

**Statement of the Management Board
on the operations of
the Stalprodukt S. A. Capital Group
for the period
from 1 January 2022 to 31 December 2022**

Bochnia, April 2023

Consolidated financial statement of the Stalprodukt S.A. Capital Group for the financial year 2022
Statement of the Management Board on the activities of the Capital Group

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Part I. Information on the main areas of operations of Stalprodukt S.A. and its Capital Group.

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

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Metallurgical Plant S.A. with its registered office in Bukowno, constituting 86.92% of its share capital.

- 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.

Since 2013, Stalprodukt Group has distinguished three basic operating segments as part of its operations:

- 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
- c) **Zinc Segment** - including mining of non-ferrous metal ores, production of zinc and lead, and recycling of zinciferous waste.

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 The Electrical Sheets Segment

- a) Transformer sheets and strips

In 2022, the Stalprodukt Group sold 0.5% less transformer sheets in terms of volume compared to 2021, an increase in sales revenues of 65.8% was recorded, and prices were higher by 67%.

The price increase trend was particularly visible in the third quarter of 2022. The sale of transformer sheets on the domestic market accounts for about 4.7%, while export sales are the basis for commercial activities in the field of transformer sheets with almost 95% share of total sales. In 2022, almost one-third of the sales of both CGO and HGO sheets went to the Company's Italian customers. Nearly 20% was delivered to Mexico, and countries with around 6-7% share are: India, Austria, Germany and Croatia. Imports of transformer sheets to Poland in the 12 months of 2022 increased by 15% compared to the same period in 2021 and reached the level of 9.7 thousand tonnes. The prices of imported material increased by 73% compared to the previous period (PLN 16.3 thousand/MT).

The main directions of import of transformer sheets to Poland (by country of origin) in 2022 are:

- in the field of strips: Germany (34%), France, Italy, the Czech Republic and China (12%),
- for wide coils: Japan (70%) and Germany.

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Table 1. Comparative summary of sales of transformer steels and strips

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|----------------|----------------|---------------|----------------------------|------------------|---------------|
| | 2021 | 2022 | 2022/2021 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 6 917 | 5 355 | -22,6 | 61 336 | 83 183 | 35,6 |
| Export | 112 447 | 113 460 | 0,9 | 997 148 | 1 672 075 | 67,7 |
| Total | 119 364 | 118 815 | -0,5 | 1 058 484 | 1 755 258 | 65,8 |

Market environment

The global market and the availability of grain oriented sheets in 2022 were influenced by many factors - the main ones include the war in Ukraine and the consequences of lockdowns and the zero-covid policy in China.

The high price increase was caused to a greater extent by the risk of limited access to the material than by the actual situation. Despite the war and the introduction of sanctions against Russia, the import of electrotechnical sheets to Europe in 2022 has reached unprecedented levels. GOES sheets were not included in the steel "safeguard", which was the basis of sanctions for steel products from Russia. And despite extensive efforts by EU producers to tighten the sanctions, the enlargement process dragged on. The protection of GOES sheets was only included in the eighth sanction package, and the ban on imports into the EU from Russia was introduced only after January 8, 2023.

Based on preliminary import data for 2022, it can be assumed that the share of GOES sheet imports has increased even above 50% of the total European demand, effectively displacing European producers.

Trends in the global economy and industrial production have been deteriorating since the second half of the second quarter, the entire macroeconomic environment has deteriorated, which resulted in a drop in demand, high inventories and prices of material from China and Russia, which were increasingly out of step with the rest of the world.

It was the large difference between domestic and import prices in Europe in the first half of 2022 that attracted a huge amount of imported material, this trend definitely increased in the second half of the year, reaching a historical record of imports of transformer sheets to Europe, which was reflected in reduced allocations for customers in the first quarter and/or first half of 2023.

With regard to electrical steel, Asia is the most important source of demand, but also of supply, and consequently prices depend in particular on the situation on this market. The abolition of the export rebate in China had a positive impact on prices outside of China, while difficulties in exporting due to logistics constraints in Asia further impacted the international pricing environment. A significant reduction in freight prices and shortening delivery times from China to Europe have an impact on the purchasing decisions of European customers, the implementation of which is scheduled for 2023.

Extension of the protective measures for GOES plates in Europe in January 2022. had no market dimension due to the detachment of current market prices from the measures which were extended through an interim review procedure. The levels of minimum import prices (MIP) set in 2015 had nothing to do with the high prices recorded. The rigidity of EU procedures and the extended processing time based

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on historical data in some cases lose the sense of action and do not meet the real needs of European entrepreneurs.

While in Europe last year the main topic was the departure from fossil fuels, and for manufacturers the most important topics focused on *Fit for 55*, *ESG*, etc., the war in Ukraine changed the reality completely. Transformation and decarbonisation, which were supposed to be the main source of success in the coming time, suddenly came into question. The drastically increased prices of raw materials put a heavy burden on the business of our European competitor on the sheet metal market, GOES (ThyssenKrupp), which is also the largest German steel producer, as it turned out that it had previously sourced a large part of its raw materials from Russia.

Against the backdrop of all these conditions, most of the key players on the electrotechnical sheet metal market are continuing their investments. All projects are carried out with environmental protection in mind. Reducing CO₂ emissions is a goal that all major manufacturers in the industry are trying to achieve.

China has additionally decided to extend anti-dumping (AD) duties on imports of grain oriented electrical steel (GOES) originating in Japan, South Korea and the European Union for a further five years, effective July 23, 2022. Extended AD duty rates on imports from Japan, South Korea and the EU remained unchanged. EU companies are subject to Chinese AD duties of 46.3%.

a) Toroidal cores

In 2022, the sales volume of transformer cores and fittings was 4.4% higher than in 2021, with almost 56% of sales. increase in sales revenues directly correlated with almost 50% price increase.

The sales structure did not change significantly compared to the previous year. Currently, 29% (previously 32%) is domestic sales, and 71% (previously 68%) is export sales.

Since 2021, when the CN code for transformer cores and fittings was separated, the Company has reliable information on imports and exports of this product group. In 2022, over 17.7 thousand were imported to Poland. tonnes of cores and fittings at an average annual price of PLN 19.5 thousand/t This is an increase of over 30% compared to the previous year. The import of cores and fittings is growing exponentially. Just a few years ago, imports of parts for transformers did not exceed 3,000 tonne. The main direction of imports was Turkey for another year in a row (80% of the total imports of cores and fittings) with an average price of PLN 18.9 thousand/tonne. Cores were also imported from Italy, Slovakia and Germany.

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

Table 2. Comparative summary of sales of transformer cores

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|---------------|--------------|---------------|----------------------------|---------------|---------------|
| | 2021 | 2022 | 2022/2021 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 348 | 323 | -7,2 | 4 974 | 7 234 | 45,4 |
| Export | 662 | 731 | 10,4 | 10 795 | 17 329 | 60,5 |
| Total | 1 010 | 1 054 | 4,4 | 15 769 | 24 563 | 55,8 |

Market environment

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Despite the increasingly fierce market competition, the Company managed to achieve an increase in sales volumes in 2022. It is also worth noting that some key domestic customers reported almost 50% less demand for products based on toroidal cores.

Shopping in a place where components for various types of transformers can be purchased (service centers) is still preferred, and more and more often customers, for economic reasons, look for suppliers offering the same product at more competitive prices.

2.2 Segment of Bent Sections

a) Cold-formed sections

In 2022, nearly 140,000 were sold tonnes of sections and pipes for PLN 795 million. This result means: over 10% decrease in volume and 8.7% increase in sales value. Prices increased in the analyzed period by 21% compared to the prices obtained in 2021. Based on the data of the Analytical Center - Tax Administration Chamber in Warsaw and HIPH, we estimate our current share in the apparent consumption of cold-formed sections on the domestic market at about 23%. The Company's share in the total domestic export of cold-formed sections was 32%.

The sales results presented above were obtained under the following market conditions (based on HIPH information in the period January - December 2022):

- a decrease in the production of cold-formed sections in Poland by 16% - to the level of 258 thousand tons;
- a decrease in the apparent consumption of pipes by 6% to the level of 1,012 thousand tonnes, including a decrease in the apparent consumption of cold
- formed closed sections also by 6% (to the level of 403 thousand tonnes);
- a decrease in imports of closed g/z sections by 5% (276,000 tonnes), and the current main directions of import are: for sections with a thickness of walls less than 2 mm: Ukraine (22%), Belarus (19%, imports until May 2022) and the Czech Republic (11%); for sections with a thickness of walls over 2 mm Italy (31%), Romania and Bulgaria (both 11%);
- a decrease in the export of cold-formed closed sections by 23% (131 thousand tonnes).

Table 3. Comparative summary of sales of cold formed sections

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|----------------|----------------|---------------|----------------------------|----------------|---------------|
| | 2021 | 2022 | 2022/2020 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 105 136 | 94 221 | -10,4 | 509 584 | 543 585 | 6,7 |
| Export | 47 758 | 43 655 | -8,6 | 222 086 | 251 858 | 13,4 |
| Total | 152 894 | 137 876 | -9,8 | 731 670 | 795 443 | 8,7 |

Produkcja rur stalowych w UE

Due to war disruptions and supply chain problems in the third quarter, the previously noted positive trend in the European pipe sector has faded. After six consecutive quarters of growth, production decreased in the third quarter of 2022 (-0.5% after an increase of approx. 3.8% in the previous quarter).

