



Stalprodukt S.A.  
Financial Statement of Stalprodukt S.A.  
for Year 2021

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

## Selected financial data

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2021	2020	2021	2020
I. Net sales of products, goods and materials	1 997 851	1 253 496	436 450	280 161
II. Operating profit (loss)	232 263	22 917	50 740	5 122
III. Profit (loss) before taxation	257 350	56 285	56 221	12 580
IV. Net profit (loss)	220 063	54 843	48 075	12 258
V. Net cash flow from operating activities	-2 095	141 301	-458	31 581
VI. Net cash flow from investment activities	23 051	26 146	5 036	5 844
VII. Net cash flow from financial activities	-61 539	-25 523	-13 444	-5 704
VIII. Total net cash flow	-40 583	141 924	-8 866	31 721
IX. Total assets	2 434 023	2 162 912	529 204	466 450
XI. Long-term liabilities	145 421	182 779	31 617	39 607
XII. Short-term liabilities	347 671	225 785	75 591	48 926
XIII. Shareholders' equity	1 940 931	1 754 349	421 997	378 569
XIV. Share capital	11 161	11 161	2 427	2 419
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	39,44	9,83	8,62	2,20
Diluted profit (loss) per ordinary share (PLN)	39,44	9,83	8,62	2,20
XVII. Book value per share (PLN)	347,82	314,38	75,62	68,12
Diluted book value per share (PLN)	347,82	314,38	75,62	68,12
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	6,00		1,31	

- 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 2020. Other comparable data is presented for the period from 1<sup>st</sup> January 2020 to 30<sup>th</sup> December 2020.
- 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 2021 and amounting to 4.5994 and 4.6148 for this 31<sup>st</sup> December 2020.
  - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.5775 for 2021 and PLN 4.4742 for 2020.
- 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 2020 by the Issuer.

**BALANCE SHEET AS 31 DECEMBER 2021**

BALANCE SHEET	Note	thousand x PLN	
		2021	2020
<b>Assets</b>			
<b>I. Fixed assets</b>		<b>1 447 423</b>	<b>1 471 502</b>
1. Intangible assets other than goodwill	1	32 288	32 372
2. Goodwill		0	0
3. Tangible fixed assets	2	745 724	784 102
4. Right to use assets	3	83 535	84 548
5. Investment real estate	4	48 533	50 425
6. Long-term financial assets	5	520 440	517 337
7. Other long-term financial assets	6	12 927	119
8. Long-term receivables		0	0
9. Deferred tax assets	7	3 976	2 598
10. Long-term prepayments		0	0
<b>II. Assets</b>		<b>986 600</b>	<b>691 411</b>
Current assets other than assets held for sale		<b>986 600</b>	<b>691 411</b>
1. Stocks	8	459 149	238 059
2. Receivables due to supplies and services and other receivables	9	372 215	259 319
3. Cash and cash equivalents	10	152 963	193 545
4. Other short-term investments		2 273	488
Assets held for sale		<b>0</b>	<b>0</b>
<b>Assets in total</b>		<b>2 434 023</b>	<b>2 162 913</b>
<b>Liabilities</b>			
<b>I. Shareholders' Equity</b>		<b>1 940 931</b>	<b>1 754 349</b>
1. Share capital	11	11 161	11 161
2. Capital from the surplus of the issue price above the nominal value	12	8 416	8 416
3. Other capitals	13	180	180
4. Retained earnings (including uncovered losses)	14	1 921 174	1 734 592
<b>II. Long-term liabilities</b>		<b>145 421</b>	<b>178 344</b>
1. Provision for deferred income tax	15	73 556	76 740
2. Long-term reserves	16	5 331	15 007
3. Other long-term non-financial liabilities		0	0
4. Credits and loans		10 000	30 000
5. Long-term liabilities due to leasing contracts		56 534	56 597
<b>III. Current liabilities</b>	17	<b>347 671</b>	<b>230 220</b>
Short-term liabilities other than those included in groups intended for sale		347 671	230 220
1. Short-term provisions for liabilities	18	13 921	5 475
2. Credits and loans	19	20 000	20 000
3. Liabilities due to supplies and services	20	275 720	171 369
4. Other short-term non-financial liabilities	21	30 298	26 481
5. Liabilities due to income tax		1 063	0
6. Liabilities due to leasing		0	0
7. Other short-term financial liabilities		0	0
8. Accruals	22	6 669	6 895
Liabilities included in those intended for sale		0	0
<b>Total liabilities</b>		<b>2 434 023</b>	<b>2 162 913</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN	
		2021	2020
<b>I. Net revenue from sale of products, goods and</b>	23	<b>1 997 851</b>	<b>1 253 496</b>
<b>II. Costs of sold products, goods and materials,</b>	24	<b>1 663 390</b>	<b>1 165 582</b>
<b>III. Profit (loss) gross on sales</b>		<b>334 461</b>	<b>87 914</b>
IV. Costs of sales		49 635	40 129
V. General administrative costs		47 258	36 814
VII. Other operational revenue	25	33 673	27 929
VIII. Other operational costs	26	38 978	15 983
<b>IX. Profit (loss) from operational activity</b>		<b>232 263</b>	<b>22 918</b>
X. Financial revenue	27	32 564	47 269
XI. Financial costs	28	7 476	13 901
<b>XII. Profit (loss) gross</b>		<b>257 350</b>	<b>56 286</b>
XIII. Income tax	29	37 287	1 442
XIV. Profit (loss) from continuing operations		<b>220 063</b>	<b>54 844</b>
XV. Profit (loss) from discontinued operations		0	0
<b>XVI. Profit (loss) net</b>	30	<b>220 063</b>	<b>54 844</b>
Weighted average number of ordinary shares		5 580 267	5 580 267
Weighted average number of ordinary shares		5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	31	<b>39,44</b>	<b>9,83</b>
Diluted number of shares		5 580 267	5 580 267
Diluted book value per share (in PLN)		<b>39,44</b>	<b>9,83</b>

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	Note	thousand x PLN	
		2021	2020
Net result		220 063	54 844
Differences from evaluation			
<b>Total Comprehensive Income</b>		<b>220 063</b>	<b>54 844</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

Statement of changes in equity for the period from 1st January to 31st December 2021 and 2020	thousand x PLN					
	Share capital	Capital from the surplus of the issue price above the nominal value	Supplementary capital	Others capitals	Retained profit	Equity in TOTAL
<b>As of 1.01.2021 (opening balance)</b>	<b>11 161</b>	<b>0</b>	<b>103 750</b>	<b>1 592 870</b>	<b>46 568</b>	<b>1 754 349</b>
Correction for change in presentation		8 416	-103 750	-1 592 690	1 688 024	0
<b>Condition after conversion on 1.01.2021</b>	<b>11 161</b>	<b>8 416</b>	<b>0</b>	<b>180</b>	<b>1 734 592</b>	<b>1 754 349</b>
Dividend					-33 481	-33 481
Total comprehensive income for period 1.01 - 31.12.2021					220 063	220 063
<b>As of 31.12.2021 (End of Period)</b>	<b>11 161</b>	<b>8 416</b>	<b>0</b>	<b>180</b>	<b>1 921 174</b>	<b>1 940 931</b>
<b>As of 01.01.2020 (Beginning of Period)</b>	<b>11 161</b>	<b>8 416</b>	<b>103 750</b>	<b>1 500 062</b>	<b>84 533</b>	<b>1 699 506</b>
Profit distribution				92 808	-92 808	0
Dividend						0
Loss from previous years						0
Total comprehensive income for period 1.01 - 31.12.2020					54 843	54 843
<b>As of 31.12.2020 (End of Period)</b>	<b>11 161</b>	<b>0</b>	<b>103 750</b>	<b>1 592 870</b>	<b>46 568</b>	<b>1 754 349</b>

## FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN	
	2021	2020
<b>A. Cash flow from operational activity</b>		
Profit (loss) on the activity of accounts. before tax	<b>257 350</b>	<b>56 285</b>
Income tax paid	41 848	0
Total adjustments	<b>-217 597</b>	<b>85 016</b>
Depreciation,	50 140	52 754
(Gains) losses due to exchange rate differences	0	0
Interest	5 705	4 337
Shares in profits (dividends)	-31 539	-37 056
Adjustments for losses (gains) on the sale of fixed assets	-73	-2 663
Adjustments for provisions	-4 412	-2 873
Adjustments for the decrease (increase) in the value of inventories	-220 324	64 818
Adjustments due to the increase (decrease) due to receivables	-130 732	35 558
Adjustments for the increase (decrease) in the value of other liabilities related to operating activities	108 692	-56 260
Other adjustments made to reconcile profit (loss)	385	24 960
Adjustments due to deferred tax expense	4 561	1 441
<b>Net cash flow from operating activities</b>	<b>-2 095</b>	<b>141 301</b>
<b>B. Cash flow from investment activity</b>		
Sale of intangible assets and tangible fixed assets	832	5 484
Sale of financial assets	3 900	4 000
Dividends received classified as investing activities	31 539	37 057
Repayment of long-term loans granted	0	0
Cash inflow from interest received classified as investing activity	505	657
Purchase of intangible assets and tangible fixed assets	-10 622	-15 088
Acquisition of financial assets	-3 103	-925
Other investment inflows and outflows		-5 039
<b>Net cash flow from investment activities</b>	<b>23 051</b>	<b>26 146</b>
<b>C. Cash flow from financial activity</b>		
Proceeds from loans classified as financial activities	0	0
Other financial inflows / outflows	0	0
Paid dividends classified as financial activities	-33 482	0
Repayment of credits and loans	-20 000	-20 000
Payment of lease liabilities, classified as financial	-63	-55
Interest paid, classified as financial activity	-6 209	-4 995
Other financial expenses	-1 785	-471

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

<b>Net cash flow from financial activities</b>	<b>-61 539</b>	<b>-25 523</b>
<b>Net cash flow (before currency effects)</b>		
The effects of changes in exchange rates on cash and cash equivalents		
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-40 583</b>	<b>141 924</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>193 545</b>	<b>51 621</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>152 962</b>	<b>193 545</b>
Restricted cash and cash equivalents	10 400	6 566

Cash at beginning of the reporting period represent the amount of PLN 193,545 thousand, including cash at hand PLN 47 thousand, on bank accounts PLN 193,498 thousand, and at the end of the reporting period PLN 152,962 thousand, including PLN 50 thousand cash at hand and PLN 152,912 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 of flows to guns. operational:

- in the item Other adjustments made in order to reconcile the profit (loss), a write-down for fixed assets which have lost their economic usefulness was presented in the amount of PLN 385 thousand,
- in the item adjustment due to the decrease (increase) in the value of inventories - adjustment for spare parts in the amount of PLN 767 thousand,
- in the item Adjustments due to the increase (decrease) in the value of other liabilities - adjustment for the change in the balance of liabilities due to leasing PLN 63 thousand.

