

**Statement of the Management Board
on the operations of the Stalprodukt S. A.
for the period
from 1 January 20210 to 31 December 2021**

Bochnia, April 2022

Part I. Information on the main areas of operations of Stalprodukt S.A.

1. Introduction

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

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

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

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

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

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

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

- In 2005, the Company purchased the Power Engineering Steel Structure Enterprise "ELBUD" in Kraków.
- On 1 October 2008, Stalprodukt acquired - under a new share issue - a controlling share package (51%) in Cynk-Mal S.A. with its registered office in Legnica (1 July 2016, after the purchase of shares held by minority shareholders, Stalprodukt became the sole owner of this company).
- On 7 November 2012, the Company concluded an Agreement with the State Treasury, as a result of which Stalprodukt S.A. acquired 10,961,600 named shares of "Bolesław" Mining and Metallurgical Plant S.A. with its registered office in Bukowno, constituting 86.92% of its share capital.

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

For several years, Stalprodukt has distinguished as part of its operations 2 basic operating segments:

- a) **Electrical Steels Segment** including the production of electrical transformer steels and toroidal cores;
- b) **Formed Profiles Segment** including production:
 - cold formed sections;
 - protective road barriers;
 - toroidal cores;
 - hot and cold rolled steels - in sheets and strips

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

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

2.1. Electrical Steels Segment

a) Transformer steels and strips

In 2021, in terms of volume, 11.1% more transformer sheets were sold compared to 2020, in terms of sales revenues, an increase was recorded by 61%, and prices were higher by 45%.

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

The result obtained on the domestic market was weaker than the total result - there was a quantitative increase by 5.3% and a value increase by 43.1% compared to the result obtained in the previous year.

In 2021, domestic sales accounted for 6.3% of the total sales of transformer sheets and we estimate that this result translates into approximately 35% of Stalprodukt's share in the apparent consumption of transformer sheets in the country.

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

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

The main directions of import of transformer sheets to Poland (by country of origin) in 2021 are:

- in the field of strips: Italy (38%), Germany (34%) and the Czech Republic (14%),
- for wide coils: Japan and Germany.

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Table 1. Sales of transformer steels and strips

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	4 167	4 389	5,3	29 897	42 779	43,1
Export	62 173	69 299	11,5	388 322	632 271	62,8
Total	66 340	73 689	11,1	418 218	675 050	61,4

Market environment

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

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

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

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

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

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

The so-called "Black Sheets" (HRC) in both Europe and the USA in 2021 experienced two major and related trends: restrictions in production and supply of material, and historic increases in the prices of finished products. The reason for the increase in prices was also the increases in the prices of raw materials, but they were not as fast as the prices of finished products.

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

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

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

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

b) Toroidal cores

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

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

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

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

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

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

Table 2. Sales of transformer cores

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

Market environment

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

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

2.2 Segment of Bent Sections

a) Cold-formed sections

In 2021, nearly 153 thousand tonnes of sections and pipes were sold for nearly PLN 732 million. This result means: 6.9% decrease in volume and 67.3% increase in sales value.

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

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

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

- a decrease in the production of cold-formed sections in Poland by 0,5% - to the level of 307 thousand tonnes;

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

Table 3. Comparative summary of sales of cold formed sections

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

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

Production of steel pipes in the EU

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

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

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

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

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

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

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

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

b) Road barriers

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

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

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

Table 4. Comparative summary of sales of road barriers

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	13 169	13 037	-1,0	67 837	72 716	7,2
Export	6 155	7 049	14,5	31 900	43 634	36,8
Total	19 324	20 086	3,9	99 737	116 350	16,7

Market environment

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

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

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

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

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

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

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

GDDKiA also implements investments from the government's Program for the construction of 100 ring roads for 2020-2030. As part of the bypass construction program throughout Poland, 100 tasks will be created with a total length of approx. 830 km and a value of approx. PLN 28 billion.

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

- **indexation mechanism** and doubts around it

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

- **increase in prices**

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

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

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

- **access to guarantees and loans**

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

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

- **competition and new products**

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

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

c) Products of the Sheet Metal Service Centre

In 2021, 13.7 thousand tonnes of sheets for PLN 63.2 million, which means an increase in volume by

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19.4% compared to 2020 and an increase in the value of sales by 125.1% compared to the previous year. The result was mainly determined by better domestic sales (+ 137.6%), which accounts for almost 94% of total sales.

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

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

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

Table 5. Sales of steel service centre products

Specification	Quantity (Mg)			Net Value (PLN '000)		
	2020	2021	2021/2020 (%)	2020	2021	2021/2020 (%)
Country	10 245	12 775	24,7	24 944	59 277	137,6
Export	1 238	940	-24,0	3 121	3 903	25,1
Total	11 483	13 715	19,4	28 065	63 180	125,1

Competitive situation

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

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

2.3. Segment of other activities

The segment of other activities, mainly covering the sale of goods, recorded a decrease in revenues in 2021 by 52.9% compared to 2020.

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

The sales structure in 2021 did not differ significantly compared to the structure in 2020. The over 60% increase in sales revenues was mainly caused by the increase in prices, and the differences in the sales structure of individual assortment groups in 2020 and 2021 were insignificant.

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Table 6. Assortment structure of sales of the individual operating segments

Assortment	2020		2021	
	value (PLN thousands)	share (%)	(PLN thousands)	share (%)
Transformer steels and strips	418 218	41,3	675 050	41,4
Toroidal cores	12 210	1,2	15 769	1,0
Cold formed profiles	437 439	43,2	742 945	45,5
Road safety barriers	99 737	9,8	116 350	7,1
Steel service centre products*	28 065	2,8	63 180	3,9
Others	7 145	1,7	7 783	1,1
Total	1 012 438	100,0	1 631 871	100,0

* hot and cold rolled sheets and strips

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

OPERATING SEGMENTS			
Steels Segment	2020	2021	Change (2021/2020)
Segment revenues <i>thousand x PLN</i>	440 046	695 800	58,1
Segment result <i>thousand x PLN</i>	34 275	145 070	323,3
Segment margin %	7,8	20,8	
Profiles Segment			
Segment revenues <i>thousand x PLN</i>	565 248	922 475	63,2
Segment result <i>thousand x PLN</i>	13 048	126 830	872,0
Segment margin %	2,3	13,7	
Segment of other operations			
Segment revenues <i>thousand x PLN</i>	248 202	379 575	52,9
Segment result <i>thousand x PLN</i>	464	12 925	2685,6
Segment margin %	0,2	3,4	
Operating segments in total			
Segments' revenues <i>thousand x PLN</i>	1 253 496	1 997 850	59,4
Segments' result <i>thousand x PLN</i>	47 787	284 825	496,0
Segments' margin %	3,8	14,3	

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The revenues of the Electrical Sheets Segment increased by 58.1% compared to 2020, and the Segment's result increased by 323.3%.

The Segment's margin increased from 7.8% to 20.8%. In the case of the Bent Profiles Segment, the level of revenues increased even more compared to 2020 (i.e. by 63.2%), while the Segment's result recorded an almost 10-fold increase, which translated into an increase in the margin from 2.3% to 13.7%.

