-share calculation the number of 5 580 267 shares was adopted. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Profit per ordinary share amounted to PLN 9.83.

## 7. Financial statement of an energy enterprise

The activity of the energy company is regulated by the provisions of the Act of 10 April 1997 on Energy law (i.e. the Journal of Laws of 2018, item 755, as amended). Pursuant to Article 44 of the aforementioned Act, the Company is obliged to prepare and disclose financial reports on energy activities, including balance sheet and profit and loss account. The financial statements for the financial year 2020 have been drawn up on the basis of accounting records kept in accordance with art. 44, section 1 of the Energy Law. Individual items of the profit and loss account were separated for each type of energy activity directly from accounts or accounting records. In case of a balance sheet, the assignment of amounts to individual items results either directly from the kept records (e.g. tangible fixed assets) or using the distribution key, i.e. the share of sales from the licensed activity in the total sale of the Company.

The difference between the total of assets and liabilities resulting from the breakdown of balance sheet items using the distribution key has been included in the equity.

Profit and loss account - the activity in the area of generation, distribution and sales of electricity.	Electricity generation		Electricity distribution		Sales of electricity	
	The figures presented in the Polish zloty					
	31.12.2020 r.	31.12.2019 r.	31.12.2020 r.	31.12.2019 r.	31.12.2020 r.	31.12.2019 r.
I. Net sales of products, goods and materials, including:	0,00	64,99	155 501,67	147 281,77	375 064,04	373 476,16
1. Net sales of products	0,00	64,99	155 501,67	147 281,77	375 064,04	373 476,16
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	59 120,79	59 262,16	139 474,81	126 643,00	310 215,60	345 020,72
1. Production cost of products sold	59 120,79	59 262,16	139 474,81	126 643,00	310 215,60	345 020,72
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	-59 120,79	-59 197,17	16 026,86	20 638,77	64 848,44	28 455,44
IV. Selling costs						
V. General and administrative costs	809,92	945,78	4 566,98	4 197,09	11 015,39	11 005,47
VI. Profit (loss) on sales	-59 930,71	-60 142,95	11 459,87	16 441,68	53 833,05	17 449,97
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	-59 930,71	-60 142,95	11 459,87	16 441,68	53 833,05	17 449,97
X. Financial incomes						
XI. Financial costs						

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<b>XII. Profit (loss) before taxation</b>	<b>-59 930,71</b>	<b>-60 142,95</b>	<b>11 459,87</b>	<b>16 441,68</b>	<b>53 833,05</b>	<b>17 449,97</b>
XIII. Income tax					10 228,00	3 315,00
<b>XIV. Net profit (loss)</b>	<b>-59 930,71</b>	<b>-60 142,95</b>	<b>11 459,87</b>	<b>16 441,68</b>	<b>43 605,05</b>	<b>14 134,97</b>

<b>Balance sheet - the activity in the area of generation, distribution and sales of electricity.</b>	Electricity generation		Electricity distribution		Sales of electricity	
	The figures presented in the Polish zloty					
	31.12.2020 r.	31.12.2019 r.	31.12.2020 r.	31.12.2019 r.	31.12.2020 r.	31.12.2019 r.
<b>Assets</b>	<b>928 390,55</b>	<b>984 398,63</b>	<b>226 967,74</b>	<b>216 453,99</b>	<b>94 512,93</b>	<b>82 784,97</b>
<b>I. Fixed assets</b>	<b>928 390,55</b>	<b>984 398,63</b>	<b>170 505,03</b>	<b>165 627,99</b>	<b>0,00</b>	<b>0,00</b>
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	928 390,55	984 398,63	170 505,03	165 627,99		
3. Long-term receivables						
4. Long-term investments						
4.1. Real estate investments						
4.2. Intangible assets						
4.3. Long-term financial assets						
4.4. Other long-term investments						
5. Long-term prepayments						
5.1. Deferred income tax assets						
5.2. Other prepayments						
<b>II. Current assets</b>	<b>0,00</b>	<b>0,00</b>	<b>56 462,71</b>	<b>50 826,00</b>	<b>94 512,93</b>	<b>82 784,97</b>
1. Inventories						
2. Short-term receivables			56 462,71	50 826,00	94 512,93	82 784,97
3. Short-term investments						
3.1. Short-term financial assets						
a) loans						
b) short-term securities						
c) cash and cash equivalents						
3.2. Other short-term investments						
4. Short-term prepayments						
<b>Total assets</b>	<b>928 390,55</b>	<b>984 398,63</b>	<b>226 967,74</b>	<b>216 453,99</b>	<b>94 512,93</b>	<b>82 784,97</b>
<b>Liabilities and Shareholder's Equity</b>						
<b>I. Shareholders' Equity</b>	<b>928 390,55</b>	<b>984 398,63</b>	<b>217 525,54</b>	<b>211 325,84</b>	<b>81 478,00</b>	<b>67 584,97</b>
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	988 321,26	1 044 541,58	206 065,66	194 884,16	37 872,95	53 450,00
4. Reserve capital from revaluation						
5. Other reserve capital						
6. Retained earnings (losses)						