After rebounding by 10.9% in 2021, in 2022, due to a much worse situation in the second half of the year,

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only a moderate increase in production in the pipe sector is expected (+1.9%), a slight increase is forecast for 2023 decline (-1.9%), and a moderate increase (+1.5%) is projected again in 2024.

The price situation in 2022 was completely unstable. After a period of high growth, prices fell quickly, producers were left with high stocks of expensive input material, and demand began to fall rapidly.

In 2020, production in the EU steel tube industry was heavily affected by industry shutdowns due to, among others, pandemic. Similarly for other steel-using sectors, the rebound seen in the first three quarters of 2021 weakened in the fourth quarter of 2021 as a result of severe global supply chain issues. Disturbances related to Russia's war in Ukraine caused further problems and further delays in ongoing projects and affected the availability of materials. There is no long-term growth forecast for large welded pipe demand from the oil and gas sector. Despite the revival in global oil demand, commissioning or deployment of new pipelines is not expected to accelerate in the short term due to high geopolitical uncertainty. Oil demand is likely to fall in 2023 and 2024 in the EU, also as a consequence of lower economic growth.

Eurofer also forecasts that the demand for pipes from the automotive and engineering sectors will remain relatively weak.

On the other hand, from our point of view, the automotive sector creates positive prospects. The transition to electric cars requires changing the huge amount of steel pallets used to transport car parts. This sector is the only one with an optimistic outlook for the next 3 years. This is due to the large number of launches of new models, and it is only about a year after the launch that it is possible to assess whether a given model is a success and will be further developed or not. Pallets will be produced during this time.

Eurofer forecasts that demand from the construction sector alone will continue to contribute to a moderate increase in the production of pipes and sections. Currently, the construction sector is in great decline. This applies to both scaffolding manufacturers (initial investment stage) and, for example, radiator manufacturers (final investment stage).

When discussing the situation in the closer environment, it should be noted that another huge transfer of funds from the State Treasury for two companies of the Węgłokoks Group, i.e. Huta Łabędy and Huta Pokój. Both companies competing with us turned out to be the main beneficiaries of a large government contract. The Polish authorities decided in 2021 that the supply of steel profiles for the construction of the 187-kilometer dam on the Polish-Belarusian border will be entirely provided by the Węgłokoks Group. In the first half of 2022, the construction of the border wall was completed. 51,000 tonnes of steel were used to build the dam, from which 37,000 spans were produced.

b) Road barriers

The total result obtained in 2022 on the sale of road barriers was 21.6% higher in terms of sales revenue and 3.6% lower in terms of volume compared to the results obtained in 2021. Prices increased by 26%.

The results of increases in domestic sales were better than in exports, and the total result is determined by domestic sales due to the current sales structure, i.e. the share of domestic sales in total sales of barriers is two-thirds of total sales.

In the case of export sales, 15% was obtained increase in revenues with a decrease in volumes sold by

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0.7%; prices accordingly increased by 24%.

Compared to the increases in the prices of input materials and zinc, the increases in prices of 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) | | |
|---------------|---------------|---------------|---------------|----------------------------|----------------|---------------|
| | 2021 | 2022 | 2022/2020 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 13 037 | 12 813 | -1,7 | 72 716 | 91 214 | 25,4 |
| Export | 7 049 | 6 556 | -7,0 | 43 634 | 50 226 | 15,1 |
| Total | 20 086 | 19 369 | -3,6 | 116 350 | 141 440 | 21,6 |

Market environment

Saferoad is still the biggest competitor of Stalprodukt S.A. on the European market.

All producers of barriers experienced negatively rapid changes in steel prices, but all of them - due to huge penalties in contracts - implemented the signed contracts.

The outbreak of the war in Ukraine in the first phase of its duration temporarily strengthened Stalprodukt's position on the Polish and foreign markets for the following reasons:

- lack of supplies of input materials from Russia - as it turned out, the Company's largest competitor based a significant part of its production on supplies from Russia, and due to the outbreak of war, it was unable to accept new orders practically throughout the second quarter of 2022 and confirm their implementation in the third and fourth quarter 2022;
- termination of cooperation by customers with a Russian manufacturer of barriers - the Company was particularly affected by this in the case of customers from Poland and the Baltic countries. However, at the end of 2022, this company again began to offer its products from material probably coming from Kazakhstan and the Company felt it in the form of a decrease in the level of orders placed by customers.

c) Products of the Sheet Metal Service Centre

In 2022, 11.9 thousand were sold tonnes of sheets for PLN 61.6 million, which means a decrease in the volume by 13.6% compared to 2021 and a decrease in the value of sales by 2.4% compared to the previous year. Prices increased by 13%.

Imports of both hot-rolled and cold-rolled sheets in 2022 decreased compared to 2021 - the former by 11% and the latter by 22%, respectively. The prices of imported sheets increased by approximately 25% compared to the previous year.

The main directions of import of hot-rolled strips and sheets in 2022 are: Slovakia (25%), Germany (16%), Czech Republic (16%) and Italy (12%). The average price for 2022 is PLN 4,863/MT.

The main directions of import of cold-rolled strips and sheets are: Germany (37%) and Austria (10%). The average price per tonne in 2022 is PLN 5,159.

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Table 5. Sales of steel service centre products

| Specification | Quantity (Mg) | | | Net Value (PLN '000) | | |
|---------------|---------------|---------------|---------------|----------------------|---------------|---------------|
| | 2021 | 2022 | 2022/2021 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 12 775 | 11 191 | -12,4 | 59 277 | 57 404 | -3,2 |
| Export | 940 | 664 | -29,4 | 3 903 | 4 230 | 8,4 |
| Total | 13 715 | 11 855 | -13,6 | 63 180 | 61 634 | -2,4 |

Competitive situation

In 2022, high average prices significantly increased the revenues of many distributors, but warehouse management proved to be a great challenge with such high price fluctuations throughout the year. The economic environment was equally difficult for all companies.

Major distributors expect global steel markets to increasingly normalize this year. A stronger demand trend is expected in key European and US markets.

2.3 Zinc Segment

The situation on the LME (London Metal Exchange) and currency market in 2022

The most important products of the Zinc Segment are: zinc (Z1 and Z5 grades and zinc alloys), lead (refined lead and flotation galena) and silver (Dore's metal).

The sale of these products is carried out in accordance with the applicable global standards. The amount of sales revenues depends mainly on the quotations of zinc and lead prices on the London Metal Exchange (LME), silver and the US dollar exchange rate. The value of the above factors is the effect of the general condition of the world economy.

ZGH and HCM zinc in the highest grade Z1 was registered at the LME. Refined lead with a purity of 99.985% Pb is also certified by the London Metal Exchange.

A synthetic summary of the most important macroeconomic factors for the operations of the ZGH Capital Group is presented in Table 6.

Table 6. Change in macro parameters 2022/2021

| Average prices | unit of measure | 2022 | 2021 | change |
|----------------|-----------------|---------|---------|--------|
| LME Zn | USD/t | 3 478 | 3 007 | +16% |
| LME Pb | USD/t | 2 150 | 2 206 | -3% |
| LBM Ag | USD/ounce | 21,7302 | 25,1356 | -14% |
| exchange rate | USD/PLN | 4,4615 | 3,8647 | +15% |
| Zn | PLN/t | 15 458 | 11 634 | +33% |
| Pb | PLN/t | 9 560 | 8 529 | +12% |

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|----|--------|-------|-------|-----|
| Ag | PLN/kg | 3 116 | 3 123 | bz. |
|----|--------|-------|-------|-----|

The average prices of **zinc cash settlement** on the London Metal Exchange (LME) in 2022 amounted to USD 3,478 / t and were 16% higher than in 2021, when they reached an average of USD 3,007 / t.

The average prices of **lead cash settlement** on the London Metal Exchange (LME) in 2022 amounted to USD 2,150 / t and were 3% lower than in 2021, when they reached an average of USD 2,206 / t.

The average prices of **silver** on the London Bullion Market (LBMA) in 2022 reached the level of USD 21.73 / ounce (PLN 3,116 / kg), and compared to the quotations in 2021 - USD 25.14/oz (PLN 3,123/kg) remained at a similar level.