The segment of other activities recorded an increase in revenues by 52.9%, while its result increased almost 28 times, with an increase in the margin to 3.4% (from 0.2% in 2020).

Sources of supply of materials for production

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

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

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

In 2021, the ArcelorMittal Group with a share of 77.3% remained the main supplier of charge material for Stalprodukt, with the value of supplies exceeding 10% of the individual sales revenues.

3. Assessment of the economic and financial situation

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

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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	

Basic economic and financial figures

In 2021, revenues from the sale of products, goods and materials amounted to PLN 1,997.9 million, which means an increase by 59.4% compared to 2020. The company generated operating profit in the amount of PLN 232.3 million. The net profit in 2021 was PLN 220.1 million, while EBITDA was PLN 282.4 million.

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

Specification	2020	2021
Return on sales	0,9	11,9
Operating return	1,8	11,6
Gross return	4,5	12,9
Net return	4,4	11,0

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

Specification	2020	2021
Return on assets	2,5	9,0
Return on equity	3,1	11,3

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

Specification	2020	2021
Acid test ratio	3,2	3,1
Increased liquidity ratio	2,1	1,7

In 2021, cash flow from operating activities was negative and amounted to PLN -2.1 million. Cash flows from investing activities were positive and amounted to PLN 23.0 million. On the other hand, cash flows

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at the financial level were negative and amounted to PLN -61.5 million and were related to the repayment of loans and the payment of dividends. The Company's assets increased from PLN 2,162.9 million (2020) to PLN 2,434.0 million (2021), i.e. by 12.5%.

The net working capital increased from PLN 473.5 million (2020) to PLN 672.3 million (2021).

The value of equity increased from PLN 1,754.3 million in 2020 to PLN 1,940.9 million at the end of 2021. Its value accounts for 80% of the balance sheet total.

Assessment of the obtained results and financial situation

In terms of the results obtained, 2021 was better for Stalprodukt than the previous year, mainly due to the increase in sales in terms of quantity and value. A significant improvement was achieved in terms of profit on sales (profit at the level of PLN 237.6 million compared to PLN 11.0 million in 2020) and operating activities (PLN 232.3 million with PLN 22.9 million in profit recorded in the previous year) .

A similar increase was recorded in terms of gross profit on sales (by 280%) and net profit, which increased by 301% and amounted to PLN 220.1 million..

Along with the significant improvement in profitability, the financial standing of the Company remained at a good level in the reporting period.

The company did not experience any payment gridlocks, consistently implementing the adopted risk management policy. It is also not threatened with fluctuating exchange rates due to the mostly natural hedging of this risk.

In 2021, there were no significant changes in the sources of financing of assets, but there were changes in their structure. The balance sheet value of fixed assets decreased by 3%, however, the value of current assets increased by 45%.

In the group of current assets, inventories constitute 46% (in 2020 - 34%), while receivables constitute 35% (in 2020 - 31%). Short-term financial assets account for 17% of current assets (in 2020 - 31%). In the structure of assets, the share of non-current assets was 59% (68% in the previous year), while the share of current assets was 41%. The Company's assets increased by PLN 271 million, i.e. by 12.5%. The increase in assets was accompanied by an increase in equity by PLN 186.6 million and an increase in liabilities and provisions for liabilities by PLN 84.5 million.

The structure of liabilities has not changed. Equity accounts for 80% of equity & liabilities, and liabilities for 20% (in 2020, 81% and 19%, respectively). The book value per ordinary share increased from PLN 314.38 to PLN 347.82.

Throughout the reporting period, the Company maintained very good financial liquidity, as evidenced by exemplary liquidity ratios and timely payment of all liabilities, both to employees and suppliers, as well as the budget and financial institutions.

The company is not excessively indebted and as at the balance sheet date it did not use the available overdraft facilities. In the opinion of the financing banks, the Stalprodukt Company has uninterrupted creditworthiness, and the results obtained and the transparent property and ownership situation allow it to obtain financing of the Company's activities in various forms.

In the reporting period, the Company renewed agreements with banks for multi-purpose credit lines aimed at securing the Company's sources of financing.

The management of financial resources should be considered correct, as evidenced by the achievement of good economic indicators used to assess the financial liquidity of the creditworthiness, as well as timely fulfillment of the contracted liabilities.

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

- the increase in the prices of input materials to historically record levels was due to the increase in production costs (mainly electricity and gas) amid growing demand, which was a reaction to the economic recovery after the pandemic period (this mainly concerns 2020). This, in turn, resulted in a dynamic increase in the prices of finished products in the entire steel processing industry;
- above market conditions had the greatest impact on the significant increase in revenues (in total by 59.4%) in all areas of the parent company's operations - Stalprodukt S.A. As a consequence, this situation directly translated into improved results at all levels of the profit and loss account;
- record increases in the prices of energy raw materials (especially electricity and gas), which resulted in an increase in the prime cost item "consumption of materials and energy" by as much as 64.4% compared to 2020. However, the effects of the increase in energy costs were largely offset by record increases in prices for the Company's finished products;
- increases in CO₂ emission allowances to record levels (over EUR 90/tonne), which directly contributed to the increases in energy and gas prices.

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

In 2021, the socio-economic situation in Poland was still to some extent affected by the COVID-19 pandemic. Temporary restrictions in socio-economic life (the largest in the first months of the year) were usually much less restrictive than in spring 2020, when the state of epidemic was introduced in the country.

• General economic situation in Poland

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

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

The main driver of economic growth in 2021 was domestic demand. Both consumption and investment demand had a positive effect. Domestic demand was 8.2% higher than in 2020. Total

consumption increased by 4.8% (it decreased by 1.1% in the previous year), of which consumption in the household sector increased by 6.2%.

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

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

- **steel production level**

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

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

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

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

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

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

- **demand for steel products in Europe**

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

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

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

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

- **apparent wear of steel**

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

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

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

Imports by country of origin

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

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

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

6. Organizational and capital links with other entities

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

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

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

- production of electrical transformer sheets - parent company Stalprodukt S.A., GO Steel a.s.,
- production of cold-formed sections, protective road barriers as well as cut, cold- and hot-rolled sheets and strips - the parent company Stalprodukt S.A.,
- mining of non-ferrous metal ores and production of zinc and lead - ZGH "Bolesław" S.A. together with its subsidiaries:
 - Zinc Smelter "Miasteczko Śląskie" S.A. - production of rectified zinc, lead and cadmium,
 - Boltech Sp. z o.o. - energy, laboratory and mechanical-construction services, transport, equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. - zinc-lead ore extraction and concentrate production,
 - Agency for the Protection of People and Property "Karo" Sp. z o. o - protection of property and people,
- commercial activities:
 - Stalprodukt-Centrostal Kraków Sp. z o.o., (from 29.09.2021 in liquidation,
 - Stalprodukt-Zamość Sp. z o.o.
- other production and service activities:
 - production of lightning conductors, galvanized wires and steel tapes - Cynk-Mal S.A.,
 - production of cold-rolled sheets - GO Steel a.s.,
 - production and regeneration of spare parts - Stalprodukt-Wamech Sp. z o. o.,
 - installation, repairs and maintenance of machines - Stalprodukt-Wamech Sp. z o. o.,

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- production of steel structures - STP Elbud Sp. z o. o., Stalprodukt-Wamech Sp. z o. o.,
- galvanizing services - STP Elbud Sp. z o. o. and Cynk-Mal S.A.,
- construction, maintenance of roads and highways - Stalprodukt-Wamech Sp. z o. o.,
- protection of property and people – Stalprodukt-Ochrona Sp. z o. o.,
- designing of devices related to the use of renewable energy sources - AnewInstitute Sp. z o.o.,
- Hotel Ferreus Sp. z o.o. - hotel services.