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

7. Net profit (loss)	-59 930,71	-60 142,95	11 459,87	16 441,68	43 605,05	14 134,97
<b>II. Liabilities and provisions for liabilities</b>	<b>0,00</b>	<b>0,00</b>	<b>9 442,19</b>	<b>5 128,14</b>	<b>13 034,93</b>	<b>15 200,00</b>
1. Provisions for liabilities						
1.1. Provision for deferred income tax						
1.2. Other provisions						
a) long-term						
b) short-term						
2. Long-term liabilities						
2.1. Long-term credits and loans						
2.2. Other long-term liabilities						
3. Short-term liabilities			9 442,19	5 128,14	13 034,93	15 200,00
3.1. Short-term credits and loans						
3.2. Current part of long-term credits and loans						
3.3. Trade liabilities			9 442,19	5 128,14	13 034,93	15 200,00
3.4. Income tax liabilities						
3.5. Other short-term liabilities						
4. Accruals						
<b>Total liabilities</b>	<b>928 390,55</b>	<b>984 398,63</b>	<b>226 967,73</b>	<b>216 453,98</b>	<b>94 512,93</b>	<b>82 784,97</b>

Profit and loss account – the activity in the area of generation, distribution and sales of heat energy	Production of heat energy		Distribution of heat energy		Sales of heat energy	
	The figures presented in the Polish zloty					
	31.12.2020r.	31.12.2019r.	31.12.2020 r.	31.12.2019 r.	31.12.2019 r.	31.12.2019 r.
I. Net sales of products, goods and materials, including:	244 606,00	224 118,00	27 179,00	24 902,00	267 512,00	224 104,00
1. Net sales of products	244 606,00	224 118,00	27 179,00	24 902,00	267 512,00	224 104,00
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	244 606,00	224 118,00	27 179,00	24 902,00	271 785,00	249 020,00
1. Production cost of products sold	244 606,00	224 118,00	27 179,00	24 902,00	271 785,00	249 020,00
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	0,00	0,00	0,00	0,00	-4 273,00	-24 916,00
IV. Selling costs						
V. General and administrative costs						
VI. Profit (loss) on sales	0,00	0,00	0,00	0,00	-4 273,00	-24 916,00
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	0,00	0,00	0,00	0,00	-4 273,00	-24 916,00
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	0,00	0,00	0,00	0,00	-4 273,00	-24 916,00
XIII. Income tax						
XIV. Net profit (loss)	0,00	0,00	0,00	0,00	-4 273,00	-24 916,00

<b>Balance sheet - the activity in the area of generation, distribution and sales of heat energy</b>	Production of heat energy		Distribution of heat energy		Sales of heat energy	
	The figures presented in the Polish zloty					
	31.12.2020 r.	31.12.2019 r.	31.12.2020 r.	31.12.2019 r.	31.12.2020 r.	31.12.2019 r.
<b>Assets</b>						
<b>I. Fixed assets</b>	<b>139 353,45</b>	<b>148 135,16</b>	<b>64 352,69</b>	<b>63 321,05</b>		
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	139 353,45	148 135,16	64 352,69	63 321,05		
3. Long-term receivables						
4. Long-term investments						
4.1. Real estate investments						
4.2. Intangible assets						
4.3. Long-term financial assets						
4.4. Other long-term investments						
5. Long-term prepayments						
5.1. Deferred income tax assets						
5.2. Other prepayments						
<b>II. Current assets</b>					<b>7 687,63</b>	<b>11 960,63</b>
1. Inventories						
2. Short-term receivables					7 687,63	11 960,63
3. Short-term investments						
3.1. Short-term financial assets						
a) loans						
b) short-term securities						
c) cash and cash equivalents						
3.2. Other short-term investments						
4. Short-term prepayments						
<b>Total assets</b>	<b>139 353,45</b>	<b>148 135,16</b>	<b>64 352,69</b>	<b>63 321,05</b>	<b>7 687,63</b>	<b>11 960,63</b>
<b>Liabilities and Shareholder's Equity</b>						
<b>I. Shareholders' Equity</b>	<b>139 353,45</b>	<b>148 135,16</b>	<b>64 352,69</b>	<b>63 321,05</b>	<b>7 687,63</b>	<b>11 960,63</b>
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	139 353,45	148 135,16	64 352,69	63 321,05	11 960,63	36 876,63
4. Reserve capital from revaluation						
5. Other reserve capital						
6. Retained earnings (losses)						
7. Net profit (loss)	0,00	0,00	0,00	0,00	-4 273,00	-24 916,00
<b>II. Liabilities and provisions for liabilities</b>						
1. Provisions for liabilities						
1.1. Provision for deferred income tax						

1.2. Other provisions						
a) long-term						
b) short-term						
2. Long-term liabilities						
2.1. Long-term credits and loans						
2.2. Other long-term liabilities						
3. Short-term liabilities						
3.1. Short-term credits and loans						
3.2. Current part of long-term credits and loans						
3.3. Trade liabilities						
3.4. Income tax liabilities						
3.5. Other short-term liabilities						
4. Accruals						
<b>Total liabilities</b>	<b>139 353,45</b>	<b>148 135,16</b>	<b>64 352,69</b>	<b>63 321,05</b>	<b>7 687,63</b>	<b>11 960,63</b>

## 6. Reporting by segments

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

- which organizes the business, in connection with which revenues can be obtained and costs incurred,
- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments,
- for which there is separate financial information available.

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

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

- Electrical Sheets Segment DB,
- Profiles Segment DP.

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

Revenues presented as divided into operating segments include only revenues from external customers. There are no transactions between 2 operating segments (electrical steel segment, sections segment).