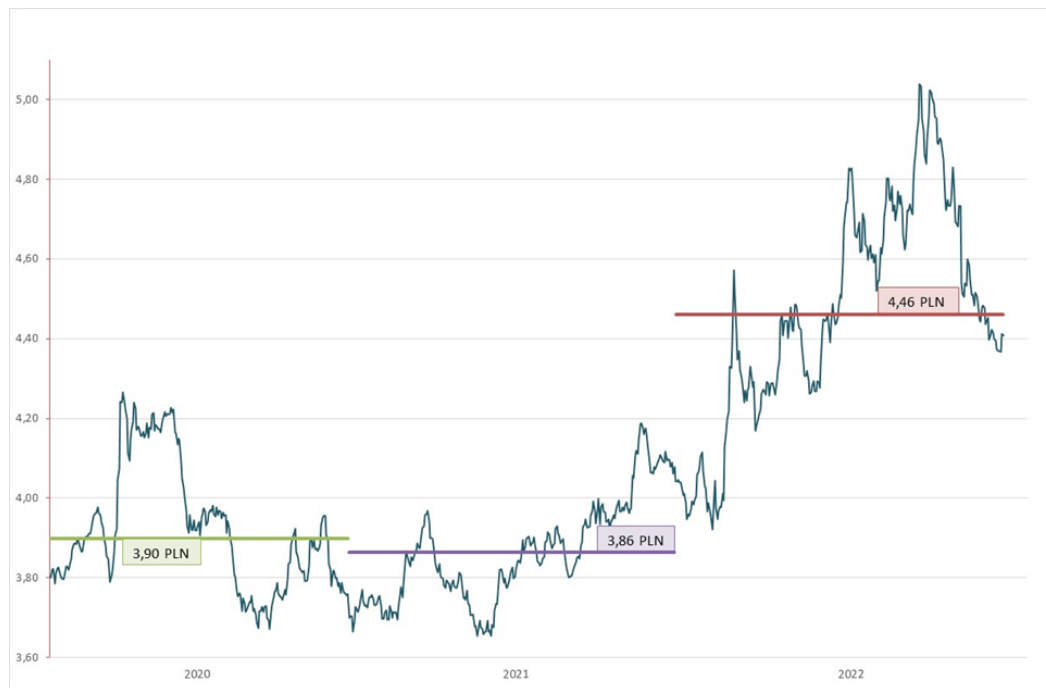
The average **USD / PLN exchange rate** (NBP) in 2022 amounted to 4.4615 and was higher by approx. 15% compared to the average exchange rate in 2021 (3.8647).

Zinc prices on the London Metal Exchange in USD/t.



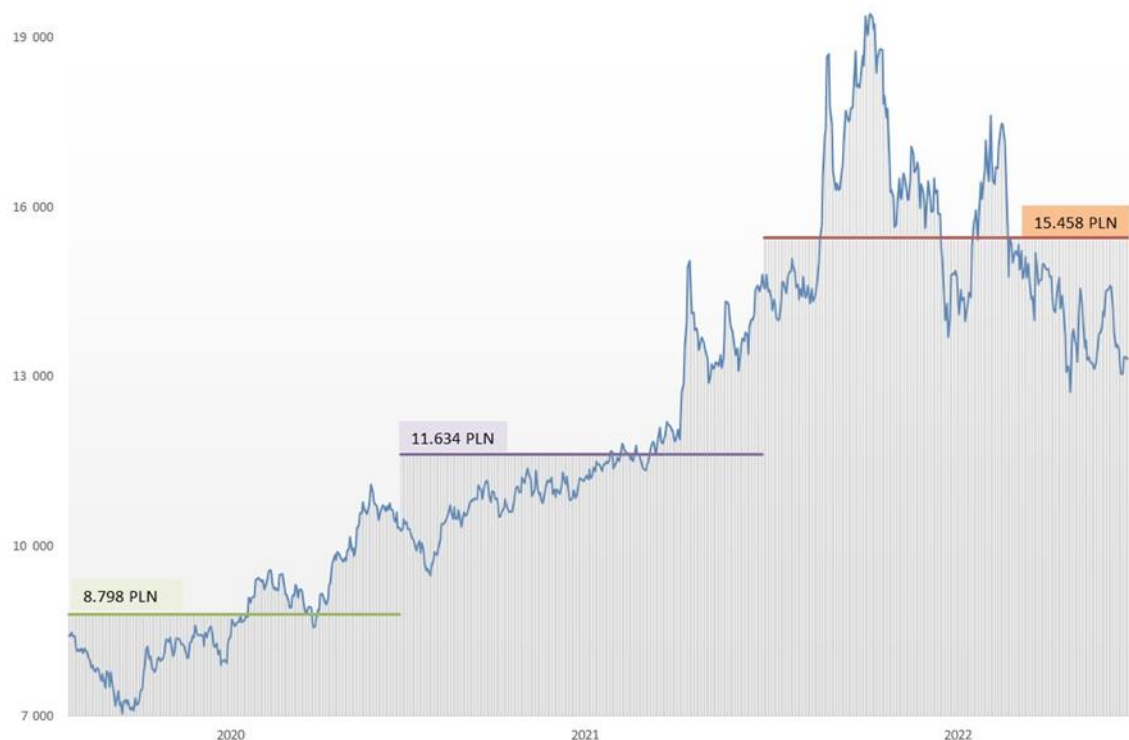
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Exchange rate (USD/PLN) according to NBP.



Average annual zinc price in 2020 - 2022 (PLN / t).

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Sales volume and structure in the ZGH Capital Group

Due to the very close technological links between the production companies of the ZGH “Bolesław” Group (products of one company are a charge for another company and are used inside the Group), the tables below present the sale of the main products outside the Capital Group.

a) zinc and zinc alloys

Table 7. Zinc sales summary

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|----------------|----------------|---------------|----------------------------|------------------|---------------|
| | 2021 | 2022 | 2022/2021 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 105 946 | 90 758 | -14,3% | 1 218 110 | 1 358 138 | 11,5% |
| Export | 61 130 | 59 259 | -3,1% | 729 228 | 961 278 | 31,8% |
| Total | 167 076 | 150 017 | -10,2% | 1 947 338 | 2 319 416 | 19,1% |

In 2022, the sales volume of zinc and zinc products was lower than in 2021, including the volume of domestic sales decreased by 14.3%, and export sales by 3.1%.

The largest customers of the ZGH Capital Group, which are ArcelorMittal and other European metallurgical concerns, have significantly reduced their purchases of zinc and zinc alloys since August 2022. This resulted in a drop in sales of zinc products in those months. Limitations in the production of zinc in European steel mills caused by high energy prices were offset by weak demand for zinc from large steel mills such as ArcelorMittal, Liberty Group and US Steel.

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High energy prices and a decline in demand for steel caused the main customer to reduce orders for zinc alloys by 47% in Q4 2022 compared to the previous quarters. Revenues from the sale of these products in 2022 were 19% higher than in the previous year due to a 33% y/y increase in the PLN price of zinc.

Zinc Z1 is mainly used as surface anti-corrosion protection by hot-dip galvanizing, electrolytic. Zinc alloys are used in continuous casting lines or high-pressure casting lines, being used in the automotive, construction and household appliances industries.

Due to the increased content of lead, zinc Z5 is used in the production of brass and bronze, as well as in galvanizing plants as a cheaper substitute or supplement to zinc Z1.

b) lead

Table 8. Summary of sales of refined lead

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|---------------|---------------|---------------|----------------------------|----------------|---------------|
| | 2021 | 2022 | 2022/2020 (%) | 2021 | 2022 | 2022/2021 (%) |
| Country | 9 918 | 6 946 | -30 | 89 215 | 69 899 | 20 |
| Export | 4 218 | 3 231 | -23 | 36 958 | 33 535 | 9 |
| Total | 14 136 | 10 177 | -28 | 126 173 | 103 434 | 17 |

Refined lead is mainly used for the production of accumulators and traction batteries, as well as for the production of lead oxides for the production of, inter alia, paints and varnishes and, to a minimum, lead alloys. Refined lead is also a raw material for the production of sheets, wires, ammunition and cables.

c) galena flotation

Table 9. Summary of sales of galena flotation

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|---------------|--------------|---------------|----------------------------|--------------|---------------|
| | 2021 | 2022 | 2022/2020 (%) | 2021 | 2022 | 2022/2021 (%) |
| Export | 4 965 | 2 105 | -58 | 19 657 | 8 271 | -58 |
| Total | 4 965 | 2 105 | -58 | 19 657 | 8 271 | -58 |

d) Silver (Dore metal)

Table 10. Summary of sales of Dore metal

| Specification | Quantity (Mg) | | | Net Value (thousand x PLN) | | |
|---------------|---------------|------|---------------|----------------------------|--------|---------------|
| | 2021 | 2022 | 2022/2020 (%) | 2021 | 2022 | 2022/2021 (%) |
| Export | 27 | 18 | -35 | 85 374 | 55 341 | -35 |

Dorre's metal produced by HC "Miasteczko Śląskie" S.A. is a high-value useful waste produced during the refining of lead, suitable only for further processing. It is an alloy with a high content of precious metals: silver and gold.

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It was sold directly to a precious metal refinery.

The share of silver in the sales revenues products in 2022 was 2%.

Sale of other products of the Capital Group

Sulphuric acid

The acid is produced at ZGH "Bolesław" and in Zinc Smelter "Miasteczko Śląskie" as a by-product of the sulphide concentrate roasting processes. Due to the increasing use of cheaper oxide materials in the production of zinc, the amount of sulfuric acid production and sale is decreasing. The recipients of the acid are both domestic and foreign contractors.

Sulfuric acid is very important in various industries. It is used, among others, for the production of other acids, dyes, artificial fibers, explosives, and fertilizers. It is used in the production of detergents, drugs and as an electrolyte in lead batteries. It is a frequently used reagent in laboratories.

Dolomite aggregates

Zakład Wydobywczo-Przeróbczy Kruszyw in the subsidiary Boltech Sp. z o.o., which currently includes the Dolomite Mine "Ujków Stary", is active in the field of mining and production of dolomite aggregates. The main recipients of aggregates are road construction companies, plants producing mineral-bituminous masses and producers of road accessories.