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

### **1. General information**

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

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

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 sale of products is carried out directly by the Company and through a nationwide distribution network with branches located throughout the country.

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 2021, and comparable financial data for the year 2020.



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

In the period from 1 January to 31 December 2021, the Management Board worked in the following composition:

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

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

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

### ***Certified Auditor***

Polscy Biegli Sp. z o.o.

Ul. Bema 87 lok U3

01-233 Warszawa

### ***Banks:***

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

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

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

### ***Significant Shareholders***

As of 31.12.2021 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. in liquidation	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100.00	100.00	100.00
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100.00	100.00	100.00
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100.00	100.00	100.00
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	Go Steel a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	100.00	100.00	100.00

**FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021**

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

## **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.
- f) 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.

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 2020.

The changed standards and interpretations that are applied for the first time in 2021, do not have a significant impact on the financial statements of the Company.

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

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

- IAS 39 "Financial Instruments: Recognition and Measurement" (the changes relate to temporary deviations from the application of specific hedge accounting requirements),
- IFRS 4 "Insurance Contracts" (the changes concern the determination of the basis for determining the contractual cash flows as a result of the reform of the interest rate benchmark),
- IFRS 7 "Financial Instruments: Disclosures" (the changes relate to disclosures related to the reform of the interest rate benchmark),
- IFRS 9 "Financial Instruments" (here the changes relate to measurement at amortized cost and temporary deviations from the application of specific hedge accounting requirements),
- IFRS16 "Leasing" (the changes concern temporary exceptions related to the reform of the interest rate benchmark). Amendments to IFRS 16 "Leasing" approved by the IASB for application after April 1, 2021 - simplification regarding changes resulting from lease agreements in connection with COVID-19 2021.

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

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

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

New standards and interpretations published but not yet effective.

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

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

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

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

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

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

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

## 5. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2021	2020
1. concessions, patents, licenses and similar	1 687	1 807
a) computer software		80
2. research and development works	30 601	30 565
3. other intangible assets	0	0
Intangible assets, total	<b>32 288</b>	<b>32 372</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. Hence, the Company, for reasons beyond its control, is not able to perform the test in accordance with IAS 36. A credible test can be performed only after a positive certification and a decision on commercialization.

In the opinion of the Company, as at December 31, 2021, all the conditions set out in IAS 38 Intangible Assets were met for the components of intangible assets to be recognized as arisen as a result of development work. These conditions are:

- a) the technical feasibility of completing the intangible asset so that it is fit for use or sale;
- b) the intention to complete the intangible asset and use or sell it;
- c) ability to use or sell the intangible asset;
- d) the way how the intangible asset will generate probable future economic benefits. Among other things, the entity may prove that there is a market for the products created by the intangible asset or for the asset itself, or, if the asset is intended to be used by the entity, the utility of the intangible asset;
- e) the availability of appropriate technical, financial and other resources to complete the development work and use or sale of the intangible asset;
- f) the possibility of a reliable determination of the expenditure incurred during development works that can be assigned to this intangible asset.

<b>1b NOTE - CHANGES TO INTANGIBLE VALUES OTHER THAN COMPANY VALUE (by group type)</b>						
thousands of PLN						
	<b>a</b>	<b>b</b>	<b>c</b>		<b>d</b>	<b>Intangible assets, total</b>
	<b>cost of completed developmental works</b>	<b>goodwill</b>	<b>concessions, patents, licenses and similar values, including:</b>		<b>other intangible assets</b>	
				<b>- computer software</b>		
I. gross value of intangible assets at the beginning of the period	30 566	0	2 677	944	7 383	40 626
1. increase (due to)	114	0	266	34	5 025	5 405
- received CO2 emission rights					5 025	5 025
- change in the balance of development costs	114		-			114
- reclassification from investment properties			266	34		266
- transfer from fixed assets under construction						0
2. decrease (due to)	79	0	0	0	0	79
- liquidation	79					79
- sales						0
II. gross value of intangible assets at the end of the period	30 601	0	2 943	978	12 408	45 952
5. accumulated depreciation (amortization), at the beginning of the period			870	864	7 383	8 253
6. depreciation for the period (due to)	0	0	386	10	5 025	5 411
- depreciation allocated to the costs			386	10		386
- amortization of CO <sub>2</sub> emission rights					5 025	5 025
- decrease due to liquidation						0
- decrease due to sale						0
III. accumulated depreciation (amortization) at the end of the period	0	0	1 256	874	12 408	13 664
8. charges for permanent loss of value at the beginning of the period						0
- increases						0
- decreases						0
9. write-offs for permanent loss of value at the end of the period	0	0	0	0	0	0
IV. net value of intangible assets at the end of the period	30 601	0	1 687	104	0	32 288



NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2021	2020
1. fixed assets, including:	<b>727 946</b>	<b>708 264</b>
a) land	20 707	20 707
b) buildings, premises, civil engineering objects	223 532	183 353
c) plants and machinery	472 857	496 428
d) means of transport	3 531	3 715
e) other fixed assets	7 319	4 060
2. fixed assets under construction	<b>17 778</b>	<b>75 838</b>
Tangible fixed assets, total	<b>745 724</b>	<b>784 102</b>

The decrease in fixed assets under construction is mainly due to the settlement of the investment task - Construction of the Ferreus Kraków Hotel for the value of PLN 58 million.

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, an impairment loss for property, plant and equipment was made in the amount of PLN 385 thousand (building at Wadowicka Street). In connection with the change in the contract for perpetual usufruct of real estate at ul. Wadowicka 14 in Kraków, which made it possible to use this property in a different way than the existing one (ie extension, superstructure of the existing building), in 2021 the demolition works of the "LIPSK" building at ul. Wadowicka (they were completed in February 2022). In March 2022, an architectural office was selected to design a new building with an office and service function (9-storey). Obtaining a building permit is planned by the end of 2023.

NOTE 2B -BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	w tys. zł	
	2021	2020
1. own assets	745 724	784 102
Total balance sheet fixed assets	<b>745 724</b>	<b>784 102</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

<b>2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)</b>						
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	20 707	366 552	886 043	7 569	7 359	1 288 230
1. increase (due to)	0	52 428	14 880	422	3 707	71 437
a) investment		50 610	14 880	422	3 707	69 619
b) change of status of long-term investments		1 818				1 818
2. decrease (due to)	0	28	3 225	0	0	3 253
a) sale						0
b) liquidation		28	705			733
c) change in the state of major repairs			1 753			1 753
d) change in the state of the exchangeable parts classified in accordance with IAS to fixed assets			767			767
II. gross value of fixed assets at the end of the period	20 707	418 952	897 698	7 991	11 066	1 356 414
1. accumulated depreciation (amortization), at the beginning of the period		183 198	389 614	3 854	3 300	579 966
2. depreciation for the period (due to)	0	11 837	35 227	606	447	48 117
a) depreciation included in costs		11 857	35 758	606	447	48 668
b) reduction due to sale						0
c) reduction due to liquidation		20	531			551
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	0	195 035	424 841	4 460	3 747	628 083
a) write-offs for permanent loss of value, at the beginning of the period						0
b) increase						0
c) decrease		385				385
d) write-offs for permanent loss of value, at the end of the period	0	-385	0	0	0	-385
IV. net value of fixed assets at the end of the period	20 707	223 532	472 857	3 531	7 319	727 946

**Right of use of assets**

NOTA 3 - RIGHT OF USE OF ASSETS	w tys. zł	
	2021	2020
1. right of perpetual usufruct of land	83 535	84 548
2. used under a rental, lease or other contract, including leasing	0	0
Right to use assets, together	83 535	84 548

NOTA 3b - CHANGE OF THE RIGHT TO USE ASSETS	w tys. zł	
	2021	2020
I. gross value of the right to use assets at the beginning of the period	101 956	103 330
1.increases (due to)		
- acquisition		
2.reduction (due to)		1 374
- Liquidation		
- sale		1 374
II. gross value of the right-of-use asset at the end of the period	101 956	101 956
5. accumulated depreciation (depreciation) at the beginning of the period	17 408	16 410
6. depreciation for the period (due to)	1 013	998
- depreciation charged to costs	1 013	1 025
- reduction due to liquidation		
- decrease due to sale		27
III. accumulated depreciation (depreciation) at the end of the period	18 421	17 408
8. write-offs due to permanent loss of value at the beginning of the period		
- increases		
- changes		
9. write-offs due to permanent loss of value at the end of the period		
IV. net value of the right-of-use asset at the end of the period	83 535	84 548

**Investment Estates**

NOTE 4 - CHANGE IN INVESTMENT REAL ESTATE	w tys. zł	
	2021	2020
1. as at the beginning of the period	50 425	52 317
2. increases	0	0
3.reduction	1 892	1 892
a) depreciation	1 892	1 892
b) liquidation of facilities / sale /		
c) reclassification to fixed assets		
4. as at the end of the period	48 533	50 425

Investment properties constitute fixed assets including: the right of perpetual usufruct of land PLN 5,706 thousand, land PLN 148 thousand and buildings and structures PLN 42,680 thousand. These properties are not intended for sale. Total revenues from rent for the year 2021 amounted to PLN 5,270 thousand, while the costs associated with these real properties are estimated approximately at

PLN 4,796 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 80 328 thousand.