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.).

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

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

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

Transactions with related entities in 2021 concern:

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

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

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

In 2021, the Company extended the validity of the following loan agreements with annexes:

- A multi-purpose credit line agreement for an overdraft facility, guarantees and letters of credit with BNP Paribas S.A. with its registered office in Warsaw, with a limit of PLN 50,000 thousand. As part of the credit limit, a company from the Stalprodukt-Wamech Sp. z o. o. may use a sub-limit of PLN 2,000 thousand. PLN. The agreement is valid until November 24, 2021.

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- Credit limit at Bank Handlowy w Warszawie S.A. for a revolving line for granting bank guarantees and opening letters of credit with a revolving limit of up to PLN 65,000 thousand. The line is for the amount of PLN 50,000 thousand for an overdraft facility and issuing guarantees and letters of credit with a term of up to 18 months and PLN 15,000 thousand for long-term guarantees up to 5 years. The agreement is valid until September 29, 2022,
- with Bank PKO BP S.A. with its registered office in Warsaw for a multi-purpose credit limit in the amount of PLN 150,000 thousand, intended for the use of an overdraft (up to PLN 85,000 thousand) and the opening of letters of credit and granting guarantees (up to PLN 40,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and GO Steel a.s. may use sublimits in the amount of PLN 15,000 thousand and PLN 10,000 thousand. The duration of the Agreement: January 13, 2023,
- with Bank Pekao S.. with its seat in Warsaw for a credit line up to the total amount of PLN 100,000 thousand, for the overdraft limit (up to PLN 72,000 thousand) and for issuing guarantees and opening letters of credit (up to PLN 10,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and Cynk-Mal S.A. may use sublimits in the amount of respectively: PLN 13,000 thousand and PLN 15,000 thousand. The duration of the Agreement: September 30, 2023,
- with Bank Societe Generale S.A. with its seat in Warsaw for a multi-purpose credit limit in the amount of PLN 15,000 thousand, allotted to using an overdraft facility, opening letters of credit and granting guarantees (up to PLN 5,000 thousand). The duration of the Agreement: May 31, 2022.

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

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

9. Information on loans, sureties and guarantees granted by the Company in 2021

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

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

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

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

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

11. Information on own shares owned by the Company

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

12. Information on branches owned by the Company

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

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

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

The Company does not publish forecasts.

14. Assessment of financial resources management

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

15. Information on financial instruments

Detailed information on financial instruments in the scope of:

- a) risks: related to changing prices, loan, major obstructions to cash flow and cash flow loss, to which the entity is exposed,
- b) goals and financial risk management methods adopted by the entity, including hedging methods for crucial types of intended transactions to which hedge accounting is applied have been included in the Stalprodukt S.A. Financial Statement (Section 8. Financial Instruments and Risk Management Assessment).

16. Assessment of possibility to implement the intended investments

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

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

17. Investment activities and research and development works

17.1 Investment activities

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

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

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

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

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

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

- **Other investment tasks:**

- the third stage of works related to the installation of the SSP Fire Alarm System for the facilities of Stalprodukt S.A. has started, the planned completion of works - by the end of the third quarter of 2022,
- further bays of 6 kV switchgear were modernized,
- in the Electrical Sheets Segment, a network infrastructure (Wi-Fi) was completed for the needs of the task related to the implementation of product identification using barcodes,
- a capacitor bank for LV switching station has been installed in the P4 Bent Profiles Department,
- a task related to the implementation of a fully automated emulsifier was launched in Department P2, planned completion of the task: III quarter of 2022,
- a device for sheet drying on the NT line in the Electrical Sheets Segment was contracted.

17.1.1 Research and development works

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

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

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

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

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

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

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

18. Information on employment, payroll and training

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

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

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

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

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

Overview of strategic options

On October 9, 2020, the Supervisory Board approved the motion of the Stalprodukt Management Board regarding the initiation of the strategic options review process by the Company (confidential information provided in the form of a current report No. 20/2020 on the same day). The purpose of this review will be to select the most advantageous way to achieve the long-term goal of the Company, which is the development of the Stalprodukt Group leading to the maximization of value for the current and future shareholders of the Company.

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

- sale of assets or individual operating segments of the Issuer (after prior separation to a separate entity);
- sale of other areas of activity carried out by the Group (individual entities or assets themselves);

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- concluding a strategic alliance with a supplier of batch products (especially one that can provide high-quality charge for the production of transformer sheets, including HiB grade),
- establishing a joint-venture with a selected partner,
- maintaining the current scope of activity while implementing the necessary restructuring measures.

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

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

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

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

External factors significant for the Group's development

- **GDP level and economic situation**

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

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

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- **exchange rates**

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

- **Inflation**

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

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

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

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

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

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

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

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

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

- good conditions for further development of high grades of transformer sheets thanks to the decision of the European Commission to extend (for the next 5 years) measures to protect the EU market against excessive imports of sheets from the People's Republic of China, Japan, the Republic of

Korea, the Russian Federation and the United States of America;

- the need to further optimize costs (especially in terms of reducing the cost of electricity consumption);
- optimization of internal processes.

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

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

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

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

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

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

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

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

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

a) macroeconomic environment

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

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

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

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

b) dynamic increase of prices of charge products

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

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

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

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

Due to the nature of the technological processes used, Stalprodukt is an energy-consuming company. Rising electricity prices due to the outdated energy infrastructure in Poland, based mainly on coal-based energy, will have a negative impact on the Company's profitability in the coming years. The year 2021 brought a continuation of the upward trend in the prices of CO₂ emission allowances, which resulted in a record price of over EUR 96 per tonne.

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

d) The constantly increasing costs of the EU climate policy

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

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

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

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

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

g) the risk of an industrial accident

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

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

h) risks related to financial instruments

Other risks resulting from financial instruments, i.e. credit and contract risk, liquidity risk and market risk, are described in detail in the Additional and explanatory information to the financial statements (Item 7: Financial instruments and risk management assessment) .