Zinc-bearing materials utilization services.

Zinc-bearing materials are utilized by Zinc Smelter "Miasteczko Śląskie" and ZGH "Bolesław". At ZGH, disposal is carried out in the Waelz process on two waste streams. The first group is waste from zinc hydrometallurgy, while the second main waste stream is steel dust from the steel production process in electric arc furnaces. The oxide from steel dust is the input for the production of zinc at ZGH "Bolesław", while the oxide from the processing of sludge is the input for the production of zinc and lead at Zinc Smelter "Miasteczko Śląskie".

2.4. Segment of other activities

The segment of other activities, mainly covering the sale of goods, recorded a decrease in revenues in 2022 by 13.2% compared to 2021.

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

Table 11. Sales of the Capital Group's operating segments

| OPERATING SEGMENTS | | | | |
|--------------------|---------------------------|-----------|-----------|-----------------------|
| Steels Segment | | 2021 | 2022 | Zmiana (2022/2021) |
| Segment revenues | <i>thousand x PLN</i> | 1 079 235 | 1 797 468 | 66,6% |
| Segment result | <i>thousand x PLN</i> | 212 486 | 483 223 | 127,4% |
| Segment margin | % | 19,7% | 26,9% | |

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| | | | | |
|--|---------------------------|------------------|------------------|--------|
| | | | | |
| Profiles Segment | | | | |
| Segment revenues | <i>thousand x PLN</i> | 905 707 | 996 223 | 10,0% |
| Segment result | <i>thousand x PLN</i> | 123 059 | 43 359 | -64,8% |
| Segment margin | % | 13,6% | 4,4% | |
| | | | | |
| Zinc Segment | | | | |
| Segment revenues | <i>thousand x PLN</i> | 2 321 429 | 2 694 388 | 16,1% |
| Segment result | <i>thousand x PLN</i> | 331 901 | 97 350 | -70,7% |
| Segment margin | % | 14,3% | 3,6% | |
| | | | | |
| Segment of other operations of Stalprodukt S.A. Capital Group | | | | |
| Segment revenues | <i>thousand x PLN</i> | 367 798 | 416 292 | 13,2% |
| Segment result | <i>thousand x PLN</i> | 66 904 | 113 455 | 69,6% |
| Segment margin | % | 18,2% | 27,3% | |
| | | | | |
| Operating segments in total | | | | |
| Segments' revenues | <i>thousand x PLN</i> | 4 674 169 | 5 904 371 | 26,3% |
| Segments' result | <i>thousand x PLN</i> | 734 845 | 737 387 | 0,4% |
| Segments' margin | % | 15,7% | 12,5% | |

In 2022, the Group recorded increases in the value of sales in all reported operating segments. The revenues of the Sheet Metal Segment increased the most (by 66.6%) and Zinc. Compared to 2021, the smallest increase in sales revenue was recorded by the Profiles Segment (by 10.0%).

In terms of the results obtained, the largest increase was recorded in the Sheet Metal Segment (by 127.4%) and significant decreases in the Profile Segments (by 64.8%) and Zinc (by 70.7%).

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

Table 12. Assortment structure of sales of the individual operating segments

| Assortment | 2021 | | 2022 | |
|---------------------------|------------------------|--------------|------------------------|--------------|
| | value (thousand x PLN) | share (%) | value (thousand x PLN) | share (%) |
| Electrical Steels Segment | 1 079 235 | 23,1 | 1 797 468 | 30,4 |
| Formed Profiles Segment | 905 707 | 19,4 | 996 223 | 16,9 |
| Zinc Segment | 2 321 429 | 49,6 | 2 694 388 | 45,6 |
| Other operations GK | 367 798 | 7,9 | 416 292 | 7,1 |
| Total | 4 674 169 | 100,0 | 5 904 371 | 100,0 |

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In 2022, in the sales structure of the operating segments, a significant increase in share was recorded in the Sheet Metal Segment (from 23.1% to 30.4%). Other operating segments recorded a decline in the share of revenues in the Group's total sales structure.

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, steels in sheets are sold exclusively to Stalprodukt's external customers - both directly and through Stalprodukt's domestic distribution network.

In 2022, the ArcelorMittal Group with a share of 19,2% remained the main supplier of charge material for Stalprodukt, with the value of supplies exceeding 10% of the individual sales revenues.

In the case of the Zinc segment, the main raw materials used in the production processes are zinc-lead ore from its own mines, zinc concentrates (blende), lead concentrates (galena) and zinc-lead concentrates (blende bulk).

3. Assessment of the economic and financial situation

| SELECTED FINANCIAL DATA | thousand x PLN | | | thousand x EURO | | |
|--|----------------|-----------|--------------------|-----------------|-----------|--------------------|
| | 2022 | 2021 | Data restated 2021 | 2022 | 2021 | Data restated 2021 |
| I. Net sales of products, goods and materials | 5 904 372 | 4 674 169 | 4 674 169 | 1 259 384 | 1 021 118 | 1 021 118 |
| II. Operating profit (loss) | 611 229 | 633 247 | 621 218 | 130 373 | 138 339 | 135 711 |
| III. Profit (loss) before taxation | 598 220 | 617 133 | 605 104 | 127 599 | 134 819 | 132 191 |
| IV. Net profit (loss) | 480 522 | 528 729 | 516 700 | 102 494 | 115 506 | 112 878 |
| - attributable to shareholders of the parent company | 474 239 | 519 522 | 507 494 | 101 154 | 113 494 | 110 867 |
| - net profit attributed to non-controlling interests | 6 285 | 9 207 | 9 206 | 1 341 | 2 012 | 2 011 |
| V. Net cash flow from operating activities | 339 993 | 271 813 | 271 813 | 72 519 | 59 380 | 59 380 |
| VI. Net cash flow from investment activities | -31 151 | -122 260 | -122 260 | -6 644 | -26 709 | -26 709 |

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| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| VII. Net cash flow from financial activities | -195 371 | -93 690 | -93 690 | -41 672 | -20 468 | -20 468 |
| VIII. Total net cash flow | 113 471 | 55 863 | 55 863 | 24 203 | 12 204 | 12 204 |
| IX. Total assets | 5 181 355 | 4 841 895 | 4 829 866 | 1 104 790 | 1 052 723 | 1 050 108 |
| X. Long-term liabilities | 480 718 | 571 664 | 571 664 | 102 500 | 124 291 | 124 291 |
| XI. Short-term liabilities | 864 345 | 899 018 | 899 018 | 184 299 | 195 464 | 195 464 |
| XII. Shareholders' equity | 3 836 292 | 3 371 213 | 3 359 184 | 817 990 | 732 968 | 730 353 |
| - equity attributable to shareholders of the parent company | 3 722 684 | 3 262 788 | 3 250 759 | 793 766 | 709 394 | 706 779 |
| - equity attributed to non-controlling interests | 113 608 | 108 425 | 108 425 | 24 224 | 23 574 | 23 574 |
| XIII. Share capital | 11 161 | 11 161 | 11 161 | 2 380 | 2 427 | 2 427 |
| XIV. Number of shares | 5 580 267 | 5 580 267 | 5 580 267 | 5 580 267 | 5 580 267 | 5 580 267 |
| XV. Profit (loss) for one ordinary share (in PLN) | 86,11 | 94,75 | 92,59 | 18,37 | 20,70 | 20,23 |
| XVI. Weighted average number of shares | 5 524 271 | 5 580 267 | 5 580 267 | 5 524 271 | 5 580 267 | 5 580 267 |
| XVII. Diluted profit (loss) per ordinary share (PLN) | 86,98 | 94,75 | 92,59 | 18,55 | 20,70 | 20,23 |
| XVIII. Book value per share (PLN) | 687,47 | 604,13 | 601,98 | 146,59 | 131,35 | 130,88 |
| XIX. Diluted book value per share (PLN) | 694,44 | 604,13 | 601,98 | 148,07 | 131,35 | 130,88 |
| XX. Declared or paid-out dividend for one share in (PLN/EUR) | 12,00 | 6,00 | 6,00 | 2,56 | 1,31 | 1,31 |

Basic economic and financial figures

In 2022, revenues from the overall activity of the Stalprodukt Capital Group amounted to PLN 5,904.4 million. This means a increase by 26% compared to 2021. The operating profit generated was PLN 611.2 million, while the net profit was PLN 480.5 million (in 2021, the operating profit was PLN 621.2 million, and the net profit was PLN 516.7 million).

In the discussed period, EBITDA reached PLN 790.5 million (compared to PLN 798.5 million in 2021).

In 2022, the sales profitability at individual levels was as follows (in %):

| Specification | 2022 | 2021 |
|------------------|------|------|
| Return on sales | 9,4 | 12,3 |
| Operating return | 10,4 | 13,3 |
| Gross return | 10,1 | 12,9 |
| Net return | 8,1 | 11,1 |

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

| Specification | 2022 | 2021 |
|------------------|------|------|
| Return on assets | 9,3 | 10,7 |
| Return on equity | 12,5 | 15,4 |

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

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| Specification | 2022 | 2021 |
|---------------------------|------|------|
| Acid test ratio | 3,3 | 2,7 |
| Increased liquidity ratio | 1,9 | 1,6 |

In 2022, cash flows from operating activities amounted to PLN 340.0 million.