#### Long-term financial assets

NOTE 5 - LONG-TERM FINANCIAL ASSETS	thousands of PLN	
	2021	2020
a) shares or stocks	520 440	517 337
b) other securities		
c) loans granted		
d) other long-term financial assets		
Long-term financial assets, together	520 440	517 337

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.

In the amount of shares or stocks the shares in the company were presented in Anew Institute Sp. z o. o. Due to the subject of business activity, Anew Institute Sp. z o. o. is a research and development special purpose vehicle, incurring expenditure on work and focusing on the achievement of the basic goal, at the same time it does not show any revenues from commercial activities. The value of shares as at December 31, 2021 is PLN 8 589 thousand and mostly are intangible assets related to the design and construction documentation. Anew Institute, for reasons beyond its control, is not able to perform the test in accordance with IAS 36. A credible test can be performed only after the positive certification and the decision by Stalprodukt S.A. to commercialize the Demonstrator + power plant. The company is also the owner of patents covering the applied solutions. The revenues achieved by the subsidiary resulted, inter alia, from the supervision of the prepared devices, however, the emerging failures and interruptions in the work of the power plant - normal for prototype devices remaining at the testing stage - significantly limited the possibility of generating revenues allowing for positive results from the company's operations from period to period. Due to the time-consuming nature of the works and tests carried out, with the limited possibility of obtaining revenues from the activity on a current basis, the company reported a loss every period, which was charged to equity. Taking into account that the successfully completed prototype of the turbine is on the verge of entering the final stage - certification - the Company believes that there is no reason to write down the value and shares below the value recognized in the financial statements.

NOTE 5a - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS	thousands of PLN	
	2021	2020
1. balance at the beginning of the period	517 337	526 094
2. increase (due to)		
a) contribution in kind	3 103	25
b) purchase of shares and stocks		
c) granting a loan		25
d) reclassification of the loan from short to long-term		
e) taking up shares due to a capital increase		

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

3. decrease (due to)	3 103	
a) settlement of the impairment of shares	0	8 783
b) an impairment loss		
c) loans repaid		8 783
d) settlement of the impairment of shares		0
4. balance at the end of the period		
Long-term financial assets, total	520 440	517 337

Increase by the amount of PLN 3,103 thousand. PLN results from:

- Increasing the capital in Anew Institute Sp. z o.o. On September 24, 2021, the General Meeting of Shareholders adopted a resolution to increase the company's share capital by PLN 2 603 thousand. zloty. The increase was fully covered by Stalprodukt S.A.
- The remaining amount consists of the share capital of Hotel Ferreus Sp. z o.o. On March 9, 2021, the contract of the company Hotel Ferreus Sp. z o.o. The share capital of this company is PLN 500 thousand. PLN and is divided into 500 shares with a nominal value of PLN 1 thousand. PLN each, which were fully acquired by Stalprodukt S.A. as her sole partner).

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

NOTE 5b – SHARES IN SUBSIDIARIES												
No	thousands of PLN											
	a	b	c	d	e	f	g	h	i	j	k	l
	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	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	4 270	0	4 270	100	100	
2.	Stalprodukt-Centrostal sp. z o.o. in liquidation	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	10 797	10 797	0	100	100	
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	2 450	0	2 450	100	100	
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	600	0	600	100	100	
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	20 864	0	20 864	100	100	
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	36 916	0	36 916	100	100	
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	17 947	9 358	8 589	100	100	

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	275 633	0	275 633	94,93	94,93	
9.	Go Steel a.s.	Frydek- Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	170 618	0	170 618	100	100	
10.	Hotel Ferreus Sp. z o.o.	Kraków	hotel services	subsidiary	full consolidation	09.03.2021	500		500	100	100	

NOTE 5c – ISSUER’S STOCKS OR SHARES IN SUBSIDIARY COMPANIES SUBJECT TO CONSOLIDATION																			
	thousand x PLN																		
	a	m							n			o			p	r		s	t
	name of entity	Equity of the unit, including:							Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:			Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year	
			- share capital	- called up share capital (nega- tive value)	- supplement ary capital	Other equity, including:				-long- term liabili- ties	- short- term liabilities		- long- term receivab les	- short- term receivable s					
							Previous years' profit (loss)	Net profit (loss)											
1.	Stalprodukt -Wamech sp. z o.o.	19 541	4 270	0	0	15 751	-949	469	7 532	1 442	6 090	10 147	0	10 147	27 074	31 848			
2.	Stalprodukt -Centrostal sp. z o.o.	13 620	13 074	0	0	0	0	546	1 605	0	1 605	3 068		3 068	15 225	1 070			
3.	Stalprodukt -Zamość sp. z o.o.	39 047	2 450	0	0	27 843	0	8 754	11 866	588	11 278	8 424	0	8 424	50 914	83 652			
4.	Stalprodukt -Ochrona sp. z o.o.	1 246	600	0	0	1 184	-459	-79	656	4	652	933	0	933	1 901	4 944			

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

5.	STP-Elbud sp. z o.o.	27 276	20 613	0	36 150	2 117	-26 128	-5 476	36 002	1 789	34 213	17 030	0	17 030	63 279	75 229		
6.	Cynk-Mal S.A.	53 360	20 191	0	22 496	0	-4 137	14 810	17 967	5 692	12 275	14 662	0	14 662	71 327	110 840		
7.	Anew Institute sp. z o.o.	7 309	17 253	0	76	21	-8 736	-1 305	2 635	191	2 444	184	0	184	9 945	56		
8.	ZGH "Bolesław" S.A.	1 027 972	166 116		818 284	-6 288	-73 499	123 359	656 561	48 034	317 372	331 827		331 827	1 684 533	1 603 142		51 540
9.	GO Steel a.s	285 282	224 960	0	0	0	10 354	49 968	93 027	42 814	50 213	95 482	0	95 482	378 309	552 414		
10.	Hotel Ferreus Sp. z o.o.	447	500	0	0	0	0	-53	8	0	8	0	0	0	455	0		

**NOTE 5d – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES**

No	a	thousand x PLN																	
		m							n			o			p	r		s	t
		Equity of the unit, including:							Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:				value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year		
			- share capital	called up share capital (negative value)	- supplementary capital	Other equity, including:				-long-term liabilities	- short-term liabilities		- long-term receivables	- short-term receivables					
							Previous years' profit (loss)	Net profit (loss)											
name of entity															Assets of the entity, total	Revenues from sale			
1.	BOLTHERM Sp. z o.o.	61 554	16 262		46 251			-959	59 867	6 077	42 573	36 593	698	35 896	121 420	254 046			
2.	Karo Sp. z o.o.	1 135	300		743			92	1 039	0	984	780	0	800	2 173	7 850			
3.	Huta Cynku Miasteczko Śląskie S.A.	464 095	79 000		284 086	50 130		50 879	251 834	46 140	205 694	135 991		135 991	707 492	1 188 012			
4.	Gradir Montenegro d.o.o.	32 427	93 290			1 492	-60 793	-1 562	65 141	44 638	16 570	1 894	143	1 751	97 568	66 286			



FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

5.	PTZ Sp. z o.o.	261	500	0	438	0	-691	15	584	0	584	170	0	170	846	2 343		
----	----------------	-----	-----	---	-----	---	------	----	-----	---	-----	-----	---	-----	-----	-------	--	--

NOTE 5e – 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
Stalprodukt Profil S.A.	Bochnia	Internet commerce	80	82 882	410	19.51	16.00		

NOTE 5f' – 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	57 994	200	28.00	28.00		

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

**Other Long-term financial assets**

<b>NOTE 6 – OTHER LONG-TERM FINANCIAL ASSETS</b>	<b>thousands of PLN</b>	
	<b>2021</b>	<b>2020</b>
a) shares or stocks	119	119
b) other securities		
c) loans granted		
d) other long-term financial assets	12 808	
<b>Other Long-term financial assets, together</b>	<b>12 927</b>	<b>119</b>

**Deferred Income Tax assets**

<b>NOTE 7a - Change in assets due to deferred income tax</b>	<b>thousands of PLN</b>	
	<b>2021</b>	<b>2020</b>
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	2 598	2 512
a) attributed to the financial result	2 598	2 512
b) attributed to equity		
2. Increases	1 975	597
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	1 975	597
- appearance of temporary differences	1 975	597
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	597	511
a) attributed to financial result of the period in respect of negative temporary differences (due to)	597	511
- reversal of temporary differences	597	511
- 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:	3 976	2 598
a) attributed to the financial result	3 976	2 598
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>2021</b>	<b>2020</b>
1. inventory (materials and products), write-off for fixed assets	10 580	3 246
2. receivables	1 211	1 172
3. liabilities for employee benefits	4 213	3 081
4. liabilities and other bonus	3 433	4 792
5. exchange rate differences	1 487	1 385
<b>Total negative temporary differences</b>	<b>20 924</b>	<b>13 676</b>
Tax rate	19%	19%
<b>Assets due to deferred income tax</b>	<b>3 976</b>	<b>2 598</b>

The sum of tax losses for 2017-2019 is PLN 61,427 thousand, in 2021, PLN 30,713 thousand were deducted. PLN 8,781 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 1 668 thousand was not recognized.

#### CURRENT ASSETS OTHER THAN ASSETS HELD FOR SALE

NOTE 8 – Inventory	thousands of PLN	
	2021	2020
1. materials	225 447	101 592
2. semi-finished products and work in progress	88 182	57 845
3. finished products	128 783	75 736
4. goods	16 737	2 885
Inventory, total	<b>459 149</b>	<b>238 058</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 4,205 thous. and semi-finished products in the amount of PLN 158 thous. At the same time, the valuation was adjusted in the amount of PLN 63 thousand concerning 2nd quality of finished products. In 2021, the costs of unused production capacity were recognized in the amount of PLN 685 thous.