22. The impact of the COVID-19 coronavirus on the Issuer's operating activities and financial situation

a) Segment Blach

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

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

b) Profile Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

	Basic salary	Performance bonus	Remuneration due to performing functions in the authorities of subordinated entities	Total
Piotr Janeczek	730 678	364 076	114 754	1 209 508
Łukasz Mentel	521 811	160 704	112 966	795 481
Total	1 252 489	524 780	227 720	2 004 989

2. Value of remuneration of officers (in PLN):

	Allowance	Remuneration due to performing functions in the authorities of subordinated entities	Total
Stanisław Kurnik	101 384		101 384
Sanjay Samaddar	0		0
Magdalena Janeczek	105 844		105 844
Agata Sierpiska-Sawicz	97 023		97 023
Romuald Talarek	95 589		95 589
Total	399 840		399 840

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

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

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

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

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

a) executives:

Full name	Current number of Stalprodukt S.A. shares (as of 29 April 2022)
Piotr Janeczek	115 053
Łukasz Mentel	100

b) officers:

Full name	Current number of Stalprodukt S.A. shares (as of 29 April 2022)
Stanisław Kurnk	2 900

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

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

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

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

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

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

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

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

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

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

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

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

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

The Supreme Court in Warsaw By a decision of January 27, 2021, ZGH "Bolesław" S.A. refused accepting a cassation appeal for examination. In this state, the case will be reviewed by the District Court, which will determine the amount of compensation.

On September 16, 2021, the Order of the District Court, IX Commercial Division, was received in Kraków of August 30, 2021, binding PWiK Sp. z o.o. to submit a pleading within one month from the delivery of a copy of this ordinance, and ZGH "Bolesław" S.A. to submit, within one month from the date of delivery of the copy of the pleading from PWiK Sp. z o.o.

On November 15, 2021, ZGH "Bolesław" S.A. sent a letter to the Court with a request for the obligation of PWiK sp.z o.o. to submit to the Court and the website documents and information related to the technical operation of the water supply network. District Court, by order of 10/12/2021, granted the application and obliged PWiK sp.z o.o. to submit such information or submit a letter that he will not submit it. From the substantive point of view, it is important that in the letter referred to above, PWiK sp.z o.o. limited the claim by approximately PLN 10 million and is now seeking an award of PLN 54,838,732.96.

On December 10, 2021, a pleading from PWiK Sp. z o.o. It does not contain the information requested by ZGH "Bolesław" S.A. in a letter of November 15, 2021. In this state, the preparation of the pleading / pleadings containing the current position of ZGH "Bolesław" S.A.

Moreover, it should be mentioned that the above-mentioned the judgment is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). This amount was presented in the balance sheet as at December 31, 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A.".

30. Information on the control system of employee shares schemes

The Company does not operate the employee shares schemes.

31. Information on the selection of an audit firm

Indication:

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

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

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

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

c) the body that selected the audit firm,

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

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

The remuneration for the audit company was:

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

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

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

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

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

a) indication

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

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

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

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

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

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

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

The company has not declared the application of the following rules:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No managerial options program has been introduced in the Company.

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

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

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

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

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

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

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

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

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

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

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,
i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,
- FCASE Sp. z o.o. Sp. k. holding 243,410 shares, accounting for 4.36 %-share in capital and 1,217,050 votes, accounting for 9.98 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579,652 shares, accounting for 10.39 %-share in capital and 1,095,488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.

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- ArcelorMittal Sourcing a société en commandite par actions holding 1,066,100 shares, accounting for a 19.10 %-share in capital and 1,066,100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

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

There are no securities giving special control rights.

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

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

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

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

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

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

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

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

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

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

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The Management Board represents the Company outside in relation to the authorities, third parties, in court and outside the court. The President of the Management Board acting independently or two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with one of the persons holding a joint proxy is authorized to make declarations of will and sign on behalf of the Company.

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

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

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

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

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

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

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

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

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

1. *The general meeting can be ordinary or extraordinary.*
2. *The Ordinary General Meeting is convened by the Management Board of the Company based on the adopted resolution, the date falling not later than six months after the end of each financial year.*

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3. *The extraordinary general meeting is convened by the Management Board on its own initiative, at a request of the shareholder(s) or at representing at least one twentieth of the share capital. The request to convene an extraordinary general meeting, must be submitted by the shareholder or shareholders to the Management Board of the Company in writing or in electronic form to the Company's valid e-mail address: walne.zgromadzenie@stalprodukt.pl. In the case of submitting the request in electronic form, the Management Board of the Company is authorised to take the necessary actions to verify the credibility of the submitted application. If the Management Board of the Company is unsure about the origin of the request, the Shareholder or Shareholders are obliged to provide the Company with declarations or documents confirming the right to submit the request.*
4. *The Supervisory Board may convene an ordinary general meeting if the Management Board of the Company fails to convene it within the time specified in the provisions of the commercial companies code or the articles of association, and an extraordinary general meeting if it considers it necessary to convene it.*
5. *Shareholders may convene an extraordinary general meeting based on authorisation by the Registry Court, if within 2 weeks from the date of submitting the request to the Management Board, the meeting has not been convened. The court calls the Management Board to make a statement and appoints the chairman and date of the meeting.*
6. *Shareholders representing at least half of the share capital or at least half of all votes in the company can convene an extraordinary general meeting. Shareholders appoint the chairman of such meeting.*

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

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

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

1. *The General Meeting may adopt resolutions only in matters included in the agenda.*
2. *The Management Board of the Company adopts the agenda.*

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3. *A shareholder or shareholders who represent at least one twentieth of the Company's share capital may request that specific matters are placed in the agenda of the General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the meeting. The request should contain the justification or draft resolution concerning the suggested item in the agenda. The request may be submitted in electronic form.*
4. *A shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the General Meeting, propose the company in writing or by electronic means, draft resolutions concerning matters placed in the agenda of the General Meeting or matters which are to be put in the agenda. The Company shall promptly publish the draft resolutions on its website.*
5. *Each shareholder may submit draft resolutions during the General Meeting concerning matters introduced to the agenda.*

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

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

Management Board

The Management Board of the Company operates based on the provisions of the Commercial Companies Code, the Articles of Association and the Regulations of the Management Board approved by the Resolution of the Supervisory Board No. 12/XII/2020 of 9 October 2020. According to

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§ 16 of the Articles of Association, the Management Board of the Company consists of two to four persons appointed for a three-year term by the Supervisory Board.

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

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

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

Supervisory Board

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

The Supervisory Board in 2021 included:

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

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

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

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

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10. *Expressing the consent to the conclusion by the Company of a long-term agreement obligating the Company to a payment exceeding the value of 10% of the equity.*
11. *Expressing the consent to the disposal of the Company's fixed assets, whose value exceeds 1% of the equity and donation exceeding the amount of PLN 50,000.*
12. *Adopting by resolution Company's business plans upon the Management Board's motion.*
13. *Selection of the certified auditor to carry out the audit of the Company's financial report.*
14. *Adopting "The rules of benefits and remuneration of the Management Board", in accordance with the "Remuneration Policy for Members of the Management Board and Supervisory Board" approved by the General Meeting, containing detailed remuneration principles and criteria.*
15. *Submitting to the General Meeting an annual report on the remuneration of members of the Management Board and the Supervisory Board starting from the year after the adoption of the "Remuneration policy for members of the Management Board and the Supervisory Board.*
16. *Appointment of the Audit Committee (if such an obligation results from the generally applicable provisions of law). In such a case, the Supervisory Board adopts the regulations of the Audit Committee, in which it specifies the detailed principles of its functioning.*
17. *Expressing consent to the acquisition and transfer of real estate, perpetual usufruct or share in the real estate.*
18. *Developing a procedure for periodical assessment of significant transactions with related entities within the meaning of the Act of 16 October 2019 amending the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies and certain other acts (Journal of Laws of 2019, item 2217).*
19. *Assessing and approving the conclusion of significant transactions with related entities referred to in paragraph 18 above.*
20. *Submission of periodic reports on the assessment of significant transactions of the Company, referred to in para. 18 above.*

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

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

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

-people who meet the statutory independence criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part III. Declaration on non-financial information

While preparing this Declaration, Stalprodukt mainly used the Non-Financial Information Standard developed by the Reporting Standards Foundation, however the final form of the report and the scope of information disclosed therein was adjusted to the specific nature of the Company operations.