Assets of the Stalprodukt S.A. Capital Group in the reporting period it increased by 7% compared to the previous year, reaching PLN 5 181.3 million. Fixed assets decreased in the analyzed period by PLN 60,8 million and amount to PLN 2,321.5 million, while the value of current assets increased by PLN 412.3 million (17%).

In 2022, equity increased from PLN 3,359.2 million (2021) to PLN 3,836.3 million and accounts for 74% of the balance sheet total.

The long-term liabilities of the Stalprodukt S.A Capital Group as at December 31, 2022 amounted to PLN 480.7 million, including long-term loans and borrowings of PLN 5.7 million.

Compared to 2021, long-term liabilities decreased by PLN 90.9 million.

Short-term credits and loans at the end of 2022 amounted to PLN 20.2 million (down from PLN 62.3 million). Net working capital increased from PLN 1,584.5 million in 2021 to PLN 1,995.5 million at the end of 2022.

The return on equity in the Stalprodukt Capital Group in the analysed period was 12.5%, and the cash balance as at December 31, 2022 amounted to PLN 605.7 million.

Assessment of the obtained results and financial situation

In terms of the results obtained, 2022 was similar to 2021 for the Stalprodukt Capital Group. The Group recorded an increase in sales revenue by 26%, however, the profit on sales was slightly lower (-3.3%), similarly the profit on operating activities (-1.6%), also the net profit decreased by 7.0% y/y r.

The Capital Group did not experience payment gridlocks, consistently implementing the adopted policy in risk management. The parent company is also not endangered by fluctuating exchange rates due to the mostly natural hedging of this risk. On the other hand, ZGH "Bolesław" S.A. and its subsidiaries conduct an active security policy. In line with the strategy of hedging against the effects of falling prices of zinc, lead and silver and the dollar exchange rate, subsidiaries identify and assess the impact of the risk related to changes in metals prices and the exchange rate on the financial result, cash flow and balance sheet on an ongoing basis.

In 2022, there were slight changes in the shaping of assets and their financing sources. There was slight decrease in fixed assets by PLN 60.8 million, i.e. by 3%, while current assets increased by PLN 412,3 million, i.e. by less than 17%. In the group of current assets, inventories increased by 26% and short-term receivables decreased by 15%.

The Group's assets increased by 7%, while the share of financing sources in provisions and liabilities increased by 9%.

In the analysed period, short-term trade liabilities related to deliveries increased by 6% (PLN 477.4 million).

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Equity accounts for 74% of liabilities, and payables account for 26%. The book value per ordinary share increased from PLN 604.13 to PLN 687.47 (by 14%).

Throughout the reporting period, the parent company and most of the companies from the Capital Group maintained good financial liquidity, as evidenced by the liquidity ratios and timely fulfilment of all obligations, both towards employees and suppliers, as well as the budget and financial institutions.

The Capital Group is not excessively indebted, the use of current loans throughout the period was moderate. In the opinion of the financing banks, the Stalprodukt Group has uninterrupted creditworthiness, and the results obtained and the transparent property and ownership situation allow it to obtain financing in various forms.

In the reporting period, the parent company and its subsidiaries renewed agreements with banks for multi-purpose credit lines aimed at securing the Group's sources of financing.

The Management Board does not expect the Group's financial situation to worsen in 2021. In order to maintain a good financial situation and liquidity, work is being carried out on the restructuring of the Group's companies and further projects, especially in terms of acquiring new supply and sales markets, rational inventory and receivables management, and cost reduction.

The management of financial resources should be considered correct, as evidenced by the achievement of good economic indicators and the maintenance of financial liquidity and creditworthiness, as well as timely fulfilment of 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 European economy, and especially the Polish one, was strongly influenced by the direct and indirect effects of the war in Ukraine. This impact was particularly evident in terms of unprecedented levels of increases in energy and natural gas costs. It resulted, among others, from limited access to energy resources (such as coal and gas), caused by the economic sanctions imposed on Russia, which directly translated into their rapid growth. In the case of Stalprodukt, the increase in costs by type in item "consumption of materials and energy" amounted to as much as 31% in 2022;
- high energy prices were also influenced by the prices of CO₂ emission allowances, which remained at a high level (currently approx. EUR 90/tonne);
- the increase in inflation caused by the increase in energy costs translated into a general increase in the prices of many materials and finished products, which in turn was reflected in growing sales revenues. It was similar in the case of Stalprodukt, for which the increase in revenues amounted to 36.1 percent.
- In 2010, the increases in the prices of finished products ranged from a dozen or so percent (for products of service centers) to almost 70 percent. (for transformer sheets).

• Impact of the COVID-19 pandemic on the Polish economy and the Issuer

When assessing the impact of the COVID-19 coronavirus on the Polish economy, it should be stated that it was insignificant. It was similar in the case of Stalprodukt's operations; in 2022, no impact of the pandemic on the operations of the Company's operating segments was observed.

- **General economic situation in Poland**

Gross domestic product, according to preliminary estimates, was higher in real terms than in 2021 by 4.9% (in 2021, after a decrease related to the COVID-19 pandemic, GDP growth amounted to 6.8%). Domestic demand was the main driver of economic growth. Both consumption and investment demand had a positive impact.

Domestic demand was 5.5% higher than in 2021. Total consumption increased by 2.1%, including consumption in the household sector increased by 3.0%. Gross fixed capital formation increased by 4.6% (2.1% the year before). The investment rate was 16.8% (compared to 17.0% in 2021). Gross value added in the national economy was 4.6% higher than in 2021. Its significant increase was recorded in industry - by 7.0%. In construction, the gross value added increased by 4.5%.

A significant increase in the total sold production of industry was recorded (+9.3% y/y), although lower than the very high in 2021. In the entities employing more than 9 employees in the 4th quarter of 2022, the pace of production growth slowed down significantly. In 2022, production was higher than in 2021 in all sections, with the biggest increase in mining and quarrying.

In manufacturing, the scale of growth was close to the average in industry. An increase in sales was also observed in most major industrial groupings, including the highest in the production of capital goods; only sales in the production of durable consumer goods were slightly lower than in 2021.

Economic growth slowed markedly in the fourth quarter. Data on GDP in the fourth quarter of 2022 published in mid-February this year. by the Central Statistical Office showed a decrease to the level of 2%; in quarter-on-quarter terms, the decrease was at the level of 2.4%, which indicated a serious "low", and by some economists, due to changes in the structure of the economy and the way real GDP was calculated, considered a recession.

- **steel production level**

Global crude steel production in 2022 fell 4.3% year-on-year to 1.83 billion tonnes, according to the World Steel Association (worldsteel). The largest producer, China, produced 1.01 billion tonnes of crude steel in 2022, down 2.1% year-on-year, and this volume represents 55.3% of the total volume of crude steel produced globally.

India, the world's second largest steel producer, increased production by 5.5% in 2022 to 124.72 million tonnes, while Japan's production fell by 7.4% to 89.23 million tonnes during the year.

U.S. production fell by 5.9% in 2022, to 80.71 million tonnes year-on-year. According to estimates, 71.5 million tonnes were produced in Russia, which means a decrease of 7.2%, mainly as a result of the Russo-Ukrainian war and related sanctions.

Production in South Korea also fell by 6.5% to 65.86 million tonnes during the year, while production from Turkey fell by 12.95% to 35.13 million tonnes.

Steel production decline in Europe

Crude steel production across Europe, including the UK, fell by 10.9% year-on-year (to 181.43 million tonnes), with Germany, Europe's largest steel producer, producing 36.85 million tonnes, down 8.4% compared to 2021

In Poland, production, according to estimates, decreased by 8.6% - from 8.5 million tonnes in 2021 to 7.7 million tonnes in 2022. It is worth noting that many European steel producers have reduced or closed production in the second half of 2022 due to high energy prices and/or low demand.

Platts, part of S&P Global Commodity Insights, estimated domestic hot rolled coil prices in Northern Europe at €680/t ex-works Ruhr on December 30, down 26.2% from early 2022.

- **demand for steel products in Europe (apparent steel consumption)**

In the third quarter of 2022, the apparent consumption of steel decreased by 11.2%, after a decrease of 4.7% in the second quarter, reaching a total volume of 32.2 million tonnes. This is the lowest level since the third quarter of 2020.

In 2021, the apparent consumption of steel rebounded by 16.3%. after a dramatic decline caused by the COVID-19 pandemic in 2020 at the level of 10.7 percent. The severe consequences of the conflict in Ukraine for steel-using industries and the deterioration of the overall economic outlook weighed on apparent steel consumption, causing a deeper-than-expected recession (-4.6%, previously estimated at -3.5%), driven by quarterly declines in Q3 and Q4 2022.

Due to the persisting downward factors (**war, energy prices, high inflation**) and the deterioration of the economic outlook for 2023, a decrease in steel consumption is also forecast in 2023, although slightly less than previously estimated (1.6% vs. 1.9%). This would mark the fourth recession in five years. In 2024, subject to more favourable developments in the industry and an improvement in demand for steel, the apparent consumption of steel should increase slightly (i.e. by 1.6%).