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

Transformer sheets segment includes transformer metal sheets and toroidal cores.

The financial statement discloses the goods as not meeting the quantitative criterion for determining the segments, along with other services under "other activities" to balance the results of the Company.

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

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

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

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

Itemization 2020	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	440 046	565 248	248 202	1 253 496
Domestic sales	38 569	405 853	55 684	500 106
Export	401 476	159 395	192 519	753 390
Segment costs	<b>405 771</b>	<b>552 200</b>	<b>247 738</b>	<b>1 205 710</b>
<b>Segment result</b>	<b>34 275</b>	<b>13 048</b>	<b>464</b>	<b>47 786</b>
Other operating income and financial income not assigned to the segment				75 197
Other general operational costs and financial costs associated to the segment				66 698
<b>Gross profit</b>				<b>56 285</b>
Income tax				1 442
<b>Net profit</b>				<b>54 843</b>
Segment assets	751 519	641 749	230 591	1 623 859
Assets not assigned to the segment				539 053



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Total assets				2 162 912
Liabilities	197 675	154 111	56 778	408 563
				0
Total liabilities				408 563
Capital expenditures	2 169	2 099	10 800	15 068
Depreciation	31 996	19 029	1 729	52 754

Itemization 2019	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	561 793	655 435	291 353	1 508 581
Domestic sales	49 597	481 239	68 471	599 307
Export	512 196	174 196	222 882	909 274
Segment costs	<b>511 300</b>	<b>668 134</b>	<b>286 972</b>	<b>1 466 406</b>
<b>Segment result</b>	<b>50 493</b>	<b>-12 699</b>	<b>4 381</b>	<b>42 175</b>
Other operating income and financial income not assigned to the segment				121 784
Other general operational costs and financial costs associated to the segment				67 906
<b>Gross profit</b>				<b>96 053</b>
Income tax				3 245
<b>Net profit</b>				<b>92 808</b>
Segment assets	741 594	657 981	220 296	1 619 871
Assets not assigned to the segment				528 610
Total assets				2 148 481
Total liabilities	225 281	178 348	65 707	469 336
Capital expenditures	6 603	2 710	19 771	29 084
Depreciation	29 668	17 691	4 246	51 605

## 8. Financial instruments and risk management assessment

### *Characteristics of financial instruments and rules of their valuation*

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the accounting books when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The main financial instruments used by the Group include bank credits and short-term deposits, as well as derivative instruments recognized in accordance with the hedging policy. The main purpose of these instruments is to raise funds for business activities and to hedge cash flows. The companies also have other financial instruments, such as cash, trade payables that arise directly in the course of their operations and long-term loans. In addition, the Companies hold shares in other entities, which constitute long-term investments. Financial instruments at the time of entry into accounting books are measured at a cost (purchase price), which is the fair value of the payment made. Transaction costs directly attributable to the transaction are recognized at the initial cost of the financial instruments. After initial recognition at fair value, financial instruments are classified into one out of three categories and measured as follows:

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

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

Trade credit risk is mitigated by actions related to the selection of counterparties with good creditworthiness, setting credit limits for them, payment hedging policy and their ongoing monitoring in accordance with the applicable procedures. Therefore, the exposure of the Capital Group companies to the risk of bad debts is insignificant. Credit risk should be properly assessed by making appropriate bad debt provisions in the books.

The Company and entities from the capital group classify customers into risk groups on the basis of the adopted classification, based on the adopted methods of division into risk groups. Groups determine the level of risk from low (group 10) to the highest (group 0). Write-offs on items measured at amortised cost are determined on the basis of historical data according to the division into groups, grouped probability of credit risk and past customer behaviour.

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

Re 3) Financial assets valued at the fair value by financial result. Assets that do not meet the criteria to be measured at amortised cost (item 1) and at fair value by other income (item 2) are measured by profit or loss. Gains or losses on fair value measurement of investments are recognized in profit or loss. These include trade receivables subject to factoring for liquidity management purposes when the terms of a factoring contract result in the discontinuation of the recognition of receivables or loans that do not meet the SPPI test.

A financial instrument is derecognised from the balance sheet when the entity loses control over the contractual rights constituting the financial instrument; this is usually the case when the instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.

As at each balance sheet date, the Company assesses whether there are objective premises for impairment of a given component of financial assets or a group of financial assets. Such indications include, but are not limited to, serious financial difficulties of the debtor, the disappearance of an active market for a given financial instrument, adverse changes in the economic, legal and market environment of the issuer of a financial instrument, and persistence of a significant decline in the fair value of the instrument. When such evidence exists, the impairment loss should be estimated and an impairment loss should be recognized.

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

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

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

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

As regards foreign currency receivables and liabilities, the Parent Company uses hedging against natural currency risk, as sales in particular currencies are offset by purchases, any open position (short or long) closes within two to three weeks and its value is insignificant in relation to total turnover. Given the stable financial situation and the predominance of

financing with own funds and trade liabilities, the liquidity risk is low. The Company's objective is to maintain a balance between continuity and flexibility of financing by the selection and use of various sources of financing.