1. Management area

1.1. Description of the business model and strategic development directions

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

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

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

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

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

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

The company has been planning to strengthen its position on the transformer sheet market for many years. This operating segment is crucial from the point of view of the impact on Stalprodukt's unit results. This

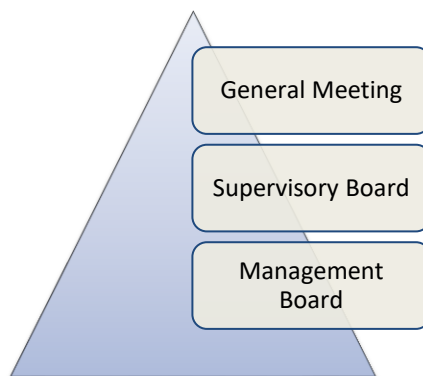
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scenario of strategy implementation became possible in 2017, when a contract was signed for the purchase of 100% shares of GO Steel Frydek Mistek a.s. with its registered office in the Czech Republic. The consequence of this acquisition is the increase of production capacity of transformer sheets to the level of 150 thousand tonnes/year, as well as expanding the Group's production offer by non-manufactured cold rolled sheets.

1.2. Managerial governance

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

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



The General Meeting, the Supervisory Board and the Management Board of the Company operate on the basis of the relevant Regulations.

In 2021, the Management Board of the Company consisted of 2 people, and the Supervisory Board of the Company consisted of 5 people.

1.3 Key non-financial effectiveness indicators

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

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

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

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

1.4. Social and environmental risk management

- Stalprodukt S.A.

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

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

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

1.5. Ethics management

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

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

The regulations contained in the above documents simultaneously meet the requirements and recommendations regarding the scope of non-financial reporting, principles resulting from the document "Good practices in public companies 2021", as well as guidelines on corruption policy and whistle-blower protection included in the document "Recommended standards for compliance management system in the field of counteracting corruption and protection system for whistle-blowers in companies listed on the markets organized by the Warsaw Stock Exchange S.A.", developed from the initiative of the Compliance Committee of the WSE.

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

2. The environmental area

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

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

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

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

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

Administrative decisions held by Stalprodukt S.A. in 2020:

- Integrated permit for a landfill in Borek,
- Permit required by Water Law Act for special use of water through drainage of treated rainwater and snow water, drainage water from the plant site and post-cooling water to the surface water - the Raba river,
- Permit required by Water Law Act for special use of water through surface water intake,
- Permit for generating waste in the Dept P3,
- Integrated permit for the installation of the Transformer Steels Department,

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- Permit for generating waste in the Dept P4,
- Permit for waste processing in the recovery process,
- An integrated permit for running the installation for treatment of industrial waste water,
- Authorisation for emission of greenhouse gases from the boiler room of the plant,
- Permit for discharging gases and dust into the air from the installation of the Dept P2 and the boiler room of the plant,
- Permit for generating waste for the Dept P2 and for the installation for processing waste emulsions,
- Permit for emission of greenhouse gases from the installation of the Transformer Steels Department,
- Permit required by Water Law Act for Dept P4,
- Permit required by Water Law Act for the landfill in Borek,
- Approval for instructions for running the Stalprodukt S.A. landfill in Borek
- monitoring methodology plan for the installations of the Transformer Sheets Department;
- monitoring methodology plan for the plant's boiler room installation.

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

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

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

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

- Decision - amendment of the decision granting the integrated permit for the operation of an installation for the treatment of wastewater from installations requiring an integrated permit, i.e. the Sewage Treatment Plant located on the premises of Stalprodukt S.A. in Bochnia - dated April 30, 2021;
- Decision - approving changes to the greenhouse gas emission monitoring plan for the installations of the Transformer Sheets Department - dated April 23, 2021;
- Decision - amendment of the decision granting the permit for greenhouse gas emissions from the plant's boiler room installation - dated April 30, 2021;
- Decision - monitoring methodology plan for the installation of the Transformer Sheets Department - dated April 30, 2021;
- Decision - monitoring methodology plan for the plant's boiler house installation - dated 30/04/2021;

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

2.1 Consumption of raw materials and other materials

Below is a table summarising consumption of the most important materials used in production processes.

Organisational unit	Type of material	Unit	Consumption	
			2020	2021
Stalprodukt S.A.	Hot rolled steel	thousand x Mg	265,1	263,6
	Cold rolled steel	thousand x Mg	17,7	16,7
	Galvanized steel	thousand x Mg	2,7	3,1
	<i>The cost of used materials in relation to net revenue from the sale of products</i>	%	67,5	69,6

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

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

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

2.2. Fuel and energy consumption

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

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

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

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

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

2.3 Water consumption

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

Organisational unit	Water characteristics and origin	Unit	Consumption	
			2020	2021
Stalprodukt S.A.	Water supply network	m ³	31 000	32 071
	Surface water intake	m ³	685 760	513 301
	Water consumption for social and living purposes	%	4,3	5,8
	Processing water consumption	%	95,7	94,1

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

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

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

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

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

2.4. Biodiversity protection

Stalprodukt S.A. does not carry out any production activities within the range of direct impact on the areas of national parks, resort areas and Natura 2000 areas. Cyclical monitoring of the environment is carried out through water and wastewater tests as well as emission and noise measurements, as well as monitoring of the waste landfill, in accordance with the permits held.