#### Trade and other receivables

NOTA 9a - TRADE AND OTHER RECEIVABLES	w tys. zł	
	2021	2020
1. short-term receivables	334 135	216 211
a) for supplies and services	302 839	196 365
b) due to taxes, subsidies, customs, social and health insurance and other benefits	26 490	14 546
c) other	4 806	5 299
2. loans	14 500	18 400
3. short-term prepayments	23 580	24 708
Receivables from supplies and services and other receivables, togeth	<b>372 215</b>	<b>259 319</b>

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.

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

NOTE 9b – Short-term receivables	thousand x PLN	
	2021	2020
1. from related parties	32 385	21 666
a) trade receivables, maturing:	32 385	21 666
- up to 12 months	32 385	21 666
- above 12 months		
2. receivables from other entities	301 750	194 545
a) trade receivables, maturing:	270 453	174 700
- up to 12 months	270 453	174 410
- above 12 months		290
b) receivables from tax, subsidy, customs, social security and other benefits	26 491	14 546
c) other	4 806	5 299
Net short-term receivables, total	334 135	216 211
a) write-downs of receivables	1 992	2 100
Gross short-term receivables, total	336 127	218 311

NOTE 9c – Change in short-term receivables write-down	thousands of PLN	
	2021	2020
Balance at the beginning of the period	2 100	1 931
1. increase (due to)	221	532
a) provision for doubtful receivables	221	532
2. decrease (due to)	329	363
a) cancellation		
b) adjustment	92	100
c) payment	237	263
Balance of short-term receivables write-downs at the end of the period	1 992	2 100

NOTE 9d – Gross short-term receivables (currency structure)	thousands of PLN	
	2021	2020
1. in Polish currency	146 524	99 289
2. in foreign currencies (according to currencies converted into PLN)	189 603	119 022
a) in EURO	32 806	23 410
converted into PLN	151 782	108 032
b) in USD	9 264	2 924
converted into PLN	37 821	10 990
Short-term receivables, total	336 127	218 311

NOTE 9e – Trade receivables (gross) – maturing as at the balance day:	thousands of PLN	
	2021	2020
up to 1 month	147 583	105 020
above 1 month up to 3 months	133 928	69 954
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year	227	290

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

advance payments for deliveries	23 668	23 201
balance sheet valuation	561	
overdue receivables	-1 136	
Trade receivables, total (gross)	<b>304 831</b>	<b>198 465</b>
trade receivables write-downs	1 992	2 100
Trade receivables, total (net)	<b>302 839</b>	<b>196 365</b>

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

NOTE 9f – Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousands of PLN	
	2021	2020
up to 1 month	17 684	19 115
above 1 month up to 3 months	2 703	886
above 3 months up to 6 months	1 175	-33
above 6 months up to 1 year	179	911
above 1 year	1 927	2 322
Trade receivables, total (gross)	<b>23 668</b>	<b>23 201</b>
trade receivables write-downs	1 992	2 100
Trade receivables, total (net)	<b>21 676</b>	<b>21 101</b>

Out of the total amount of gross short-term receivables, i.e. PLN 386,904 thousand, overdue receivables amount to PLN 23,668 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of PLN 1,992 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.

NOTA 9g - LOANS	w tys. zł	
	2021	2020
a) loans granted to subsidiaries	0	1 400
b) loans granted to other entities	6 000	8 000
c) loans granted to associates	8 500	9 000
Loans, together	<b>14 500</b>	<b>18 400</b>

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

NOTA 9h - SHORT-TERM PREPAYMENTS	w tys. zł	
	2021	2020
1. prepayments and accruals, including:	<b>23 580</b>	<b>24 708</b>
(a) insurance and subscription costs	142	130
d) other	0	78
e) settlement of the bonus	23 438	24 500
Total short-term prepayments	<b>23 580</b>	<b>24 708</b>

**Cash and cash equivalents**

<b>NOTA 10a- CASH AND CASH EQUIVALENTS</b>	<b>w tys. zł</b>	
	<b>2021</b>	<b>2020</b>
a) cash in hand and on accounts	152 963	193 545
b) own shares within the first tranche of purchase		
<b>Short-term financial assets, together</b>	<b>152 963</b>	<b>193 545</b>

<b>NOTE 10b – Cash and equivalents (currency structure)</b>	<b>thousands of PLN</b>	
	<b>2021</b>	<b>2020</b>
<b>1. in Polish currency</b>	<b>82 064</b>	<b>156 378</b>
a) cash on the VAT account	6 340	1 996
<b>2. in foreign currencies (according to currencies converted into PLN)</b>	<b>70 899</b>	<b>37 167</b>
a) in Euro	13 369	7 356
converted into thousand PLN	<b>61 779</b>	<b>33 946</b>
b) in USD	2 231	857
converted into thousand PLN	<b>9 120</b>	<b>3 221</b>
<b>Cash and other pecuniary assets, total</b>	<b>152 963</b>	<b>193 545</b>

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.

**Assets held for sale**

Assets held for sale - as at 31 December 2022 - were not present.

**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 33,420 thous., including the amount of PLN 20,773 thous. concerning shares, receivables PLN 1,992 thous. and finished products PLN 10,196 thous., PLN 74 thousand for auxiliary materials PLN, for fixed assets PLN 385 thousand.

In the reporting period, the write-off for finished products in the amount of PLN 11,621 thousand was released and a write-off was created in the amount of PLN 17 414 thousand. A write-down was made for doubtful receivables and interest in the amount of PLN 221 thousand and part of the earlier write-offs in the amount of PLN 329 thous., in connection with the payment of receivables, cancellations and corrections.

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

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

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

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

NOTA 12 - CAPITAL FROM THE SURPLUS OF THE ISSUE PRICE ABOVE THE NOMINAL VALUE	w tys. zł	
	2021	2020
1. from the sale of shares above their nominal value	35 054	35 054
2. negative difference between the nominal value and the purchase price of own shares	-26 638	-26 638
Total capital from the surplus issue price	<b>8 416</b>	<b>8 416</b>

Capital from the surplus of the issue price is increased by the surplus when delivering shares above their nominal value.

**Other capitals**

NOTA 13 - POZOSTAŁE KAPITAŁY	w tys. zł	
	2021	2020
1. other reserve capitals	180	180
Other capitals, together	<b>180</b>	<b>180</b>

**Retained earnings**

NOTA 14 - RETAINED EARNINGS	w tys. zł	
	2021	2020
1. retained earnings from previous years	1 701 111	1 679 749
2. net profit (loss) for the current year	220 063	54 843
Retained earnings, together	<b>1 921 174</b>	<b>1 734 592</b>

Retained earnings are the profit generated by the company, which was allocated to the company's reserve and supplementary capital, as well as the profit arising from the revaluation of fixed assets and the right of perpetual usufruct of land, made as at the date of transition to IFRS.

In connection with the implementation of IFRS 16 Leases and the recognition of perpetual usufruct as lease, property value was adjusted by revaluation recognized in equity as at the date of application of IAS for the first time, i.e. on January 1, 2005.

**LONG-TERM LIABILITIES****Deferred income tax**

NOTE 15 - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2021	2020
1. The balance of deferred income tax, at the beginning of the period, including:	<b>76 739</b>	<b>75 325</b>
a) attributed to financial result (due to)	66 307	64 893
- difference between balance and taxable amortization	61 723	64 838
- investment allowance		
b) attributed to equity	10 432	10 432
- for revaluation of fixed assets		
2. Increases	<b>0</b>	<b>1 414</b>
a) attributed to the financial result due to positive temporary differences (due to)	0	1 414
- difference between depreciation and taxable amortization fixed assets		697



FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

b) charged to equity due to positive temporary differences (due to)	0	
- due to exchange differences		717
<b>3. Decreases</b>	<b>3 183</b>	
a) recognized in the financial result for the period due to positive temporary differences (due to)	3 183	
- reversal of temporary differences (use of the provision for deferred income tax)	3 183	
b) charged to equity due to positive temporary differences (due to)	0	
- the difference between the balance sheet and tax depreciation		
<b>4. Balance of reserve at the end of the period, total</b>	<b>73 556</b>	<b>76 739</b>
a) attributed to the financial result	63 124	66 307
- due to differences between depreciation and taxable amortization fixed assets	63 124	61 723
b) attributed to equity	10 432	10 432

NOTE 16 – Change of the balance of other long-term reserves	thousands of PLN	
	2021	2020
<b>1. balance at the beginning of period</b>	<b>15 007</b>	<b>25 948</b>
<b>2. increase (due to)</b>	<b>346</b>	<b>352</b>
a) creation of a provision for the retirement severance pays	346	297
b) creation of a provision for the recultivation of a settling tank		55
<b>3. solution (due to)</b>	<b>10 022</b>	<b>11 293</b>
a) transfer to the short-term reserve for retirement benefits	466	
b) transfer to the short-term reserve for HRC contracts - Go Steel	9 556	
c) reduction of the provision for the purchase of GO STEEL, including:		11 293
- obligations under the HRC contract		5 038
- "Earn-out" remuneration liabilities		6 255
<b>4. balance at the end of period</b>	<b>5 331</b>	<b>15 007</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. The estimated amount of the payment for 2021 is PLN 2,200 thousand. EUR. The payment of this amount should be paid in the first half of 2022, after prior approval in accordance with the agreement by the Seller. The year 2021 is the last year subject to settlement with the Seller according to the rules set out above.

#### Other long-term non-financial liabilities

As at the balance sheet date – none

#### Credits and loans

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 30 000 thousand (PLN 10 000 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.

**Long-term liabilities due to leasing contracts**

Long-term liabilities due to leasing contracts (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.