Item	Category acc. to IFRS 9	2019	2018
<i>Shares and stocks</i>	<i>fair value through financial result</i>	119	119
Trade receivables (net)	<i>amortised cost</i>	196 365	224 999
<i>Other receivables (without public-law)</i>	<i>amortised cost</i>	5 299	5 870
loans granted	<i>amortised cost</i>	18 400	21 500
Cash and cash equivalents	<i>fair value through financial result</i>	193 545	51 621
<b>Total financial assets</b>	<i>amortised cost</i>	<b>413 728</b>	<b>304 109</b>
trade liabilities	<i>amortised cost</i>	171 956	203 539
credits and loans	<i>amortised cost</i>	50 000	70 000
<b>Total financial liabilities</b>		<b>221 956</b>	<b>273 539</b>

As at 31/12/2020, fair values do not differ from book values. As at 31.12.2020, the qualification test did not show any significant impact of IFRS 9 on the value of receivables, and the measurement of loans granted at amortized cost showed no significant differences.

#### The purpose and policy of risk management and measurement methods.

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

The main risks associated with the activities of the Company include:

- a) credit risk and contractual risk,
- b) liquidity risk,

c) market risk, including:

- interest rate
- currency

#### Credit and contractual risk

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

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

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

Risk group	Subgroup	The sum of points from ... to		Risk level
I	10	60	58	none
	9	57	54	low
	8	53	51	low
	7	50	48	low
II	6	47	45	average
	5	44	40	average
	4	39	35	average
III	3	34	30	average
	2	29	20	significant
	1	19	14	significant
	0	13	0	insolvency

Group's share in balances of receivables from operating segments as at 31.12.2020					
Segment	Group I	Group II	Group III	Others	Total
Electrical sheets	62%	17%	21%	0%	100%
Profiles	38%	44%	11%	7%	100%
Other Activities	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in 2020					
Segment	Group I	Group II	Group III	Others	Total
Electrical sheets	59%	18%	19%	4%	100%
Profiles	41%	34%	16%	9%	100%
Other Activities	100%	0%	0%	0%	100%

THE HEDGINGS ADOPTED			thousands x USD/EUR/PLN					
			31.12.2020			31.12.2019		
No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	161	PLN	161	42	PLN	42
2	Bank guarantees and letters of credit	credit /contractual	4 680	EUR	21 597	2 950	EUR	12 563
3	Bank guarantees and letters of credit	credit/contractual	3 265	USD	12 271	5 769	USD	21 909
4	Sureties	credit/contractual	0	PLN	0	0	PLN	0
5	Sureties	credit/contractual	15 500	EUR	71 529	14 850	EUR	63 239
6	Sureties	credit/contractual	0	USD	0	0	USD	0
7	Pledges and mortgages	credit/contractual	19 508	PLN	19 508	19 008	PLN	19 008
8	Pledges and mortgages	credit/contractual	0	EUR	0	500	EUR	2 129
	<b>Total value of securities in PLN</b>				<b>125 067</b>			<b>118 889</b>

AMOUNT AT CREDIT RISK	w tys. zł	
	31.12.2020	31.12.2019
1. Balance sheet value of the receivables balance	213 202	251 769
2. Issued guarantees and letters of credit	16 644	18 772

## FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

3. Fair value of derivative transactions	0	0
4. Collaterals accepted	125 067	118 889
5. Receivables towards related entities	21 666	32 475
Amount at risk	<b>83 113</b>	<b>119 177</b>

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 83 113 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 12 months 2019 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 14.0%, while for 2020 it was 8.8%.

#### Liquidity risk

It should be noted that most customers of the Company are those with whom the Company has been cooperating for many years.

Today, the Company has no restructured receivables, i.e. receivables in respect to the customers with whom the Company entered into an agreement to defer payment. Given the above, the credit quality should be defined as good.

Aging of receivables was presented in the notes to the balance sheet No. 7d - 7e.

Contractual risk arises when a contract for the sale of goods under specified delivery conditions is concluded with the customer, which results in a liability on the part of the supplier towards the counterparty to release a given batch of goods, but, at the same time, to fulfil this liability the supplier must commence the production before full payment is made. The resulting situation is followed by the risk being borne by the supplier that the finished goods will not be collected by the counterparty.

#### **Market Risk**

##### **Exchange Rates Risk**

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

As of 31.12.2020 the Company had:

loans granted in the amount of – PLN 18,400 thousand,

cash – PLN 193,545 thousand,

short-term revolving loans – no use

long-term loans – PLN 50 000 thousand,

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID). Due to the greater value of the balance sheet liabilities, the potential increases of interest rates will have a negative impact on the period's financial result.

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2020	2019
Exchange rate increase by 50 basis points		
Impact on the gross result	810	16
Exchange rate decrease by 50 basis points		
Impact on the gross result	-810	-16

### Currency Risk

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

USD is another currency in which settlements are made. The currency position is being constantly monitored. In contrast to 2019, in 2020 its position was mostly characterized as open short position due to the increased USD purchases.

As of 31.12.2020, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 7c and 16b notes, respectively.



SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2020	2019
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	5 546	3 586
PLN STRENGTHENING to USD & EUR by 5%		
Impact on gross result	-5 546	-3 586

### *Security accounting,*

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

## 9. Capital management

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2020	2019
<i>Debt</i>	50 000	70 000
<i>Cash</i>	-193 545	-51 621
<i>Net Debt</i>	-143 545	18 379
<i>Equity</i>	1 754 349	1 679 145
<b>Net Debt Relation to Equity</b>	<b>-8,18%</b>	<b>1,09%</b>

Debt is understood as long- and short-term debt presented in notes 15a and 16a. At the end of 2020, the balance sheet shows net cash (negative net debt).