2.5 Emissions into the atmosphere

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

Organisational unit	Emissions type	Unit	Emissions	
			2020	2019
Stalprodukt S.A.	CO ₂	Mg	57 346	63 186
	CO	Mg	102	108
	Dusts	Mg	2,7	3,1
	SO ₂	Mg	83	57
	NO _x	Mg	43	47
	Aromatic hydrocarbons and aliphatic hydrocarbons	Mg	0,86	0,88
	Hydrofluorocarbons	Mg	0,034	0,022
	Sulphuric acid	Mg	0,2	0,17

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

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

Additional sources of emissions in the Company are also:

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

The following methods are used to reduce atmospheric emissions:

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

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

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

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

2.6 Waste management

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

Organisational unit	Waste type	Unit	Amount	
			2020	2021
Stalprodukt S.A.	Hazardous waste	Mg	1 849	2 229
	Waste other than hazardous	Mg	30 326	31 021
	<i>Total waste</i>	<i>Mg</i>	<i>32 175</i>	<i>33 250</i>
	Stored waste	Mg	721	608
	Waste recovered	Mg	1 362	1 462
	Waste sent to recovery organisations	Mg	30 092	31 180

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

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

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

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

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

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

Organisational unit	Waste water	Unit	Amount	
			2020	2021
Stalprodukt S.A.	Total amount of water and waste water	thousand of m ³	1 377	1 445
	Discharged	thousand of m ³	394	361
	Treated	thousand of m ³	983	1 084

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

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

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

2.7 Other environmental aspects

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

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

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

2.8 Enhanced environmental responsibility

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

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

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Environmental activities are planned and implemented, which mainly concern:

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

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

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

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

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

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

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

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

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

3. Taxonomy

At the beginning of 2022, new requirements for disclosure of stock exchange issuers under Regulation 2020/852 EU on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088, also known as the Taxonomy Regulation, entered into force.

This regulation lays down criteria for establishing:

- a) Whether the economic activity is qualified as environmentally sustainable?**
- b) determining the extent to which the given investment complies with the Taxonomy, i.e. environmentally sustainable.**

Pursuant to the applicable regulations, for the purposes of fulfilling the disclosure obligations arising from the Regulation, Stalprodukt, in this Statement on non-financial information (being part of the Management Board's Report on the Activities for 2021), analysed the scope to which the activities conducted by the Company qualify for taxonomy.

The analysis was based on Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical qualification criteria to determine the conditions under which a given economic activity qualifies as making a significant contribution to climate change mitigation or adaptation, and determining that this economic activity is not causing serious harm to any of the other environmental objectives.

In accordance with the above-mentioned technical eligibility criteria, the only activity currently conducted by the Company and eligible for the Taxonomy is "hydrogen production" (marked as No. 3.10). For this activity, the percentage of economic activity eligible for taxonomy and economic activity not eligible for taxonomy in the total turnover, investment expenditure and operating expenditure should be provided.

For practical reasons, the Company adopted the significance criterion for the 1st factor (share in turnover) at the level of 3%.

Taking into account the equity ratio of activities being qualified for the Taxonomy (hydrogen production) in the total turnover of the Company, which is 0.66%, the Company considers this type of activity to be irrelevant and thus refrains from providing further required ratios (share in investment and operating expenses).

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4. Social and employee area

4.1. Using public aid and public sector contracts

In 2021, Stalprodukt S.A., at the time of preparing this statement, used public aid in the amount of PLN 2,244,131.45 (according to the nominal value). This was operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration, while in 2020, used public aid in the amount of PLN 988,079,97 (according to the nominal value). It was also operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration.

4.2. Level of employment and level of remuneration

The employment structure by positions

		year 2020						year 2021					
	Type of position	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil law contracts
Stalprodukt S.A.	Management staff	3	44		0	47		6	47	0	0	53	
	White-collar	60	170		8	222	1	69	169	0	5	233	1
	Blue-collar	29	1096		10	1115		27	1033	1	0	1059	
	total	92	1310	0	18	1384	1	102	1249	1	5	1345	1

Employment structure by gender

		2020				2021			
	Employees by gender	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	women	0	87	5	0		3	99	
	men	0	1297	13	1	1	2	1246	1
	total	0	1384	18	1	1	5	1345	1

In the employment structure at Stalprodukt S.A. the majority of employees are men, ie over 92% of the employed. They are mainly employed in blue-collar positions. Such specificity of the employment structure is related to and results from the nature of the conducted activity.

The most popular form of employment has been a contract for an indefinite period for years. Their share for all contracts in Stalprodukt S.A. is 99%.

In 2021, there was a slight decrease in employment compared to 2020 (i.e. by about 4%).

Employment structure by age

		2020				2021			
	Division by age	women	men	Blue-collar positions	White-collar positions	women	men	Blue-collar positions	White-collar positions
Stal produkt S.A.	up to 30 years	8	152	144	16	6	111	108	9
	31-50 years	54	774	649	179	63	759	625	197
	>51 years	30	384	332	82	33	379	327	85

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In the employment structure by age, the highest number of employees is in the 31-50 age group (similar to last year).

Newly employed employees by age and gender

		2020			2021		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years					1	1
	31-50 years	2	0	2	12	12	24
	>51 years				5	4	9

Dismissed employees by age and gender

		2020			2021		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	1	18	19	1	13	14
	31-50 years	0	37	37	2	28	30
	>51 years	12	53	65	4	31	35

Employment of people with disabilities

		2020		2021	
	Number of people with disabilities	Employment share [%]	Number of people with disabilities	Employment share [%]	
Stalprodukt S.A.	4	0,29	5	0,37	

Average remuneration (PLN)

		2020		2021	
	Average remuneration regardless of gender	5 216	Average remuneration regardless of gender	6 228	
Stalprodukt S.A.					

In Stalprodukt, the average annual salary decreased by approximately 20% compared to 2020.

Contribution to PFRON (in PLN thousand)

	2020	2021
Stalprodukt S.A.	1 725	1 749

4.3. Relations with the employees and freedom of association

There are two trade unions in Stalprodukt S.A.: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A. s and MOZ NSZZ "Solidarność". In 2020, the ratio of employees belonging to trade unions was about 17%, and in 2021 it was about 19%.

In the Company, no collective dispute was initiated in 2021.

Social activities

Social activity in Stalprodukt S.A. is carried out in accordance with the Act on Employee Benefit Fund (ZFŚS) and with the "ZFŚS Management Regulations" in force in Stalprodukt S.A., which provides various forms of aid for employees and their families, namely:

- non-returnable financial and material or material aid in the form of hardship benefits (aid to persons who have been affected by individual random events, long-term (chronic) illness or death of the closest family members);
- aid in the form of repayable loans for home, flat renovation, house construction; change (from a smaller to a larger one) of a cooperative or temporary type of flat,
- co-financing for leisure organized in the form of colonies, camps, winter camps, holidays,
- co-financing for individual leisure, the so-called "wczasy pod gruszą",
- co-financing for cultural and educational activities (e.g. admission tickets for cultural and educational events, to the cinema, stage performances, concerts),
- co-financing for sports and recreation activities (rallies, trips, sports events for children).

4.4 Occupational health and safety (OHS)

The ambition of the Company is to provide employees with a safe, healthy and friendly work environment. The companies of the Capital Group apply the best available practices to minimize threats to the health and safety of the team and to build awareness and motivation for safe behaviour.

There is an Occupational Health and Safety Policy in Stalprodukt S.A. According to its provisions, the priority of the Company's management is to ensure occupational health and safety for employees, contractors, subcontractors and representatives of other institutions present on the premises. This policy is implemented through:

- pursuit of constant improvement in occupational health and safety,
- maintaining a high standard of working conditions and respecting the applicable law,
- continuous improvement of employees' qualifications,
- familiarizing employees with all aspects of work, with particular emphasis on the necessity of its safe performance,
- promoting attitudes and actions that increase employee engagement to improve working conditions,
- supervising employees' compliance with health and safety principles,
- continuous improvement of occupational health and safety.