In any case, the overall evolution of steel demand remains subject to very high uncertainty, which is likely to continue to dampen demand from steel-using sectors for at least the first half of 2023.

European domestic deliveries reflected weak demand in the third quarter of 2022 and saw a sharp decline (down 10.5%). It was the third decline in a row (7% in the second quarter and 0.1% in the first). In 2021, deliveries increased significantly (by 11.9%), after a sharp decline in 2020 (by 9.6%), which was the second consecutive year-on-year decline after 2019 (4.2%).

Parallel to the continued and rapid decline in steel demand, EU imports - including intermediates - fell sharply (by 17.2%) in the third quarter, following an increase in the previous quarter (by 1.6%).

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

In the first eleven months of 2022, imports of finished steel products to the EU fell by 5% compared to the same period of the previous year, while in 2021 a significant increase in imports was recorded (+35%).

From January to November 2022, imports of flat products fell by 9% and imports of long products increased by 10%.

Imports were volatile in 2020, 2021 and the first eleven months of 2022, continuing the trend seen since 2019. After the outbreak of the COVID-19 pandemic, imports increased again for some products and showed some volatility in the second half of 2020, but growth became much more pronounced in 2021, especially in the second and third quarters, to a high level in historical terms. This development reflected the dynamic steel demand conditions observed until the end of 2021, while the volatility

continued in the fourth quarter of 2021 and the first eleven months of 2022, reflecting the weaker demand seen since the first quarter of 2022. Import volumes declined in 2022 continuously.

In the first eleven months of 2022, the main countries of origin for steel imports to the EU market were: **Turkey, India, South Korea, China and Taiwan**. As a result of EU sanctions and war disruptions, the Russian Federation and Ukraine are no longer among the top five exporters to the EU as imports from these two countries have fallen significantly (by 68% and 49% respectively). Together, the five main exporting countries accounted for 51% of total EU final steel imports. Turkey continued to be the largest exporter of finished steel products to the EU (with a share of 15.2%), followed by South Korea (10.2%), which replaced India (9.5%) as the second largest exporter. China is the fourth largest exporter to the EU (8.9%) and Taiwan is the fifth (7.3%).

In turn, in the case of the Zinc Segment, the main factors that influenced the results achieved were:

- **situation on the market of zinc, lead and silver**

Long-term highs or even historical price records were broken in 2022 by many listed metals. The highest price per tonne of zinc (LME zinc cash-settlement) on the London Metal Exchange is \$4,530 (19 April). The record price level at the time was driven by concerns about supply, an increase in orders and historically low levels of inventories. At the end of December 2022, zinc stocks in warehouses registered on the LME fell to the lowest level in many years and amounted to approx. 32,000 tonne. Industrial metal prices fell significantly in late December amid growing fears of a potential global recession. As of December 30, 2022, the price of the metal used to galvanize steel is \$3,025.00 per tonne, which means a price drop of almost \$1,500 compared to the April maximum.

- **rapid price changes in energy commodity markets**

Movements on the market of energy resources, directly preceding the start of the war, and in particular difficulties on the natural gas market, caused a several-fold increase in the prices of all energy carriers, and consequently an increase in the cost of zinc production. Despite the implementation within the European Union of the right to grant state aid to companies that are unable to produce without incurring a loss, zinc production lines have been shut down and stopped in many European plants.

In 2022, the ZGH Capital Group faced a significant increase in the prices of energy factors (electricity, coke, coke breeze and gas). Comparing year to year, the increase in the prices of these factors increased production costs in the Zinc Segment by nearly PLN 270 million, and high prices of energy factors significantly affect profitability, especially in the energy-intensive industry.

However, the reduction in supply coincided with a strong drop in demand for zinc in Europe, from all market participants, from small galvanizing plants to large steel mills.

Gas

Recently, significant drops in gas prices have been observed on the Polish and European exchanges. Currently (February 8, 2023) gas prices on TGE SA with delivery in March 2023 are around PLN 300/MWh, while the price of this fuel in August 2022 was PLN 1,500/MWh. This state of affairs is mainly due to: a warm winter (much above the long-term average), lower industrial demand, high gas

stocks and LGN supplies (mainly from the United States), which have largely replaced imports from Russia.

Electricity

Current exchange electricity prices (i.e. in March 2023) oscillate around PLN 600-650/MWh, while contracts for 2024 are at the level of approx. PLN 800/MWh. There is a lot of uncertainty in the market, which translates into a significant valuation of risk in forward contracts. SPOT (daily) contracts, on the other hand, are characterized by high price volatility, which oscillate in the range of PLN 500 - 1000/MWh. The main influence here is the generation of energy from renewable energy sources - the higher the number, the lower the energy price.

- **state support for energy-intensive enterprises**

In December 2022, the European Commission approved a Polish aid program worth EUR 1.1 billion (PLN 5.1 billion) aimed at supporting energy-intensive companies. The scheme was approved under the State Aid Temporary Crisis Framework. The program provided the opportunity for energy-intensive companies to apply for compensation for increases in electricity and gas prices. Huta Cynku "Miasteczko Śląskie" benefited from the program: S.A., which received support from the National Fund for Environmental Protection and Water Management in the amount of PLN 100,474,488.94.

To sum up, the main factors that will have a decisive impact on the results achieved by the Zinc Segment are:

- concerns about a potential global recession,
- development of zinc quotations,
- exchange rate developments,
- prices of electricity, coke and gas,
- prices of CO₂ emission allowances.

- **Zinc market**

Zinc market prospects

Until the end of this year, the main factors affecting both the zinc market and the raw material markets as a whole will be the macroeconomic and geopolitical situation. The outbreak of the war in Ukraine caused a radical change in conditions and, consequently, uncertainty in every aspect of the functioning of world economies and societies. Therefore, when assessing the prospects of the zinc market, it should be borne in mind that the situation we are in is very uncertain and it is difficult to indicate certain scenarios for its development.

When analyzing the macroeconomic situation, one can expect a decline in global GDP, including that of China, which is responsible for the main consumption of raw materials. According to Moody's, the economies of the G-20 countries will record a GDP of 3.6% in 2022, while China's GDP is forecast at 5.2%. Another key element concerning the global economic situation is high inflation, which puts pressure on governments to raise interest rates, which in turn may cause an outflow of capital from commodity markets towards safe financial instruments such as, inter alia, government bonds.

A factor influencing the raw material markets, including the zinc market, on an unprecedented scale for a long time, is the outbreak of the war in Ukraine. As a result, there were supply disruptions or shortages of already low inventories.

Analysts at JP Morgan assessed that despite the fact that the allocation of capital in raw materials is above average, this situation may persist and even exceed the current maximums, which in turn will translate into a favorable situation on the commodity markets. In turn, Goldman Sachs positively assesses the prospects for the raw materials market, including due to their role as a hedge against inflation.

Foundations of the zinc market

Recent record-breaking zinc prices resulted in a good mood in the mining industry, which translated into an increase in mining production. According to ILZSG, mining production in 2022 increased by 4.5% compared to the previous year and this tendency will probably continue this year. The resulting increase in the supply of concentrates creates a favorable situation for steel mills. According to unofficial information, the two leading producers agreed on annual contracts for the supply of zinc concentrate at the level of approx. 230 USD / t, which is an increase of 45% compared to the previous year's level. The sharp increase in TC fees underlines the imbalance between the relatively buoyant supply of mines and the limited steel market, which in turn results in a limited supply of zinc.

Falling stocks indicate a squeeze in supply, while a renewed rise in European energy prices is putting further pressure on mills. Last year, some zinc smelters (Nyrstar, Glencore, Plovdiv) were suspended or restricted in operation in Europe due to high energy prices. This translated into low inventories of this metal. The uncertainty on the energy markets resulting from the war in Ukraine will, to a greater or lesser extent, translate into energy costs. Currently, it is difficult to assess to what extent the increase in the margin of European steel mills resulting from the increase in TC fees will compensate the expected increase in energy prices and whether there will be more perturbations in the energy markets due to the unstable geopolitical situation.

There has been a decline in zinc inventories over the past year, reflecting a sharp increase in industrial activity, while global logistics and shipping systems have suffered from reduced capacity. Additionally, low stocks on stock exchanges make the market more vulnerable to pressure.

To sum up: currently we are dealing with two opposing factors directly affecting the zinc market from the point of view of its foundations. On the one hand, there is pressure from geopolitical factors, exacerbated by a reduction in supply in Europe and the USA, which has a positive effect on the outlook for the zinc market. On the other hand, economic uncertainty, falling GDP and declining demand in China have a negative impact on the outlook for this market.

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

In 2022, the Company did not conclude any agreements significant for its operations. The Issuer's Management Board is also not aware of any insurance, cooperation or cooperation agreements concluded between the shareholders of Stalprodukt.

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 September 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.,
 - 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 (activity suspended).
- a) 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.

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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 hotel finally launched its operations in September 2022. The Issuer's Management Board finally decided to conduct hotel operations directly through Stalprodukt, while the operations of the special purpose vehicle established for this purpose were suspended for a period of 2 years.

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

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

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

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

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

In 2022, 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 2022 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 2022

a) Agreements concluded by Stalprodukt S.A.