In 2020, the Company correctly managed its capital, as the ratios related to liquidity were maintained at a good level. The basic ratios related to the capital structure and working capital management specified in the financial plan reached the expected values, which enabled the Company to achieve its goals, operate efficiently and reliably, and raise funds for further development.

In the reporting period a slight decrease of the net profit per share took place. The net profit per 1 share amounted to PLN 9.83 in 2020 against PLN 16.63 in 2019.

Changes in equity for the years 2020 and 2019 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2020, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, increased and is taking out 0.81.

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

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level
- The main objective of the Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken.
- The Company maintained a substantial amount of cash on bank accounts, depositing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

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

## 10. Other information and notes

### *Data on related companies*

Transactions between the Company Stalprodukt and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. To recognize a given entity as a related entity, the Company applies the principles defined in IAS 24, considering the nature of the relation and its impact on the entity's result and its financial standing.

Specification 2019	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
Stalprodukt-Wamech sp. z o.o.	442	7 323	2 613	21 585
Stalprodukt-Centrostal sp. z o.o.	54	1 083	473	3 550
Stalprodukt-Zamość sp. z o.o.	1 724	60	10 013	536
Stalprodukt-Ochrona sp. z o.o.	26	817	226	3 861
STP Elbud sp. z o.o.	641	3 788	3 234	20 305
ZGH „Bolesław” S.A.	0	11	0	115
Anew Institute Sp. z o.o.	20	32	0	749

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2020

Cynk-Mal S.A.	111	725	22 581	5 030
GO Steel a.s.	18 646	2 754	197 436	38 582

Moreover, in 2020 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 364 thousand, costs PLN 144 thousand; receivables PLN 14 thousand, liabilities PLN 1 thousand; Stalprodukt-Profil S.A. sales PLN 265 thousand. The receivables balance for F&R Finanse Sp. z o.o. PLN 12 808 thousand. These were typical market transactions.

Specification 2019	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	receivables	costs
Stalprodukt-MB sp. z o.o.			262	2 361
Stalprodukt-Wamech sp. z o.o.	272	7 891	1 820	13 898
Stalprodukt-Centrostal sp. z o.o.	26	1 256	459	4 437
Stalprodukt-Serwis sp. z o.o.			460	4 295
Stalprodukt-Zamość sp. z o.o.	839	417	5 716	1 650
Stalprodukt-Ochrona sp. z o.o.	25	1 452	213	4 283
STP Elbud sp. z o.o.	243	3 011	2 259	23 665
ZGH Bolesław S.A.		20		121
Anew Institute Sp. z o.o.	20			1 130
Cynk-Mal S.A.	3 992	1 197	29 853	5 484
GO STEEL Frydek Mistek a.s.	27 053	8 450	222 688	50 564

Moreover, in 2019 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 459 thousand, costs PLN 174 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. sales PLN 425 thousand. The receivables balance for F&R Finanse Sp. z o.o. PLN 12 808 thousand. These were typical market transactions.

### *Estimated values*

In 2019, in addition to standard estimates, unit events presented in the notes of this statement were made:

- On the date of acquisition of GO Steel a.s., provisions for the acquisition of GO Steel were created. The "Earn-Out" component: PLN 14 595 thousand and PLN 18 765 thousand for liabilities to purchase hot-rolled steel specified in the HRC contract (150 thousand tonnes for a period of 3 years, 50 thousand tonnes per year)  
At the end of 2020, the provision of PLN 6 255 thousand was released for the performance of the contract (Go Steel) requiring the collection of an additional 50 thousand tonnes of hot-rolled steel in 2020. The liability in this respect was settled in full.
- In 2020, due to the materialization of the condition related to the "Earn-Out" component, the provision was used for the amount of PLN 5,038 thous. The year

2021 is the last year subject to settlement with the Seller according to the rules set out above.

- Additionally, a provision of PLN 4,515 thous. was created for the redemption of energy origin certificates and PLN 6,551 thous. for redemption of CO<sub>2</sub> certificates, and the provision of PLN 4,615.3 thous. was released for the redemption of energy origin certificates and 4 372.6 thous. for the redemption of CO<sub>2</sub> certificates.
- Provision was made for retirement severance payments in the amount of PLN 88 thous.
- In order to discount long-term liabilities due to perpetual usufruct in accordance with IFRS 16, a discount rate of 5% per annum was adopted.
- For the period of 2020, the Company assessed the unused production capacity in both operating segments. In the opinion of the Company, the calculated amount of PLN 5,119 thous., which is 0.53% of the total production cost.
- Due to the low share in the total cost of production, this cost was included in the cost of production of sold production. On the other hand, part of the cost of unused production capacity included in the valuation of the finished goods warehouse was included in other operating costs. This amount was PLN 1,367 thous. Due to the low share in the total cost of production, this cost was included in the cost of production of sold production. On the other hand, part of the cost of unused production capacity included in the valuation of the finished goods warehouse was included in other operating costs. This amount was PLN 1,367 thous.
- Long-term investments and shares were written off in Anew Institute Sp. z o.o. in the amount of PLN 8,664 thous.
- An adjustment was made to the valuation of inventories of finished goods relating to 2nd quality in the amount of PLN 472 thous.