The company declares taking all actions aimed at:

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- eliminating harmful and onerous factors that may occur at work stations,
- prevention of accidents, occupational diseases and near misses.

Knowledge and skills in the field of occupational health and safety are acquired by the employees in the course of the Company's training system. During job instructions they are informed about occupational risk occurring at individual positions, including onerous, harmful and dangerous factors and the results of their measurements.

Stalprodukt S.A. performs cyclic measurements for the presence of dust and chemical agents at the work stations.

On the premises of Stalprodukt S.A. there is a Social Labour Inspectorate, whose representatives, in addition to the implementation of other tasks, participate in meetings of the Occupational Health and Safety Commission organised at least quarterly and in the review of working conditions. The OHS Service conducts on-going inspections of working conditions and prepares, at least once a year, regular OHS analyses.

In Stalprodukt S.A., accidents at work occur most often during handling of objects and during contact with sharp edges of steel sheets. A relatively small number of accidents occur when machines are operated.

Human causes are the most frequent causes of accidents at work in 2020-2021. Examples include above all incorrect employee behaviour (in particular due to surprise reaction when facing an unexpected event, insufficient focus on the performed activity, neglecting a hazard).

Specification	2020	2021
Total number of accidents at work	9	13
Accident frequency indicator (number of accidents/number of people employed x 1000)	6,43	9,61
Number of heavy accidents	0	0
Number of fatalities	0	0
Total number of days of inability to work among employees due to accidents	597	813
Accident severity indicator (number of days of inability/1 accident)	66,33	62,54
Number of cases of occupational diseases reported.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	196	186
Number of work stations at which the level of assessed occupational risk is unacceptably high (i.e. actions are necessary to reduce the risk level)	0	0

4.5 Development of education

In order to ensure satisfaction from work, the Company invests in professional development of its employees and good atmosphere in the workplace. Create friendly conditions for their employees to gain knowledge, improve their qualifications and benefit from various forms of education. Continuous updating of knowledge and skills and upgrading of qualifications is in line with the company's strategy.

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The acquired qualifications are used by the employees on the occupied position or will be used in the future. Facilitating the improvement of qualifications in the Company creates a positive assessment for the learning employees. Continuous improvement of professional qualifications becomes a necessity. The need for continuous learning is linked to technological and organisational change and to a sufficiently high level of safety, and knowledge needs to be continuously updated and updated.

For the sake of satisfaction with the work performed, the Company invests in the professional development of employees and a good atmosphere at work. It creates friendly conditions that make it easier for its employees to acquire knowledge, improve qualifications and use various forms of education. Constant replenishment of knowledge and skills as well as improvement of qualifications is consistent with the company's strategy. The acquired qualifications are used by employees in the position held or will be used in the future. Facilitating the improvement of qualifications creates a positive assessment in the Company towards the studying employees. Continuous improvement of professional qualifications becomes a necessity. The need for continuous learning is related to technological and organizational changes and in order to ensure a sufficiently high level of security, therefore knowledge must be constantly supplemented and updated.

Stalprodukt S.A. helps in the professional development of its employees in various ways. For example, with employees who, on their own initiative, undertake postgraduate studies or training at specialized courses, in accordance with the scope of their professional activities, contracts are concluded to improve qualifications, granting co-financing up to 50% of the price or studies. The company also undertakes to grant training leave and to reimburse the costs of the delegation if the training or studies take place in another city.

Training in Stalprodukt is conducted on the basis of an annual training plan. The training plan covers all organisational units of the Company. Despite the Covid-19 pandemic that continued in the country in 2021, there has been an increase in the amount of training, the dynamics of trainings as compared to the approved Plan was 204%.

In 2021, a total of 53 training courses were held with 228 employees. As in the previous year, training companies resigned from the traditional form of training and most of them conducted on-line training. Some employees, as part of improving their professional qualifications, participated in courses and examinations that guarantee obtaining state rights (UDT, SEP).

The training courses are attended by the Company's Management Board, directors, managers, specialists, masters, engineering, technical, administrative and office employees and employees employed in production positions. Certificates are issued from participation in training courses. Each employee fills in a questionnaire evaluating the way the training is conducted, the quality of training materials, the level of social conditions during the training and the selection of topics to meet current needs. After three months of participation in the training, the superior submits to the Employment Office an Assessment of the effectiveness of employee training.

The table below presents the number of trainings conducted in the Company.

	2020	2021
Number of persons trained	219	228

4.6 Managing diversity

To ensure the highest standards in creating a working environment in which every employee feels respected and appreciated and in which they can fully realize their potential, the Diversity Policy was adopted in the Stalprodukt S.A. Group in 2018.

The Company companies implement the policy of diversity in the recruitment process, the principle of equal access to remuneration, development and training and promotion regardless of skin colour, religion, sex, age, nationality, sexual orientation, citizenship, marital status, having children, political views, disability or any other legally protected status.

Decisions concerning the employment of employees and the election of members of the Management Board and Supervisory Board are made on the basis of objective criteria. Stalprodukt S.A. strive to ensure the versatility and diversity of company bodies, especially in the area of gender, education, age and professional experience, while the main selection criteria are high qualifications, professionalism and competencies of the candidate to perform a specific function.

In the company Stalprodukt S.A. the Anti-mobbing Policy applies. In 2021, no mobbing occurred in the Company.

4.7 Human rights

There has never been a case of human rights violations in the Stalprodukt S.A.

The Company did not include a clause in their agreements with main contractors obliging the subcontractor to respect human rights and does not reserve the right to audit and terminate the agreement in the event of its breach.

4.8 Child and forced labour

Stalprodukt S.A. does not employ children and does not use forced or compulsory labor.

4.9 Local communities and social engagement

The Management Board of Stalprodukt S.A. is fully aware of the fact that the outlays allocated for supporting local development are a long-term investment which benefits both parties. The satisfaction of customers, employees and the respect of the local community are equal objectives, no less important than high profits.

Responsible business is also a management strategy that minimizes risk and maximizes the chance of success in the long run. It is also the ability to run a business in such a way as to increase its positive contribution to the development of society and, at the same time, minimise the negative effects of economic activity. Responsible business also means the way in which the company treats market participants on a daily basis: customers and business partners, employees and the entire local community.

The high position of Stalprodukt, appreciated in rankings, is the result of such an understanding of corporate social responsibility.

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Stalprodukt S.A. is one of the largest companies operating in Małopolska region and a large employer, employing at the end of 2021 1403 employees. Therefore, the Management Board of the Company, being aware of its responsibility, treats CSR issues, and above all good relations with the local community (in addition to increasing the value of the company), as a priority.

The company has been active in this area for many years, sponsoring many social initiatives and undertakings, mainly from the town and commune of Bochnia. Stalprodukt regularly provides financial support to local schools, parishes and orphanages. It also finances the activities of various foundations and associations, organizing sports, cultural and entertainment events and charity concerts. It also finances the activities of various foundations and associations, the organization of sports, cultural and entertainment events and charity concerts. The Company also financially supported the publication of various types of book publications (e.g. "Bochnia and Bochnia Oblast in the years 1863-1864. On the 150th anniversary of the January Uprising" - by Janina Kęsek, published by the Association of Bochnia Residents and Lovers of the Bochnia Land).