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- 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 5,000 thousand. PLN. The agreement is valid until December 22, 2023.
- 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 28, 2023,
- 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 82,000 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 18,000 thousand and PLN 10,000 thousand. The duration of the Agreement: January 13, 2025,
- 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, 2023.

b) Summary of credit lines of ZGH "Bolesław" S.A.

In the reporting period, ZGH "Bolesław" used credit limits in open accounts.

- ING Bank Śląski S.A. for the amount of USD 10,000 thousand,
- Bank Polska Kasa Opieki S.A. for the amount of PLN 40,000 thousand,
- BNP Paribas Bank Polska S.A. for the amount of PLN 20,000 thousand.

On April 8, 2015, the Company concluded with NFOŚiGW in Warsaw, a loan agreement for co-financing the implementation of the project entitled "Construction of the Flotation Waste Processing Plant - an installation for processing in the recovery process by the flotation enrichment of post-flotation waste obtained from the sediment ponds of Zakłady Górniczo-Hutnicze" Bolesław" S.A. The loan in the amount of PLN 42,161.8 thousand was granted for the period from 01.02.2015 to 20.12.2022 and bears an interest rate of 3.5% per annum. The loan was repaid in 2022.

Due to the fact that ZGH "Bolesław" S.A. acquired on 02.01.2018 from Boltech Sp. z o.o. the organized Part of the Enterprise, i.e. the Boiler House Complex, which includes assets financed with funds from loan agreements with WFOŚiGW in Kraków, on the Agreements for the acquisition of rights and liabilities resulting from the above-mentioned loan agreements were signed on January 29, 2018:

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- loan no. P/114/15/21 for financing the works called "Installation of a dust extraction system for exhaust gases from boilers located in the Bolesław boiler plant" in the amount of PLN 4,742,900 until December 15, 2022. The loan was repaid in 2022.

Debt of ZGH "Bolesław" S.A. under loans as at December 31, 2022 was repaid in full.

In 2022, Zinc Smelter "Miasteczko Śląskie" continued cooperation in the field of current loans with the banks that credited it in 2021, i.e. ING Bank Śląski S.A., Credit Agricole Bank Polska S.A., PKO BP S.A. and PeKaO S.A., using three-currency credit lines up to PLN 80 million and transaction limits for treasury transactions granted by these institutions to the Company.

- Credit Agricole Bank POLSKA PLN 15,000 thousand,
- PKO BP S.A. PLN 20,000 thousand ,
- Pekao S.A. PLN 15,000 thousand ,
- ING Bank Śląski S.A. PLN 30,000 thousand.

With BNP Paribas Bank Polska S.A., BNP Paribas in London, ING Bank N.V. in the Netherlands and mBank S.A. HCM S.A. it cooperated in the field of treasury transactions within the granted transaction limits.

In 2022, the Company continued to repay the loan from the National Fund for Environmental Protection - the value of capital instalments repaid in 2022 is PLN 4,460.0 thousand. As at December 31, 2022, PLN 10,196.3 thousand remains to be repaid.

The company Gradir Montenegro d.o.o. as at December 31, 2022, it has one loan agreement concluded with ZGH "Bolesław" S.A. for the amount of USD 23,000,000 as of October 26, 2011, with the maturity of the remaining 12 quarterly installments of USD 750,000 each and 4 quarterly installments of USD 500,000 each, payable in the period from 01/01/2023 to 31/12/2026. As at 31/12/2022 r., until the loan is repaid by Gradir Montenegro d.o.o. \$ 11,000,000 remained. The interest rate on the loan is based on 3M LIBOR + the lender's margin, which, in accordance with the annexes signed is 2.50%.

To sum up, the cooperation of the Capital Group with financial institutions in 20221 was correct. This made it possible to implement the assumed investment and financial policy of the Group and to ensure stable financial liquidity.

9. Information on loans, sureties and guarantees granted by the Company in 2022

a) loans, sureties and guarantees granted by Stalprodukt S.A.

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, 2022, the total amount of unexpired guarantees in this respect is PLN 22,394 thousand.

b) loans, sureties and guarantees granted by companies from the Stalprodukt S.A. Capital Group

The ZGH "Boleslaw" Capital Group has contingent liabilities, including established security for liabilities resulting from contracts concluded with NCBiR, NFOŚiGW, WFOŚ and security on the assets of the Group's companies.

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The contingent liabilities of the ZGH "Bolesław" Capital Group include:

- values of established sureties and guarantees, including:
 - securing contracts concluded with the National Center for Research and Development for co-financing of the following projects:
 - "Verification based on a pilot line of the new technology of ZGH Bolesław S.A. for electro-precipitation of high-purity zinc in order to increase the share of secondary raw materials in the electrolytic zinc production process to a level that is a breakthrough in the industry", (POIR.01.01.02-00-0159/16-00) . The project amount: PLN 38,873,197. Expiry date of the obligation is on June 30, 2026;
 - "Demonstration of an innovative process for the production of Zn-Pb-Ag flotation concentrate in order to increase the recovery of Ag and Zn from sludge from the zinc roasting leaching process as a key to the effective management of mining waste after processing zinc and lead ores" (POIR.01.01.02-00- 0080/17-00). The project amount: PLN 4.976.178. Expiry date of the obligation is on March 31, 2026;
 - "Development of an innovative technology for the recovery of zinc in the shaft process from mixtures of metallurgical waste along with the treatment of post-process slags to the form of poor iron ore" (POIR.01.01.02-00-0206/17-00). Project amount: PLN 12.000.000. Expiry date of the obligation is on August 31, 2025;
 - "Innovative recovery of valuable and critical metals by recycling waste generated in zinc hydrometallurgy" (POIR.01.02.00-00-0090/19). Project amount: PLN 4.623.250. The expiry date is 31 December 2023.
- security on the assets of ZGH "Bolesław" S.A.:
 - bank guarantees granted to energy suppliers (PSE, PSG) - the amount of PLN 15,132.6 thousand,
 - bank guarantee granted to the concentrate supplier (Trepca) - USD 500.0 thousand,
 - security in the form of a guarantee in the event of negative effects on the environment and damage to the environment - installation of rotary kilns for the production of zinc concentrate from waste zinc-bearing materials in the roving process and in connection with the operation of a waste warehouse other than protected and inert waste in the amount of PLN 9,582.1 thousand (Marshal of the Lesser Poland Voivodeship).
- security on the assets of HCM S.A.:
 - assignment of rights under the insurance policy up to the amount of the NFOŚiGW loan - PLN 37.0 million;
 - selective assignment of rights under the insurance policy up to the amount of receivables covered by factoring (up to PLN 20 million) - PLN 40 thousand,
 - contractual mortgage on KW GL1T / 00094659/8 - PLN 46.2 million,
 - court registered pledge on inventories (a set of movables purchased or manufactured) - PLN 46.2 million,
- HCM S.A. blank promissory notes:
 - Cargosped Sp. z o. o. – up to the amount of debt (redemption procedure)
 - NFOŚiGW in Warsaw - up to the maximum amount of PLN 46,195,312.50;
 - National Center for Research and Development in Warsaw - PLN 1,829,590.33 + interest;

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- National Center for Research and Development in Warsaw - PLN 3,765,916.40 + interest;
- National Center for Research and Development in Warsaw - PLN 4,547,108.44 + interest;

Zinc Smelting Plant "Miasteczko Śląskie" S.A. did not grant any sureties or guarantees in 2022.

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

As a result of the settlement of the first tranche of the purchase of shares offered in response to the "Offer to purchase Stalprodukt S.A. shares", announced on September 1, 2022 and the second tranche announced on November 16 this year ownership was transferred and the purchase of 180,669 treasury shares by the Company was settled. The transfer of ownership of shares between the shareholders and the Company took place outside the regulated market through Dom Maklerski BDM SA with its registered office in Bielsko-Biała and settled within the depository and settlement system of the National Depository for Securities S.A.

The basis for the purchase of shares was the authorization granted by the Ordinary General Meeting of Stalprodukt S.A. on June 23, 2022 (Resolution No. XLI/14/2022 on the purchase by the Company of its own shares for redemption). The purpose of the buyback of own shares is their redemption and reduction of the Company's share capital.

12. Information on branches owned by the Company

The company has one branch, being production departments of cold formed sections - 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 7. 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

a) Stalprodukt S.A.

- **Investments in the scope of expanding the production range:**

- in 2022, no investments of this type were carried out.

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

- the construction of settlement plots for the needs of the sewage treatment plant was completed,
- construction of the raw water heating station in the Power Department was completed,
- the customs yard was modernized.

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

- the construction of three new settlement plots with infrastructure was completed and the use permit for the facility was obtained,
- the task related to the price of compliance of line safety systems in BP and DP is continued,
- automation of the core winding process - purchase of a winder; a new device was contracted to eliminate the need to operate during the core rolling process. Delivery in 2023,
- the second stage of the task related to the modernization of emergency lighting was completed in the halls of the P2 Faculty,
- the implementation of the task related to the installation of a sound-absorbing cabin on the battery of the aggregate No. 12/P2 was completed,
- the implementation of the task related to the construction of a photovoltaic farm located on land with a capacity of approx. 41 MWp was started,
- an electric sheet metal dryer was installed on the NT technological line, thus reducing steam consumption,
- a task related to the construction of a tri-generation source, which is ultimately to replace a coal-fired boiler house, was launched.