### *Changes in the capital structure of the Company*

In comparison to 2019, constituting a comparable period to this consolidated financial statement, the following changes occurred in the structure of the Issuer's Capital Group:

1. In connection with the entry into force in the Czech Republic on January 1, 2021 of the amendment to the Act on Commercial Companies 33/2020 Sb and in order to avoid problems related to the interpretation of the new regulations, Stalprodukt S.A., as the sole shareholder of GO Steel Frydek-Mistek a.s., made the decision to change the existing system of the internal structure of the company (the so-called one-tier one, with the statutory director and the management board) to a dual system (in which the management board and supervisory board operate), i.e. a system also known in Poland under the provisions of the Commercial Companies Code. In connection with the above, on December 16, 2020, the necessary changes were made to the statute of GO Steel Frydek Mistek a.s., with the simultaneous change of the company's name to GO Steel a.s. The changes entered into force on January 1, 2021.

In the structure of the Issuer's Capital Group in 2020, there were no other mergers, acquisitions or sale of units, long-term investments, division, restructuring or abandonment of operations, except for those listed in this report.

*Differences between the annual statement and the QSr\_4/2020 report*

SPECIFICATION	thousand x PLN		
	was	is	difference
<b>Profit and loss account</b>			
I. Net revenue from sale	1 253 496	1 253 496	0
II. Cost of sold products, goods, and materials	1 163 052	1 165 582	2 530
III. Sales profit	90 444	87 914	-2 530
IV. Operating profit	27 286	22 917	-4 369
V. Gross profit	69 317	56 285	-13 032
VI. Net profit	67 875	54 843	-13 032
<b>Balance</b>			
<b>I. Fixed assets</b>	<b>1 480 165</b>	<b>1 471 501</b>	<b>-8 664</b>
1. Long-term financial assets	526 119	517 455	-8 664
<b>II. Current assets</b>	<b>672 410</b>	<b>691 411</b>	<b>19 001</b>
1. Stock	246 567	238 059	-8 508
2. Receivables	213 202	216 211	3 009
3. Short-term prepayments and accruals	208	24 708	24 500
<b>Total assets</b>	<b>2 152 575</b>	<b>2 162 912</b>	<b>10 337</b>
<b>I. Equities</b>	<b>1 747 021</b>	<b>1 754 349</b>	<b>7 328</b>
<b>II. Liabilities and provisions</b>	<b>405 554</b>	<b>408 563</b>	<b>3 009</b>
<b>Total equity and liabilities</b>	<b>2 152 575</b>	<b>2 162 912</b>	<b>10 337</b>

- There was an increase in the share in the capital of ZGH "Bolesław" S.A. to 94.93% at the end of 2019 against 94.92% at the end of the comparative period.
- On 16 December 2019, the District Court for Kraków-Śródmieście in Kraków, XII Commercial Department of the National Court Register issued a decision (reference number KR.XII NS- REJ.KRS / 017644/19/26) to amend the Entrepreneurship Register of the National Court Register of the Company F&R Finanse sp. z o.o. with its registered office in Jawornik, involving the removal from the register of that company the ZGH "Bolesław" S.A. as its partner. The company was removed from the register in connection with the redemption of all 12,300 shares held by the ZGH "Bolesław" S.A. in F & R Finanse sp. z o.o. with a nominal value of PLN 6,150,000.00, representing a 19.68% share in the company's share capital. The redemption took place at the request of ZGH "Bolesław" S.A. (voluntary redemption) from net profit, without reducing the share capital, for a total remuneration of PLN 9,254,766.00, i.e. for the remuneration of PLN 752.42 per share. The ZGH "Bolesław" S.A. assumed that the continuation of shareholding in F&R Finanse sp. z o.o. is pointless and, consequently, it recognized the legitimacy of

capitalization of the said shares and allocate obtained in this way funds to the company development objectives.

4. On 9<sup>th</sup> March 2019 the Extraordinary General Meeting of the companies: Przedsiębiorstwo Robót Drogowych (Highways, Street and Bridge Construction Company) in Olkusz Joint-Stock Company (the acquired company) and 'Boltech' Ltd. (the acquiring company), acting according to Art. 506 cl.1 of the Commercial Companies Code, passed the merger act. The merger took place through an acquisition, without creating new shares or increasing the share capital of the acquiring company and without changing the acquiring company's Articles of the Association (merger through acquisition). The merger was recorded in the Business Register of the National Court Register, for the acquiring company in the District Court in Kraków - Śródmieście, Cracow, 12<sup>th</sup> Commercial Department of the National Court Register on 1<sup>st</sup> April, 2019 (day of the merger).

In the structure of the Issuer's Capital Group, no other mergers, acquisition or sale of units, long-term investments, division, restructuring or discontinuance of an operation occurred, except for those mentioned in this statement.

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

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

##### **a) Sheets Segment**

In the first quarter and the beginning of the second, the grain-oriented electrical sheet (GOES) market in Europe and North America did not initially experience the effects of the epidemic as severely as other industries.

In the early weeks of the pandemic, Europe could even feel the sudden increase in demand for oriented sheets. The effects of a sudden increase in demand resulted from the expected disruptions in supply chains operated by suppliers from outside Europe. However, the change in demand caused by the pandemic had short-term effects, while none of the major European customers experienced any disruptions in the supply chain by suppliers from the Far East.