The most important projects in the area of corporate social responsibility supported financially by the Company in 2021 include:

- donation to Caritas organization at the parish of St. Nicholas in Bochnia, intended for hot meals for people in need of help, including the homeless,
- financial support for the 14th edition of the Festival of the song "Integration painted with sound",
- financial support for the Association of Bochniak and Bochnia Land Lovers,
- support for charity runs organized by the Auxilium Foundation in Bochnia, which helps people with disabilities,

The total amount of expenditure related to the area of corporate social responsibility in 2021 amounted to PLN 57.2 thousand.

The Management Board of Stalprodukt also understands corporate social responsibility as caring for one's own employees, their families, timely payment of all contributions, including social and health insurance, as well as timely payment of all due taxes in the place where most of the employees work and live.

The efforts of the Stalprodukt management to satisfy the needs and expectations of the local community have already been appreciated by the city authorities several times. In 2008 Stalprodukt was the first to receive the title of **"Bochniae Bene Meritus". (Well-accomplished for Bochnia)**. According to the intention of the city authorities, this award is to be granted to institutions and companies whose activities positively influence the local labour market and the economic condition of the city.

And in 2016 (on the occasion of the 763 anniversary of the location of Bochnia), President of the Management Board of Stalprodukt S.A. Mr. Piotr Janeczek received the statuette Boleslaus Dux Founder - Bolesław Prince Founder. It is awarded by the Mayor of Bochnia to people who in their activities and life attitude show constant care for the good name and existence of Bochnia (a distinction awarded for the second time since its establishment).

To sum up, it should be emphasized that the activities of Stalprodukt S.A. in the CSR area are aimed at achieving the following objectives: maintaining a positive image of the Company, gaining social acceptance and support for the activities undertaken by the Company and its management, strengthening

the Company's image as a significant and reliable employer on the local labour market, a company important for local authorities, environmentally friendly, meeting the quality standards, environmental protection, taking care of the safety of employees and observing the principles of corporate governance.

4.10 Counteracting corruption

To ensure the highest standards of transparency and economic openness, the Anti-Corruption and Signal Protection Policy was adopted in 2018. This document contains the objective and assumptions of the introduced anti-corruption policy and detailed rules concerning, inter alia:

- prohibit the creation of mechanisms to finance property and personal benefits, including the use of company assets,
- anti-corruption clauses used in contracts,
- giving and receiving gifts,
- sponsorship and donation,
- the activities of Corporate Signals (including reporting rules, ensuring the protection of submitters).

The Anti-Corruption and Signal Protection Policy was adopted at the level of the parent company, and the remaining companies of the Capital Group were obliged to implement it.

4.11 Product and consumer safety

As part of its commitment to customer safety, the Company complies with all recommendations and requirements under applicable laws.

A document adopted by the parent company "Stalprodukt's task" contains the most important values that the Company's employees are guided by in their activities. These include: quality of products and processes, meeting customer expectations, increasing shareholder value, timely fulfilment of commitments, excellent cooperation with suppliers, environmental protection, ethics and culture.

Construction products manufactured by Stalprodukt S.A. are manufactured on the basis of harmonised technical specifications included in the standards:

- PN-EN 1317-5+A2:2012 Road restraint systems -- Part 5: Product requirements and evaluation of conformity for vehicle restraint systems,
- PN-EN 10219-1:2007 Seamless hollow sections made of non-alloy and fine structural steel - Part 1: Technical delivery conditions,
- Steel sections made of cold, open, structural steel in grades S235, S275, S355, JR, JO, J2 according to PN-EN 10025-2:2007 and S420M according to PN-EN 10025-4:2007, made according to PN-EN 10162:2005,
- PN-EN 10025-1:2007 Hot-rolled products of structural steel - Part 1: General technical delivery conditions.

The rules of marketing or making construction products available on the domestic market, the rules of controlling construction products marketed or made available on the market and the jurisdiction of the authorities to perform administrative tasks and obligations resulting from Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011 are specified in the Act of 16 April 2004 on construction products (consolidated text Journal of Laws of 2016, item 1570).

Other products manufactured by Stalprodukt S.A., in particular metal sheets, are manufactured on the basis of standards:

- PN-EN 10107:2014 Electrotechnical steel sheets and strips with grain oriented delivery. in the fully processed state,
- CEI IEC 60404-8-7 Ed 4.0 2017 Magnetic materials - Part 8-7,
- A 876-17:2017 Standard Specification for Flat-Rolled, Grain-Oriented, Silicon-Iron, Electrical Steel, Fully Processed Types.

4.12 Marketing communications

Communication is a key element in achieving socially responsible objectives. However, one of the basic strategic objectives of Corporate Social Responsibility is to build transparent, long-term and lasting relations with all interested parties in the process of Stalprodukt activity.

Building lasting relationships is the result of satisfaction on the one hand, and the effect of understanding needs and responding to identified needs on the other.

For many years, the Company has been conducting an annual survey of "Satisfaction, Loyalty and Trust of Stalprodukt Group's customers". It is carried out by means of a survey sent to customers. The survey consisted of two parts. The aim of the first part is to determine satisfaction, loyalty and trust levels and, consequently, to calculate a synthetic index that should reach a certain threshold level, set in the quality objectives for each year. If the synthetic indicator is lower than assumed, corrective and corrective actions are required.

In 2021, the synthetic index was 87.7 points and was one point lower than in the previous year. This is a high level, the index was set at 90 points in the plan of quality objectives.

The second element of the survey is a list of attributes that are assessed in terms of their importance and fulfilment by Stalprodukt and its competitors. These are attributes related to price, quality of products and services, timeliness, speed of response to inquiries and complaints, technical support, wide range of products, etc. According to the respondents, the most important attributes are: all time-related attributes and price. Continuous improvement is necessary in areas where the implementation differs from the importance and / or evaluation of the competition.

Among the strengths of Stalprodukt are professional service and relations with traders, which are always highly rated.

In 2021, there were no cases of non-compliance with marketing communication regulations and codes, including advertising, promotion and sponsoring, in the Company.

No proceedings were conducted before the Office of Competition and Consumer Protection in this area.

4.13 Protection of privacy

The Company have in place the legally required policies and procedures related to the protection of personal data resulting from the Regulation on the protection of personal data.

In 2021, there were no events related to the leakage of personal data or unauthorised use of employee or customer data.

4.14 Product labelling

Proper labelling of products is one of the most important issues in customer relations. All products manufactured by Stalprodukt S.A. are appropriately marked (label or tag with appropriate scope of information depending on the product and agreed requirements with the customer). In addition, each product is labelled in accordance with applicable internal instructions and procedures.

Bochnia, 29 April 2022

Lukasz Mentel
Member of the Board
Financial Director

Piotr Janeczek
Chairman of the Board
Chief Executive Officer