**Short-term liabilities**

<b>NOTE 17 - 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>

<b>NOTE 18 - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)</b>	<b>thousands of PLN</b>	
	<b>2020</b>	<b>2019</b>
1. balance at the beginning of the period	<b>3 860</b>	<b>1 821</b>
2. increases (due to)	<b>5 300</b>	<b>3 132</b>
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)	<b>3 686</b>	<b>1 093</b>
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	<b>5 474</b>	<b>3 860</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

NOTE 19 - 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 repaym ent	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.23	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.22	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.22	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	May 22	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 85 000 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 25 000 thousand including STP Elbud PLN 15 000 thousand and GO Steel PLN 10 000 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 a.s.

**Liabilities due to supplies and services**

NOTE 20- LIABILITIES DUE TO SUPPLIES AND SERVICES	w tys. zł	
	2021	2020
1. to related entities	24 808	16 608
2. to other entities	250 912	154 761
Liabilities due to supplies and services together	<b>275 720</b>	<b>171 369</b>

**Other short-term non-financial liabilities**

NOTE 21 - OTHER SHORT-TERM NON-FINANCIAL LIABILITIES	w tys. zł	
	2021	2020
1. advances for deliveries	833	587
2. for remuneration	9 211	8 096
3. with the title Budgetary burdens other than Income tax / Social Insurance Institution, PIT etc./	10 498	7 240
4. other (by title)	9 756	10 558
- social Fund	7 083	8 020
- PKZP	303	304
- received deposit	2 000	2 000
- PZU		
- the remaining	239	200
Other short-term non-financial liabilities, together	<b>30 298</b>	<b>26 481</b>

**Accruals**

NOTE 22 - ACCRUALS	thousands of PLN	
	2021	2020
- advances received	2 233	2 460
- subsidies	4 436	4 435
Other accruals, total	<b>6 669</b>	<b>6 895</b>

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

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

The total subsidy amount is PLN 12 539 923.

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

After resolving the technical problems of the power plant wing, which occurred in October 2018, and then after its repair and modernising the path, *as well as the modification and replacement of the*

*external rocker arms of the supporting trolleys*, the power plant was commissioned in the first quarter of 2021.

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

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

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

#### NOTE 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 1,940,931 thousand: 5,580,267 shares = PLN 347.82).

#### Revenues from the sale of products, goods and materials

NOTA 24a - REVENUES FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS	w tys. zł	
	2021	2020
1. net revenues from the sale of products	1 631 871	1 012 438
2. net revenues from the sale of goods and materials	365 980	241 058
Total net revenues from sales	1 997 851	1 253 496

NOTE 24 b - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2021	2020
1. transformer sheets	675 050	418 218
including: from related parties		
2. toroidal cores	15 769	12 210
including: from related parties		
3. hydrogen	10 794	9 617
including: from related parties	5 813	4 917
4. steel sheet for banding steel	0	7
including: from related parties		
5. steel sheets, hot-rolled and cold-rolled strips	63 180	28 065
including: from related parties	5 341	486
6. cold formed profiles	742 945	437 439
including: from related parties	11 275	10 071
7. road barriers	116 350	99 737

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

including: from related parties	152	26
<b>8. services</b>	<b>7 783</b>	<b>7 145</b>
including: from related parties	6 129	5 853
<b>Net revenues from sales of products, total</b>	<b>1 631 871</b>	<b>1 012 438</b>
including: from related parties	28 710	21 353

<b>NOTE 24c -NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)</b>	<b>thousands of PLN</b>	
	<b>2021</b>	<b>2020</b>
<b>1. domestic</b>	<b>712 818</b>	<b>451 131</b>
a) transformer sheets	42 779	29 897
b) toroidal cores	4 974	3 972
c) hydrogen	4 982	4 700
d) steel sheet for banding steel	0	7
e) steel sheets, hot-rolled and cold-rolled strips	59 277	24 944
f) cold formed profiles	520 859	313 065
g) road barriers	72 716	67 837
h) services	7 231	6 709
<b>2. export</b>	<b>919 053</b>	<b>561 307</b>
a) transformer sheets	632 271	388 322
b) toroidal cores	10 795	8 238
c) hydrogen	5 812	4 916
d) steel sheets, hot-rolled and cold-rolled strips	3 903	3 121
e) cold formed profiles	222 086	124 374
f) road barriers	43 634	31 900
g) services	552	436
<b>Net income from sales of products, total</b>	<b>1 631 871</b>	<b>1 012 438</b>

<b>NOTE 24d – Net sales of goods and materials (material structure – types of activities)</b>	<b>thousands of PLN</b>	
	<b>2021</b>	<b>2020</b>
<b>1. goods</b>	<b>322 636</b>	<b>218 924</b>
including: from related parties	319 306	215 007
<b>2. technological waste</b>	<b>41 228</b>	<b>21 555</b>
including: from related parties	0	0
<b>3. other materials</b>	<b>2 116</b>	<b>578</b>
including: from related parties	10	2
<b>Net revenues from sales of goods and materials, total</b>	<b>365 980</b>	<b>241 058</b>
including: from related parties	319 316	215 009

<b>NOTE 24e - NET REVENUE FROM SALES ON THE BASIS OF CONTRACTS WITH CUSTOMERS</b>	<b>thousand x PLN</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues: Transformer Sheet Segment</b>	<b>695 800</b>	<b>435 129</b>
Balances at the beginning and end of the period		
1. receivables	159 225	89 050
2. contract assets	0	0

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

3. contract liabilities	0	0
4. revenues recognized in a given statement period regarding liabilities	0	0
<b>Revenues: Profile Segment</b>	<b>922 475</b>	<b>565 248</b>
Balances at the beginning and end of the period		
1. receivables	110 303	85 359
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.

**Costs by type**

NOTA 25a - COSTS OF PRODUCTS, GOODS AND MATERIALS SOLD	w tys. zł	
	2021	2020
1. manufacturing cost of products sold	1 308 631	930 343
2. value of goods and materials sold	354 759	235 239
<b>Total costs of products, goods and materials sold</b>	<b>1 663 390</b>	<b>1 165 582</b>

NOTE 25b – Costs by type – cost of manufacture of products sold	thousands of PLN	
	2021	2020
1. amortization	50 141	52 754
2. consumption of materials and energy	1 199 389	739 476
3. external services	113 326	98 130
4. taxes and fees	14 662	12 533
5. payroll	103 424	91 044
6. social insurance and other benefits	24 622	21 952
7. other costs by type (due to)	16 138	6 685
a) business trips	104	80
b) property insurance	550	409
c) representation and advertising	64	63
d) other	15 420	6 133
<b>Costs by type, total</b>	<b>1 521 702</b>	<b>1 022 574</b>
Change in stocks, products and accruals	-114 249	-14 351
Cost of manufacture of goods produced for own purposes (negative value)	-1 930	-937
Selling costs (negative value)	-49 635	-40 129
General and administrative costs	-47 257	-36 814
<b>Cost of manufacture of products sold</b>	<b>1 308 631</b>	<b>930 343</b>

**Other operating income and expenses**

NOTE 26 – Other operating revenues	thousands of PLN	
	2021	2020
1) reversed provisions (due to)	26 225	13 405
a) doubtful receivables	10	
b) retirement benefits	684	1 362
c) energy origin certificates and purchase of CO2 emission rights	13 796	8 988

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

d) write-offs updating inventories	11 621	2 688
e) for bonuses	114	367
2. other, including:	<b>7 448</b>	<b>14 524</b>
a) received compensation	537	150
b) revenues from sales of fixed assets	650	3 099
c) working capital surpluses	139	
d) co-financing for the protection of jobs (Covid)	0	8 939
e) allocated CO2 emission rights	5 025	1 180
f) other	1 097	1 156
Other operating revenues, total	<b>33 673</b>	<b>27 929</b>

NOTE 27 – Other operating costs	thousands of PLN	
	2021	2020
1. reserves (due to)	<b>31 760</b>	<b>14 588</b>
a) doubtful receivables	49	65
b) retirement benefits	346	1 449
c) the rehabilitation of a landfill	0	55
d) value of finished products	17 414	472
e) unused production capacity	685	1 367
f) for the purchase of energy origin certificates and CO <sub>2</sub> certificates	12 435	11 066
g) for a bonus	203	114
h) other / including write-off of tangible fixed assets, write-off of investments without effect /	628	
2. other, including:	<b>7 218</b>	<b>1 395</b>
a) donations	59	12
b) costs of legal proceedings	1	6
c) penalties, fines, damages	58	22
d) shortages in current assets	486	35
e) value of scrapped materials and products	382	20
f) trial costs	548	1 136
g) value of liquidated fixed assets		0
h) redemption of free CO2 emissions	5 025	
i) other	659	164
Other operating costs, total	<b>38 978</b>	<b>15 983</b>

NOTE 28 – Financial revenues	thousands of PLN	
	2021	2020
1. revenues due to interests, including	<b>1 024</b>	<b>1 274</b>
a) from related parties	503	639
b) from other entities	521	635
2. exchange rate differences (the excess of negative over positive)	<b>0</b>	<b>2 683</b>
a) realized		
b) unrealized		2 683
3. released provisions, due to	<b>0</b>	<b>6 255</b>
a) implementation of liabilities due to the HRC contract		6 255



FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

4. other, including:	31 540	37 057
a) dividend received	31 540	37 057
b) revenues from the liquidation of a subsidiary		
Financial revenues, total	32 564	47 269

The General Meeting of Shareholders of ZGH "Bolesław" S.A. held on 15 June 2021 adopted a resolution on the payment of dividend from the result for the financial year 2020. The amount of the profit allocated to the dividend was PLN 2 per share. The amount of dividend received was PLN 31,540 thous. dividends were included in the Issuer's standalone result. Additionally, the amount of PLN 1,038 thous. was obtained from F&R on account of the shares held. PLN - this amount was presented in other operating income.