It was only at the end of the second quarter that the market began to feel the effects of the Covid-19 pandemic. A large number of energy projects in all regions of the world have been suspended and interest in Grain-Oriented Electrical Sheets (GOES) has dropped dramatically. Chinese producers also returned to the game, continuing production during the culmination of the epidemic in their country, and began aggressively offering stored quantities in the second quarter of the year. Prices began to fall significantly, and the June negotiations for delivery in the second half of the year were already taking place in an atmosphere of inevitable reductions.

Summing up, it should be stated that the portfolio of the Sheet Metal Segment customers has been created over the years in such a way as to eliminate all possible emerging market risks. Nevertheless, the pandemic related to the development of the COVID-19 coronavirus has had a negative impact on sales. The customer portfolio, which in recent quarters was based almost 100 percent. on end users of Stalprodukt sheets in the form of transformer producer groups, transformer or core producers - effectively eliminating intermediate companies or typical commercial companies - did not provide the Company with complete control over the situation related to the development of the pandemic.

## **b) Profiles Segment**

The Profiles segment was most affected by the situation related to the closure of the Polish economy and the economies of foreign target markets. The increased demand, felt in the first quarter of 2020, collapsed at the turn of April and May and was caused by the closing of production and plants being the segment's customers. In particular, areas related to the automotive, furniture and steel construction industries should be mentioned.

Due to the difficult market situation and the effects of the coronavirus pandemic, which affected practically all sectors of the economy, and thus a wide range of recipients of the Profiles Segment products manufactured by the Group, sales of all product groups recorded significant drops in both volumes and the value of revenues.

After the collapse of sales in this segment in the second quarter of 2020, caused by the closure of the Polish economy and foreign target markets, the situation in the third quarter clearly improved in this respect. The Segment's operation was suspended for 2 weeks in August, but it was a typical summer break that has been in operation at Stalprodukt S.A. for several years.

The impact of COVID-19 on sales in the last quarter of 2020 was lower than in the previous periods of the previous year. In this segment, the Coronavirus pandemic had the greatest impact on the works related to the installation of road barriers. These mainly concerned companies of Stalprodukt's subcontractors, in which the absenteeism of employees resulted in delays in the implementation of road contracts. These delays, however, did not have a significant impact on the assessment of the material, financial and personal capacity of the Issuer to fulfil its contractual obligations.

It should also be emphasized that due to the desire to limit the negative effects of the epidemic on the future activities of Stalprodukt, and to ensure the protection of jobs, on April 24, 2020, the Stalprodukt Management Board signed an agreement with trade unions operating in the Company. Under this agreement, in the period from 1.05. - 31.07.2020, the Issuer reduced the working time by 20% and the remuneration of all employees of the Company to the same extent. As a result, Stalprodukt obtained the so-called "Anti-crisis



shield", co-financing from the Provincial Labour Office, which for the period May-July this year amounted to a total of PLN 8,939 thousand.

By analysing the epidemiological situation in the last quarter of 2020 and observed in the I quarter of 2021 The III wave of the Coronavirus pandemic, the peak of which is expected at the turn of March and April 2021, the Issuer forecasts an increase in absenteeism in this period to the level recorded in the III quarter of 2020.

#### Events after the balance sheet date

In connection with the completion by the Company of the construction of the 5-star Ferreus hotel in Krakow, on March 9, 2021, the agreement of Hotel Ferreus Sp. z o. o was signed. 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). At the turn of the first and second quarter of 2021, it is planned to submit an application to the National Court Register for company registration. The company Hotel Ferreus Sp. z o. o. was established to conduct hotel activities on the basis of a lease agreement for the facility in question. Due to the Coronavirus pandemic, the Company was withholding from launching the hotel. The currently expected date of commencement of operations is July 2021. 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 set at PLN 66 million. The expenditure actually incurred amounted to PLN 58.9 million.

In connection with the provisions of the perpetual usufruct agreement, Stalprodukt was obliged to implement the investment consisting in the extension, superstructure and reconstruction together with a change in the use of the existing technical, social and administrative facility located at ul. Wadowicka 14 in Kraków. Considering the poor technical condition of the facility, the solutions that do not meet the modern tenants' requirements and the limitations of the project itself (the building is over 40 years old), in the Company's opinion such modernization was ineffective and unfounded. Therefore, Stalprodukt took appropriate steps to obtain a permit for the demolition of the existing facility and the necessary change of the purpose of perpetual usufruct. Thanks to the efforts undertaken by the Company, on January 20, 2021, Regulation No. 139/2001 of the President of the City of Krakow was published on the consent to change the purpose of the right of perpetual usufruct of real estate owned by the State Treasury and remaining in perpetual usufruct by Stalprodukt S.A., which no longer obliges perpetual usufruct user for the implementation of the above. the project of expansion and superstructure of the above-mentioned building. At the end of March 2021, the company received the so-called an agreement protocol between the Krakow City Hall and Stalprodukt, the signing of which will be the basis for changing the perpetual usufruct agreement in the form of a notarial deed. Thus, in the opinion of the



Company, the formal obstacle in the way of obtaining a permit for the demolition of the old technical and social building will disappear. The Company also recognizes that only now, after formal decisions of the President of the City of Krakow, the actual liquidation of fixed assets related to this facility and the introduction of a corresponding change in the Company's assets may take place. As at December 31, 2020, the balance of fixed assets in the Company's books related to the above-mentioned in the building amounted to PLN1 155 thousand.

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

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

1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgment, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The company appealed against the judgment.
2. regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgment dismissing the action. The company appealed against the judgment.

