

CR No 24 - Completion of the key investment in the Zinc Segment (published on 18 December 2020 at 08:38 a.m.)

Management Board of Stalprodukt S.A. ("Issuer") publishes the information received today (i.e. December 18, 2020) from its subsidiary - ZGH "Bolesław" S.A. - on the completion of the key investment, i.e. the new Zinc Electrolysis Plant.

Below is the content of the notification received by the Issuer.

The Management Board of ZGH "Bolesław" S.A. (hereinafter: "the Company") announces the launch of a key investment in the Zinc Segment, i.e. the new Zinc Electrolysis Plant, located on the premises of the zinc smelter in Bukowno. The cost of the investment was approx. PLN 295 million, of which approx. PLN 38 million is co-financing from the National Center for Research and Development under the Intelligent Development program. The innovative nature of the technology used is based on the possibility of producing zinc from raw materials derived in 50% from recycling, more specifically from recycling of zinc-containing waste from the steel industry and from recycling stored in the so-called flotation tailings ponds from the zinc-lead ore flotation process. Such a high degree of use of secondary raw materials will provide the Company with greater flexibility in managing the supply of raw materials from various sources. The new Zinc Electrolysis Plant also makes it possible to increase the production of electrolytic zinc from the current 80,000 tonnes per year to 100,000 tonnes per year. The Company assumes gradual use of the increased production capacity over the next 2-4 years, in line with market needs.

Additional benefits resulting from the implementation of the investment:

- reduction - as a result of process automation - employment in the zinc smelter by about 75 people,
- reducing the energy consumption of the zinc production process by approx. 50 kWh/t (approx. 2%),
- lowering the cost of purchasing raw materials (due to the greater share of recycled raw materials).

At the same time, the Management Board of the Company informs about the cessation of zinc production with the use of the "old" Zinc Electrolysis Plant as of December 17, 2020.

Initially, the cost of the investment was estimated at PLN 240 million. The difference between the amount to be incurred and the amount of actual expenses (i.e. approximately PLN 55 million) results from the following factors:

1. the investment budget was determined on the basis of the concept and initial price offers, unfortunately the final purchase prices of some devices and equipment of the Zinc Electrolysis Plant turned out to be higher than expected,

2. during the construction of the Plant, several design changes were made, which changed the dimensions of the Tank Hall building, which resulted in additional costs.

The originally planned completion date of the investment has been postponed due to the changes made to the original concept and the introduction of the coronavirus pandemic.

The Issuer also reminds that the construction of the new Zinc Electrolysis Plant was a key element in the implementation of the development strategy of the Zinc Segment (the Management Board of Stalprodukt published this information in the current report No. 33/2016 of October 27, 2016).

The reason for recognizing the information about the above event as confidential information is the potentially significant impact of the investment in question on the level of future sales revenues and the results of the Zinc Segment, which operating segment has the largest share in the consolidated results of the Stalprodukt Group.

Legal basis: Art. 17 par. 1 of the Market Abuse Regulation of the European Parliament and the (EU) Council No 596/2014 as of 16 April 2014 r. (Market Abuse Regulation MAR) repealing the Directive 2003/6/EC of the European Parliament and the Council as well as Directives of the EU Commission 2003/124/EC, 2003/125/EC and 2004/72/EC.