NOTE 29 – Financial expenses	thousands of PLN	
	2021	2020
1. due to credits and loans	3 127	2 104
a) from related parties		
b) from other entities	3 127	2 104
2. other interests	137	0
a) from related parties		
b) from other entities	137	0
3. exchange rate differences (the excess of negative over positive), including	1 130	0
a) realized		
b) unrealized	1 130	0
4. released provisions, due to	0	237
a) accrued but not paid interests		237
5. other, including	3 082	11 560
a) interest on IFRS 16 leases	3 082	2 896
b) impairment losses		8 664
Financial expenses, total	7 476	13 901

Settlement of exchange rate differences	thousands of PLN	
	2021	2020
1. positive exchange rate differences, including	15 780	19 567
a) realized	15 780	19 567
2. negative exchange rate differences	14 732	15 251
a) realized	14 732	15 251
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	1 048	4 316

**Current and deferred income tax**

NOTE 30 Current and deferred income tax	thousands of PLN	
	2021	2020
1. Gross profit (loss)	257 350	56 285
2. Differences between gross profit (loss) prior to income tax (by titles)	-6 084	-34 353

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

a) depreciation of the fixed assets classified for investment tax breaks		
b) amortization of tangible and intangible deductible expenses	13 947	-1 882
c) donations and voluntary contributions	84	12
d) provision for the redemption of energy origin certificates i CO <sub>2</sub>	-1 360	2 078
e) release of provision for retirement benefits	-683	-1 362
f) PFRON	1 749	1 725
g) provision for the reclamation of the Borek landfill site	0	55
h) write-off due to revaluation of long-term investments		8 663
i) cost regarding provisions for retirement benefits	726	1 449
j) dividend received	-31 540	-37 055
k) social insurance for November and December '2020' and paid in January and February '2021'	-3 081	-3 494
l) social insurance for November and December '2021' and paid in January and February '2022'	3 833	3 081
m) value reduction in respect of finished products and charge inventory	6 477	-849
n) costs of representation	21	16
o) the value of disposed fixed assets from valuation	160	436
p) release of the reserve for the purchase of GO STEEL	0	-6 255
r) the difference between the fee for perpetual usufruct and interest on the lease of this right	0	-54
s) exchange differences arising on the balance sheet valuation	1 130	-2 693
t) other (including free CO <sub>2</sub> )	2 453	1 776
3. Taxable income	251 266	21 932
4. Deduction of losses from previous years	-30 713	-21 932
4. Income tax at the rate 19%	41 905	0
5. Current income tax disclosed in tax declaration for the period, including:	41 905	0
a) disclosed in profit and loss account	37 287	1 441
b) the adjustment of the provision for deferred income tax	4 561	
c) undistributed profit from previous years	57	
6. Deferred income tax due to temporary differences	4 561	1 441

The effective tax rate calculated by the method of dividing the tax shown in the income statement into gross profit is 14.49%. After adjusting for permanent differences - balance sheet revenues and costs, which will never become tax revenues and expenses, amounting to PLN 11,610 thousand, the effective tax rate would be 19.00%

**NOTE 27 – PROFIT DISTRIBUTION**

The net profit for the financial year 2020 in the amount of PLN 54 843 411.16 was divided by the General Meeting as follows:

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

Proposed distribution of the net profit for the reporting period in the amount of PLN **220,062,879.55**:

- reserve capital 153,099,675.55  
- dividend 66,963,204.00.

**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 39.44.

## 6. 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.

<b>Balance sheet - the activity in the area of generation, distribution and sales of electricity.</b>	Electricity generation		<i>Electricity distribution</i>		<i>Sales of electricity</i>	
	<i>The figures presented in the Polish zloty</i>					
	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.
<b>Assets</b>	<b>872 382,47</b>	<b>928 390,55</b>	<b>234 315,46</b>	<b>226 967,74</b>	<b>114 934,61</b>	<b>94 512,93</b>
<b>I. Fixed assets</b>	<b>872 382,47</b>	<b>928 390,55</b>	<b>176 081,92</b>	<b>170 505,03</b>	<b>0,00</b>	<b>0,00</b>
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	872 382,47	928 390,55	176 081,92	170 505,03		
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						

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

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>58 233,53</b>	<b>56 462,71</b>	<b>114 934,61</b>	<b>94 512,93</b>
1. Inventories						
2. Short-term receivables			58 233,53	56 462,71	114 934,61	94 512,93
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>872 382,47</b>	<b>928 390,55</b>	<b>234 315,46</b>	<b>226 967,74</b>	<b>114 934,61</b>	<b>94 512,93</b>
<b>Liabilities and Shareholder's Equity</b>						
<b>I. Shareholders' Equity</b>	<b>872 382,47</b>	<b>928 390,55</b>	<b>219 134,00</b>	<b>217 525,54</b>	<b>97 246,89</b>	<b>81 478,00</b>
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	932 960,82	988 321,26	217 525,54	206 065,66	45 164,53	37 872,95
4. Reserve capital from revaluation						
5. Other reserve capital						
6. Retained earnings (losses)						
7. Net profit (loss)	-60 578,36	-59 930,71	1 608,46	11 459,87	52 082,36	43 605,05
<b>II. Liabilities and provisions for liabilities</b>	<b>0,00</b>	<b>0,00</b>	<b>15 181,46</b>	<b>9 442,19</b>	<b>17 687,72</b>	<b>13 034,93</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			15 181,46	9 442,19	17 687,72	13 034,93
3.1. Short-term credits and loans						
3.2. Current part of long-term credits and loans						
3.3. Trade liabilities			15 181,46	9 442,19	17 687,72	13 034,93
3.4. Income tax liabilities						
3.5. Other short-term liabilities						
4. Accruals						
<b>Total liabilities</b>	<b>872 382,47</b>	<b>928 390,55</b>	<b>234 315,46</b>	<b>226 967,73</b>	<b>114 934,61</b>	<b>94 512,93</b>

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

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					
	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.
I. Net sales of products, goods and materials, including:	0,00	0,00	209 581,68	155 501,67	362 192,74	375 064,04
1. Net sales of products	0,00	0,00	209 581,68	155 501,67	362 192,74	375 064,04
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	59 538,69	59 120,79	203 015,73	139 474,81	289 326,00	310 215,60
1. Production cost of products sold	59 538,69	59 120,79	203 015,73	139 474,81	289 326,00	310 215,60
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	-59 538,69	-59 120,79	6 565,95	16 026,86	72 866,74	64 848,44
IV. Selling costs						
V. General and administrative costs	1 039,67	809,92	4 957,49	4 566,98	8 567,38	11 015,39
VI. Profit (loss) on sales	-60 578,36	-59 930,71	1 608,46	11 459,87	64 299,36	53 833,05
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	-60 578,36	-59 930,71	1 608,46	11 459,87	64 299,36	53 833,05
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	-60 578,36	-59 930,71	1 608,46	11 459,87	64 299,36	53 833,05
XIII. Income tax					12 217,00	10 228,00
XIV. Net profit (loss)	-60 578,36	-59 930,71	1 608,46	11 459,87	52 082,36	43 605,05

<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					
	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.
<b>Assets</b>						
<b>I. Fixed assets</b>	<b>125 946,80</b>	<b>139 353,45</b>	<b>58 203,87</b>	<b>64 352,69</b>		
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	125 946,80	139 353,45	58 203,87	64 352,69		
3. Long-term receivables						
4. Long-term investments						
4.1. Real estate investments						
4.2. Intangible assets						
4.3. Long-term financial assets						

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

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>8 000,00</b>	<b>7 687,63</b>
1. Inventories						
2. Short-term receivables					8 000,00	7 687,63
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>125 946,80</b>	<b>139 353,45</b>	<b>58 203,87</b>	<b>64 352,69</b>	<b>8 000,00</b>	<b>7 687,63</b>
<b>Liabilities and Shareholder's Equity</b>						
<b>I. Shareholders' Equity</b>	<b>125 946,80</b>	<b>139 353,45</b>	<b>58 203,87</b>	<b>64 352,69</b>	<b>8 000,00</b>	<b>7 687,63</b>
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	125 946,80	139 353,45	58 203,87	64 352,69	78 379,00	11 960,63
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	-70 379,00	-4 273,00
<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>125 946,80</b>	<b>139 353,45</b>	<b>58 203,87</b>	<b>64 352,69</b>	<b>8 000,00</b>	<b>7 687,63</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					
	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.	31.12.2021 r.	31.12.2020 r.
I. Net sales of products, goods and materials, including:	347 447,00	244 606,00	38 606,00	27 179,00	315 674,00	267 512,00
1. Net sales of products	347 447,00	244 606,00	38 606,00	27 179,00	315 674,00	267 512,00
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	347 447,00	244 606,00	38 606,00	27 179,00	386 053,00	271 785,00
1. Production cost of products sold	347 447,00	244 606,00	38 606,00	27 179,00	386 053,00	271 785,00
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	0,00	0,00	0,00	0,00	-70 379,00	-4 273,00
IV. Selling costs						
V. General and administrative costs						
VI. Profit (loss) on sales	0,00	0,00	0,00	0,00	-70 379,00	-4 273,00
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	0,00	0,00	0,00	0,00	-70 379,00	-4 273,00
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	0,00	0,00	0,00	0,00	-70 379,00	-4 273,00
XIII. Income tax						
XIV. Net profit (loss)	0,00	0,00	0,00	0,00	-70 379,00	-4 273,00

## 7. 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 2021	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	<b>695 800</b>	<b>922 475</b>	<b>379 575</b>	<b>1 997 850</b>
Domestic sales	52 735	652 852	103 060	<b>808 647</b>
Export	643 065	269 623	276 515	<b>1 189 203</b>
Segment costs	<b>550 730</b>	<b>795 645</b>	<b>366 650</b>	<b>1 713 025</b>
<b>Segment result</b>	<b>145 070</b>	<b>126 830</b>	<b>12 925</b>	<b>284 825</b>
Other operating income and financial income not assigned to the segment				66 237



FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

Other general operational costs and financial costs associated to the segment				93 711
<b>Gross profit</b>				<b>257 351</b>
Income tax				37 287
<b>Net profit</b>				<b>220 064</b>
Segment assets	870 099	778 643	260 746	1 909 488
Assets not assigned to the segment				524 535
Total assets				2 434 023
Liabilities	236 682	187 373	69 035	493 091
				0
Total liabilities				493 091
Capital expenditures	2 912	6 610	2 865	12 387
Depreciation	29 581	18 747	1 814	50 141

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
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

## 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	2021	2020
<i>Shares and stocks</i>	<i>fair value through financial result</i>	119	119
Trade receivables (net)	<i>amortised cost</i>	302 839	196 365
<i>Other receivables (without public-law)</i>	<i>amortised cost</i>	4 806	5 299
loans granted	<i>amortised cost</i>	14 500	18 400
Cash and cash equivalents	<i>fair value through financial result</i>	152 963	193 545
<b>Total financial assets</b>	<i>amortised cost</i>	<b>475 227</b>	<b>413 728</b>
trade liabilities	<i>amortised cost</i>	275 720	171 956
credits and loans	<i>amortised cost</i>	30 000	50 000
<b>Total financial liabilities</b>		<b>305 720</b>	<b>221 956</b>

As at 31/12/2021, fair values do not differ from book values. As at 31.12.2021, 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

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2021

	4	39	35	average
	3	34	30	average
III	2	29	20	significant
	1	19	14	significant
	0	13	0	insolvency

Group's share in balances of receivables from operating segments as at 31.12.2021					
Segment	Group I	Group II	Group III	Others	Total
Electrical sheets	63%	31%	6%	0%	100%
Profiles	44%	34%	10%	11%	100%
Other Activities	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in 2021					
Segment	Group I	Group II	Group III	Others	Total
Electrical sheets	53%	33%	13%	0%	100%
Profiles	39%	40%	11%	11%	100%
Other Activities	100%	0%	0%	0%	100%

THE HEDGINGS ADOPTED			thousands x USD/EUR/PLN					
			31.12.2021			31.12.2020		
No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	109	PLN	109	161	PLN	161
2	Bank guarantees and letters of credit	credit /contractual	6 760	EUR	31 092	4 680	EUR	21 597
3	Bank guarantees and letters of credit	credit/contractual	1 645	USD	6 679	3 265	USD	12 271
4	Sureties	credit/contractual	17 500	EUR	80 490	15 500	EUR	71 529
5	Pledges and mortgages	credit/contractual	21 616	PLN	21 616	19 008	PLN	19 508
6	Pledges and mortgages	credit/contractual	0	EUR	0	500	EUR	0
	<b>Total value of securities in PLN</b>				139 985			125 066

AMOUNT AT CREDIT RISK	w tys. zł	
	31.12.2021	31.12.2020
1. Balance sheet value of the receivables balance	346 942	213 202
2. Issued guarantees and letters of credit	18 968	16 644
3. Fair value of derivative transactions		
4. Collaterals accepted	139 985	125 067
5. Receivables towards related entities	32 385	21 666
Amount at risk	<b>193 540</b>	<b>83 113</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. In 2021, an allowance for receivables was created in the amount of PLN 221 thousand, which gives a customer default rate of 0.007%.

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 193,540 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 12 months 2020 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 8.8%, while for 2021 it was 5.6%.

#### 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. 9e and 9f.

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 31.12.2021 the Company had:

loans granted in the amount of – PLN 14,500 thousand,

cash – PLN 152,963 thousand,

short-term revolving loans – no use

long-term loans – PLN 30 000 thousand,

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

Both 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	
	2021	2020
Exchange rate increase by 100 basis points		
Impact on the gross result	1 375	1 619
Exchange rate decrease by 100 basis points		
Impact on the gross result	- 1 375	- 1 619

Additionally, the Company shows in the balance sheet long-term liabilities in the amount of PLN 56,535 thousand with the title lease contracts (IFRS 16 measurement) result from perpetual usufruct defined in IFRS 16 as lease. This liability was measured at the present value of the remaining fees for perpetual usufruct (leasing fees) discounted over the period of its use. To discount the liability for annual perpetual fees, an interest rate of 5% was used, which consists of the interest rate on 10-year bonds and the risk premium. If a higher interest rate is adopted for the measurement of this liability, there will be a decrease in the current value on this account.



### 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 2020, in 2021 its position was mostly characterized as open short position due to the increased USD purchases.

As of 31.12.2021, 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 9d and 18 notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2021	2020
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	10 311	5 546
PLN STRENGTHENING to USD & EUR by 5%		
Impact on gross result	-10 311	-5 546

### 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	
	2021	2020
<i>Debt</i>	30 000	50 000
<i>Cash</i>	-152 963	-193 545
<i>Net Debt</i>	-122 963	-143 545
<i>Equity</i>	1 940 931	1 754 349
<b>Net Debt Relation to Equity</b>	<b>-6,35%</b>	<b>-8,18%</b>

Debt is understood as long- and short-term debt presented in note 20 and in credits and loans. At the end of 2021, the balance sheet shows net cash (negative net debt).

In 2021, 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 increase of the net profit per share took place. The net profit per 1 share amounted to PLN 39.44 in 2021 against PLN 9.83 in 2020.

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

In 2021, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, increased and is taking out 0.80.

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 2021	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
ZGH „Bolesław” S.A.	8	22	10	121
Anew Institute sp. z o.o.				56
Stalprodukt-Wamech sp. z o.o.	395	6 908	2 807	20 630
Stalprodukt-Zamość sp. z o.o.	1 778	85	13 411	305
Stalprodukt-Ochrona sp. z o.o.	28	831	242	4 108
STP Elbud sp. z o.o.	254	4 161	3 525	23 954
Cynk-Mal S.S.	3 050	2 147	51 278	7 855
GO STEEL a.s.	26 853	9 670	276 565	98 352
Hotel Ferreus Sp. z o.o.	2		9	
PTZ Sp. z o.o.	2		4	

Moreover, in 2021 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 303 thousand, costs PLN 144 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. sales PLN 236 thousand, liabilities PLN 5 thousand The receivables balance for F&R Finanse Sp. z o.o. PLN 12 808 thousand. These were typical market transactions.

Specification 2020	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-Centrostał 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
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.

### *Estimated values*

In 2021 in addition to standard estimates, unit events presented in the notes of this statement were made:

- Provision of PLN 6,123 thous. was created for the redemption of energy origin certificates and PLN 6,312 thous. for redemption of CO<sub>2</sub> certificates, and the provision of PLN 4,272 thous. was released for the redemption of energy origin certificates and 9,524 thous. for the redemption of CO<sub>2</sub> certificates.
- The provision for retirement benefits in the amount of PLN 683 thousand was released, and a provision was created for retirement benefits in the amount of PLN 346 thousand.
- A reserve for bonuses in the amount of PLN 380 thousand was created, and the bonus accrued to customers in the amount of PLN 203 thousand.
- 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 2021, the Company assessed the unused production capacity in both operating segments. In the opinion of the Company, the calculated amount of PLN 685 thousand, which constitutes 0.84% of the total production cost.
- In the reporting period, the write-off in the amount of PLN 11 621 thousand was reversed in terms of inventories of finished products and a write-down was created for inventories of finished products and semi-finished products in the amount of PLN 18,099 thousand, including PLN 685 thousand due to unused production capacity. A write-off for residual spare parts was created: PLN 74 thousand and unusable fixed assets in the amount of PLN 385 thousand / a building at Wadowicka St. being demolished/.
- Changes in deferred tax assets are presented in Note 7a, and changes in deferred tax liabilities in Note 15.

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

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

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

2. Due to the completion by the Company of the construction of the 5-star Ferreus Hotel in Kraków, on March 9, 2021, the articles of association of the company Hotel Ferreus Sp. z o.o. were drawn up. The share capital of this company is PLN 500 thousand and is divided into 500 shares with a nominal value of 1 thousand PLN each, which were fully covered by Stalprodukt S.A. as its sole partner.

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

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

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

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

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

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

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

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

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

Contrary to 2020, which was the first year of the COVID-19 coronavirus pandemic, the Company did not experience its negative effects in this operating segment in the reporting period.

In particular, the low sickness absence related to the coronavirus allowed for the uninterrupted operation of all basic production installations and the implementation of sales plans. In addition, all restrictions related to the operation of production plants in companies that are the Company's customers, introduced in 2020 (especially in the first months of the pandemic), have been cancelled. Previous severe restrictions related to the functioning of transport and supply chains have also been eliminated, although sea freight prices remained at a very high level.

#### **b) Profiles Segment**

A similar situation occurred in the Profiles Segment, which in 2020 was most affected by the negative effects of the closure of the Polish economy and foreign target markets (collapse of demand at the turn of April and May 2020, caused by the cessation of production and the closure of plants belonging to the segment's customers). In particular, the areas related to the automotive, furniture and steel construction industries should be mentioned.

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

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

Plants belonging to the recipients of products of all operating segments did not encounter any significant restrictions in their activities in this period. The widespread vaccination against COVID-19 was certainly conducive to this, as well as remote work of some employees (this applies to administrative departments). The Management Board of the Company does not expect the situation to deteriorate in this respect in 2022, which means that the impact of the COVID-19 pandemic on the operations of both Stalprodukt production segments should remain insignificant.

Events after the balance sheet date***Information on the political and economic situation in Ukraine and its potential impact on the activities of the Issuer and its capital group.***

Stalprodukt S.A. and the companies of the Capital Group do not have any assets in Ukraine. The Stalprodukt company conducts a very limited commercial activity with customers in Ukraine and Russia. The share of these customers in the Company's sales structure is insignificant. Sales value to the above-mentioned countries accounted for 0.22% in 2020 and 0.25% in 2021.