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

The above status means that at the moment it has been ruled by a legally-binding decision that ZGH "Boleslaw" S.A. is liable for damages to the Przedsiębiorstwo Wodociągów i Kanalizacji for the consequences in terms of water relations, connected to the future exclusion of the Mine Olkusz Pomorzany drainage and due to this, the discontinuation of water supply to their channels and for possible groundwater pollution.

The above state means that at present it has been legally settled that the company ZGH "Bolesław" S.A. is liable for damages to Przedsiębiorstwo Wodociągów i kanalizacji for the effects in the field of water relations related to the future shutdown of the drainage of the "Olkusz-Pomorzany" Mine and the resulting cessation of water supply to its channels and for possible contamination of groundwater.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation appeal against the above judgement. On January 27, 2021 in the case of reference number No. III CSK 191/20, the Supreme Court in Warsaw issued a decision to refuse to accept the case of cassation appeal brought by ZGH "Bolesław" S.A. against the judgement of the Court of Appeal in Kraków of March 13, 2020 in the case ref. AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o in Olkusz for cognisance. The said decision was delivered to the Company on March 25, 2020. The above information about the judgement 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. Moreover, it should be noted that the above-mentioned judgement is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). Contingent liabilities have been defined as resulting from the risks identified by the acquiring entity related to, inter alia, with the costs of decommissioning the "Olkusz-Pomorzany" mine and liability for mining damage and water supplies in the Olkusz region. The total amount resulting from the above-mentioned estimates amounted to PLN 296 115 thousand. This amount was presented in the balance sheet as at December 31, 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A.". As at December 31, 2020, the above-mentioned the amount of estimates through dissolution in the amount of PLN 18,367 thousand and the transfer to the short-term part in the amount of PLN 66 138 thousand in connection with the commencement of the decommissioning process of the "Olkusz-Pomorzany" mine, as planned to be dissolved or used within 12 months from the balance sheet date.

#### *Other information*

1. In 2020, no activity conducted by the Issuer was abandoned.
2. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2020, which distort the picture of the activities of the financial year 2020. The fact of receiving a discount on purchases from the previous year was considered important, which was revealed in the result of previous years in the amount of PLN 20,360 thous.
3. During the reporting period the Company incurred capital expenditures of PLN 15,068 thousand. Planned capital expenditures for 2021 amounts to about PLN

19,950 thousand. Capital expenditures shall be used to finance intangible fixed assets.

4. As of the balance sheet day, Stalprodukt S.A. has off-balance sheet contingent liabilities:
  - performance bonds concerning the production and installation of road safety barriers totalling PLN 16,644 thousand, and in respect of the guarantee for the blank promissory note covering PLN 13 000 thousand issued by the company STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.
5. The average employment in occupational groups:
  - in 2020, total employment equalled 1,447 people, including 1,162 blue-collar and related workers, and 285 white-collar workers,
  - in 2019, total employment equalled 1,573 people, including 1,262 blue-collar and related workers, and 311 white-collar workers.
6. Remunerations, including awards, paid to managing and supervising staff in the Company amounted in the 2020 - PLN 3,386 thousand, and in the year 2019 - PLN 5,014 thousand, including the remuneration of the Management Board as appropriate: PLN 3,062 and PLN 4,643 thousand, and the remuneration of the Supervisory Board amounted to PLN 324 and PLN 371 thousand.
7. Remuneration of the management and supervisory bodies of the Issuer for performing their functions in the governing bodies of subsidiaries amounted in the year 2020 - PLN 285 thousand, including managers PLN 271 thousand, and supervisors PLN 14 thousand, while in 2019 - PLN 336 thousand, including the managers PLN 296 thousand, and supervisors PLN 40 thousand.
8. The remuneration for the audit company was:
  - for the review of the semi-annual separate statement – PLN 20,000;
  - for the review of the semi-annual consolidated statement – PLN 18,000.In addition, the price for auditing annual financial statements shall be:
  - separate financial statement – PLN 50,000;
  - consolidated financial statement – PLN 25,000.
9. Both, Stalprodukt S.A. and its subsidiaries did not give advances, credits, loans and guarantees or sureties to members of the Management Board and the Supervisory Board, except for loans from the Social Fund.
10. After 31.12.2020, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the financial statements for the year 2020, which could materially affect the situation in the Company and its future financial results.

11. The financial statements and comparable financial data, adjusted for inflation, are not presented because the cumulative average inflation rate over the last three years of operation has not reached 100%.
12. The Issuer, as the Parent Company, draws up the consolidated financial statements under the full method, including all the subsidiaries therein.
13. On April 28, 2020, a Member of the Management Board, Marketing Director, Józef Ryszka, resigned from the position of the Board Member effective as of April 29, 2020. The reason for resignation was reaching retirement age and acquiring retirement rights.
14. Financial report of Stalprodukt S.A. for 2020 was published on 30 April 2021, i.e. within the time limit consistent with applicable regulations. As a result of the introduced correction, this report was re-approved for publication by the Management Board of the Company on 14 May 2021.

Bochnia, 14 May 2020.

The person authorised to  
keep accounting books

Head of the Accounting  
and Tax Department

.....  
Łukasz Mentel  
Member of the  
Management Board  
Chief Financial Officer

.....  
Piotr Janeczek  
President of the  
Management Board  
Chief Executive Officer