For the first two months of 2022 until the beginning of the armed conflict, it accounted for 0.03% of sales revenues.

The main direction of supply of charge materials for Stalprodukt (including mainly hot-rolled sheets) are mills belonging to the ArcelorMittal concern, located in Poland and Western Europe. The company makes only supplementary purchases of charge from mills in Ukraine and Russia (this applies only to the Profiles Segment). Purchases from the above-mentioned countries accounted for 5.94% in 2020 and 9.73% of material purchases, respectively. For the first two months of 2022 until the beginning of the armed conflict, the value of purchases accounted for 5.96% of total material purchases. In the opinion of the Company, these values do not constitute material items and do not have a negative impact on the financial situation of the Company.

As at the date of this report, these are the only effects of the political and economic situation in Ukraine that may affect the Issuer's operations. Due to the high dynamics of the development of the situation, it is difficult to predict other possible financial consequences that may occur in the long term.

***The position of the management board regarding the opinion expressed by the audit company in the report of the independent statutory auditor on the audit of the annual financial statements of Stalprodukt S.A., with the limitation of the scope of the audit***

The research and development works shown in the balance sheet concern works related to the implementation of a project in the area of renewable energy sources, i.e. the construction of a prototype of an innovative wind turbine with a vertical axis of rotation, with a capacity of 1.5 MW. In the opinion of the management, the conditions for initiating the works specified in IAS 38 are met. 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 contained in the "Report on the implementation as part of the NCBR pilot project entitled *Support for scientific research and development works at the demonstration scale the Demonstrator + "* of July 16, 2020). The choice of the method of commercialization will be possible after conducting tests and appropriate certification. Hence, the Company, for reasons beyond its control, is not able to perform the test in accordance with IAS 36. A



credible test can be performed only after positive certification and a decision to commercialize.

In the opinion of the Company, as at December 31, 2021, all the conditions set out in IAS 38 Intangible Assets were met for the components of intangible assets to be recognized as resulting from development work. These conditions are:

- a) the technical feasibility of completing the intangible asset so that it is fit for use or sale;
- b) the intention to complete the intangible asset and use or sell it;
- c) ability to use or sell the intangible asset;
- d) the way how the intangible asset will generate probable future economic benefits. Among other things, the entity may prove that there is a market for the products created by the intangible asset or for the asset itself, or, if the asset is intended to be used by the entity, the utility of the intangible asset;
- e) the availability of appropriate technical, financial and other resources to complete the development work and use or sale of the intangible asset;
- f) the possibility of a reliable determination of the expenditure incurred during development works that can be assigned to this intangible asset.

Bearing in mind the above, in the opinion of the Company, the value of the investment task should be considered on two levels, that is:

- the B1 power plant unit will be used to generate electricity; and at the same:
- The company (through a 100% subsidiary of Anew Institute Sp. z o.o.) has design and executive documentation and is the owner of patents covering the applied solutions.

Due to the subject of activity, ANEW INSTITUTE SP. Z O. O is a research and development special purpose vehicle, incurring expenditure on work and focusing on the achievement of the basic goal, at the same time it does not show any revenues from commercial activities. The value of shares as at December 31, 2021 is PLN 8 589 thousand and mostly are intangible assets related to the design and construction documentation. The company is also the owner of patents covering the applied solutions. The revenues achieved by the subsidiary resulted, inter alia, from the supervision of the prepared devices, however, the emerging failures and interruptions in the work of the power plant - normal for prototype devices remaining at the testing stage - significantly limited the possibility of generating revenues allowing for positive results from the company's operations from period to period. Due to the time-consuming nature of the works and tests carried out, with the limited possibility of obtaining revenues from the activity on a current basis, the company reported a loss every period, which was charged to equity.

The advantage of a wind farm structure with a vertical axis of rotation results from many factors, among which - apart from the technological ones, already demonstrated in previous studies - the legal environment and natural conditions should also be indicated.

- The Act of May 20, 2016 on investments in wind farms introduces the requirement to locate devices at a minimum distance from residential buildings, which is ten times the height of the device. Assuming that the diameter of only the propeller of a 2 MW



power plant with a horizontal axis of rotation is 80 meters, and the tower is 100 meters high, this regulation significantly limits the possibility of using this type of devices, limiting their installation only to areas with low density of buildings. Advantage of B1: the device is 60 meters high (with a blade "sweep" diameter of 52 m), which allows installation in locations close to buildings and in areas with denser buildings.

- Wind conditions for energy purposes in Poland are defined as medium, but so high that they constitute a potentially efficient source of renewable energy. It should be taken into account that in most of the country weak winds prevail, and the most attractive areas for the location of classic power plants (with a horizontal axis of rotation) are limited to: the coast of the Baltic Sea, Mazovia, part of the Wielkopolska Lake District and some mountain areas. Advantage of B1: possibility to operate at a lower excitation level and high efficiency at low wind speeds, which enables use throughout Poland.
- Power plants with a horizontal axis of rotation during operation generate eddy currents that disturb the wind conditions on the farm. The consequence of this is the necessity to arrange them at considerable distances from each other, which results in low use of the wind farm surface area. Advantage of B1: It does not generate eddy currents and does not interfere with wind conditions, which allows it to be placed between classic power plants in order to increase the efficiency per unit area of a wind farm.

In addition, the Company emphasizes that the *Fit for 55* reform package plans to tighten the EU climate policy in order to reduce greenhouse gas emissions to 55% by 2030 compared to the 1990 level. The new, stricter regulations and targets set for individual EU countries will be a burden for systems based on conventional emission sources of energy, forcing their replacement with renewable sources. The pace of energy transformation in Poland has been set in the strategy "Poland's Energy Policy until 2040", assuming a rapid expansion of onshore wind capacity by 2030 (increase from 6 to 18 GW, i.e. by 12 GW), photovoltaic power plants (up to 12 GW), gas (up to 6 GW) and offshore wind energy (up to 3 GW). The share of onshore wind energy production will increase in the national energy mix from the current 13% to 25%. It should be noted that this strategy has not yet taken into account the *Fit for 55* assumptions, but it can be expected that the upward trend in the share of renewable energy will be further strengthened. The cost of necessary investments in the Polish energy sector aimed at its transformation in order to achieve the required emission level, estimated by Pekao S.A. bank analysts in the report "The impact of the Fit for 55 package on the Polish economy" of December 2021, amounts to EUR 226 billion.

Taking into account the technical completion of the B1 device design and the upcoming next stage of certification, it should be mentioned that the tests will be carried out by an independent certification body. The contract for the development and commissioning of a system for determining the power curve and optimizing the control of a wind turbine, which

is currently being prepared, stipulates that the works are to be completed within six months of its signing. The contract provides for: inspection and maintenance of the existing vibration measurement system, updating of firmware and configuration, preparation of the dynamic condition report of the machine, determination of the power curve according to the PN- EN 61400-12-1 standard and creation of an algorithm for optimizing the operation of the turbine.

Analysing the above-mentioned factors, in particular: ecological trends and requirements of the European energy policy, legal conditions and climate conditions in Poland, it should be stated that, in the opinion of the Company, power plants with a vertical axis of rotation will be successfully used in the planned energy system of the country, both as a basis for building wind farms, as well as an element that perfectly complements the existing wind fields.

At the same time, in March this year the wind farm has been accepted and constitutes a fixed asset worth PLN 30 million.

Taking into account that the successfully completed prototype of the turbine is on the verge of entering the final stage - certification - in our opinion, there are no grounds for a write-off as at December 31, 2021, the value of assets in the form of: intangible assets including the B1 Power Plant project and shares in a subsidiary below the value recognized in the financial statements.

#### *Other information*

1. In 2021, 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 31.12.2021, which distort the picture of the activities of the financial year 2021.
3. During the reporting period the Company incurred capital expenditures of PLN 12,388 thousand. Planned capital expenditures for 2022 amounts to about PLN 37,400 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 18,967 thousand.
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 2021, total employment equalled 1,365 people, including 1,090 blue-collar and related workers, and 275 white-collar workers.
6. Remunerations, including awards, paid to managing and supervising staff in the Company amounted in the 2020 - PLN 3,113 thousand, and in the year 2021 - PLN 2,177 thousand, including the remuneration of the Management Board as appropriate: PLN

2,791 and PLN 1,777 thousand, and the remuneration of the Supervisory Board amounted to PLN 323 and PLN 400 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 272 thousand, and supervisors PLN 14 thousand, while in 2021 - PLN 228 thousand, including the managers PLN 228 thousand, and supervisors PLN 0 thousand.
8. The Management Board of STALPRODUKT S.A. (hereinafter referred to as the "Issuer" or "the Company") hereby informs that on March 15, 2022, it received a notification from FCASE limited liability company sp.k. that it sold to a commercial company, under a contract of sale, the 56,600 registered preference shares, constituting 1.02% of the share capital and entitling to 283,000 votes at the Issuer's General Meeting, constituting 2.32% of the total votes. After the transaction, it holds 243,410 preference registered shares, representing 4.36% of the share capital and entitling to 1,217,050 votes at the Issuer's General Meeting, representing 9.98% of the total votes (CR No. 3 - Sale of a significant block of shares).
9. The remuneration for the audit company was:
  - for the review of the semi-annual separate statement – PLN 20,000;
  - for the review of the semi-annual consolidated statement – PLN 18,000.In addition, the price for auditing annual financial statements shall be:
  - separate financial statement – PLN 50,000;
  - consolidated financial statement – PLN 36,000.
10. 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.
11. After 31.12.2021, 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 2021, which could materially affect the situation in the Company and its future financial results.
12. 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%.
13. The Issuer, as the Parent Company, draws up the consolidated financial statements under the full method, including all the subsidiaries therein.

These financial statements of Stalprodukt S.A. for 2021 was approved for publication by the Management Board of the Company on 29 April 2022.

Bochnia, 29 April 2022.

The person authorised to  
keep accounting books

Head of the Accounting  
and Tax Department

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

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