• **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. was completed,
- modernization of subsequent fields of the 6 kV switchgear was carried out,
- in the Segment of Electrical Sheets and in the Segment of Profiles, the implementation of product identification using barcodes was completed,
- in the Department of Bent Profiles P2, the task related to the construction of a fully automated emulsion shop was completed,
- the SCO system for the power grid in Stalprodukt S.A. was built,
- new overhead cranes were purchased: in the DB Segment - 1 item and in the DP Segment - 1 item,
- new equipment was made for the unit No. 12/P2,
- a task related to the change in hydrogen production technology (electrolysis) was launched,
- design works for the construction of an office building at ul. Wadowicka in Krakow.

b) the Capital Group

In the reporting period, design and construction works were continued under key investment projects in the area of mining and metallurgy. Investment activity is focused on the implementation of projects classified into one of two categories:

- **Development projects** aimed at increasing the production volume of the technological line, maintaining production costs and adapting projects aimed at adapting the company's operations to changing standards, legal norms and regulations (including those related to environmental protection),
- **Replacement projects** aimed at maintaining the production assets in a non-deteriorated condition, guaranteeing the implementation of current production tasks.

In 2022, expenditure on non-financial fixed assets in the Capital Group amounted to PLN 104.1 million and was higher than in 2021 (PLN 92.9 million).

In ZGH "Bolesław" the following were built and put into use: tasks related to the absorption tower at the Sulfuric Acid Factory (PLN 14,618.3 thousand), modernization of the filtration system of the zinc oxide dechlorination unit (PLN 4,886.2 thousand), a new method of wastewater neutralization in the Roaster and FKS Department (PLN 4,614.1 thousand), compensation of reactive power along with improvement of the quality of electricity in the 30 kV network in the area of the smelter (PLN 2,730.0 thousand) or replacement of the filter in the process line of the P1 furnace (PLN 2,112.7 thousand). Investment projects in progress as at December 31, 2022 amounted to PLN 60,245.4 thousand. Compared to the balance as at December 31, 2021, it is higher by PLN 23,244.9 thousand (62.8%).

Capital expenditures incurred in 2022 were 73% higher than those incurred a year earlier.

Total capital expenditures in the Parent Entity in the reporting period amounted to PLN 82,089.7 thousand.

Due to the economic crisis and in order to maintain a stable economic and financial situation of HCM SA, no large investments were launched in 2022, and only the continuation of investments already started and the implementation of investments necessary from the point of view of the technological process were carried out.

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The total investment expenditure incurred in the Miasteczko Śląskie smelter in 2022 amounted to PLN 19.1 million and was financed from HCM S.A.'s own funds. In 2022, the following were implemented, among others:

- construction of an access road for the amount of PLN 3.8 million (the amount incurred in 2022 was PLN 2.8 million), together with the entry zone to the plant and accompanying infrastructure. The investment made it possible to improve the transport traffic of material suppliers and to eliminate queues at the entrance to the plant,
- modernization of the electrostatic precipitators of the gas dedusting installation for the sinter machine for the amount of PLN 4.5 million,
- construction of a new filter press on the dechlorination installation for the amount of PLN 2.0 million. The installation of the new press improved the working conditions of the service staff and the quality of the technological process at the dechlorination installation.

On the other hand, Gradir Montenegro incurred expenditure on the continuation of exploration work in the Ribnik field and modernization of the technological line in order to increase the processing capacity as well as the quantity or quality of the concentrates produced. Work continued on the expansion and geomembrane lining of the settlement pond no. 3. The investment expenditure amounted to PLN 2,185.6.

In Boltech, the expenditure for 2022 is PLN 576.2 thousand.

17.2 Research and development works

a) Stalprodukt S.A.

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.

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In 2022, the works were continued and the following works were carried out:

- on March 10, 2022, an application No. P.440599 was filed at the Patent Office of the Republic of Poland regarding the grant of a patent for the invention: "Control set for automatic positioning of devices performing measurements at the high-frequency welding point";
- on June 15, 2022, an Annex to the agreement POIR.01.02.00-00-0091/19 was concluded, taking into account the changes introduced in the above-mentioned application No. 01/2022;
- equipment and measurement tools necessary for conducting research were purchased.

As part of the research and development works, the modernization of the M-1 wind farm with a vertical axis of rotation with a capacity of 200 kW was completed (assembly of 6 high-speed generators and modification of the control software). Further work and research are being carried out at the power plant to increase its efficiency.

After the repair work of the 1.5 MW B-1 wind power plant was completed, a technical inspection of the power plant was carried out and testing of its operation was started in order to determine the actual power curve and implement the vibration measurement system.

b) the Capital Group

Research and development works are carried out at ZGH "Bolesław" S.A. due to complex technological processes that require continuous and systematic optimization. These works were mainly related to the possibility of enrichment of alternative feeds, recovery of metals from various waste materials, management of sludge and other technological waste, the possibility of increasing the production of zinc and lead from oxide raw materials, reducing the emissions of pollutants in water and air, and the possibility of recovering waste heat.

In 2022, a number of research works were carried out to develop the technology:

- removal of chlorides and sulphates from waste water from production processes carried out in the metallurgical part of ZGH "Bolesław" S.A.,
- removal of chlorine from the zinc sulphate solution for the zinc electrolysis process,
- a method of eliminating manganese from the process of electrolytic zinc production,

or determining the lifetime of membranes used in the process of removing sulfates by bipolar electrodialysis. Research work also concerned the development of a new method of waste water neutralization. The work was carried out in many ways, in various research institutions and with the use of various technologies, in order to select the best process option taking into account investment outlays, operating costs, and in particular allowing to obtain salt for use and/or sale.

The amount of all expenses of ZGH "Bolesław" S.A. on research and development (R&D) in 2022 (according to the GUS report - PNT-01) is PLN 6.6 million.

In 2022, as part of research and development work at ZGH "Bolesław" S.A., the following projects were implemented co-financed by the European Regional Development Fund:

1. The project entitled: "Verification based on the pilot line of the new ZGH "Bolesław" technology for electro-extraction of high-purity zinc in order to increase the share of secondary raw materials in the electrolytic zinc production process to a level that is a breakthrough in the industry". Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 97.2 million, while the co-financing in the amount not exceeding PLN 38.9 million.

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As of December 1, 2020, the first stage of the project was completed, consisting in the construction and commissioning of a pilot line (a new zinc electrolysis hall), enabling further development work. All development work was completed on December 31, 2021.

On April 5, 2022, the project received a positive assessment and was considered completed by the National Centre for Research and Development.

The amount of completed development works in the amount of PLN 4.2 million was accounted for as intangible assets.

The total amount of the project implementation costs, including both eligible and ineligible costs, amounted to PLN 105.5 million. The amount of the subsidy received as at December 31, 2022 is PLN 38.1 million.

2. Project entitled: "Demonstration in operational conditions of an innovative process for the production of Zn-Pb-Ag flotation concentrate to increase the recovery of Ag and Zn from sludge from the zinc roast leaching process as the key to effective management of mining waste after processing zinc and lead ores."

Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 12.4 million, while the co-financing does not exceed PLN 5.0 million.

On October 23, 2019, a pilot installation was handed over for operation and further development work. The value of the created assets amounted to PLN 13.6 million.

In December 2021, the project was completed and obtained a positive result. The amount of completed development works in the amount of PLN 0.956 million was accounted for as intangible assets. The amount of the subsidy received by December 31, 2022 is PLN 4.8 million.

3. The project entitled: "Development of an innovative technology for the recovery of zinc in the batch process from mixtures of metallurgical waste along with the treatment of post-process slags to the form of a substitute for poor iron ore". Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 30.0 million, while the co-financing in the amount not exceeding PLN 12.0 million. In June 2019, by the decision of the Company's Management Board, the works carried out under the project were suspended. This decision resulted from the fact that further industrial research will not lead to the achievement of the assumed final results. In connection with the decision made, the final information on the project implementation was submitted to the NCBiR. As at December 31, 2020, the Management Board of the Company decided to write down the project costs in the amount of PLN 12.4 million as incurred without effect. Until 31/12/2021, the amount of the subsidy received, in relation to the incurred eligible costs, amounted to PLN 1.8 million.

4. Project entitled: "Innovative recovery of valuable and critical metals by recycling waste generated in hydrometallurgy". The project is a process innovation regarding the possibility of recovering Cu from waste sludge from Zn hydrometallurgy in a form suitable for use in the flotation of Zn-Pb ores. The use of a Cu product (solution or salt) produced from the Company's own waste (ZGH "Bolesław") will not only reduce the problem of their management, but will also intensify the recovery of Zn and allow for better management of Cd. However, above all, it will significantly reduce the cost of flotation of Zn-Pb ores and will allow to check the possibility of expanding the Company's product offer with new metals. These activities are possible because the Project provides for comprehensive solutions for the recovery of valuable, including critical, metals found in the above mentioned areas. waste, i.e.: Co, Zn, Ni and Cu. It should be remembered that in Poland Co (critical material) has not been recovered from both Zn-Pb and Cu raw materials so far.

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Pursuant to the concluded agreement, the amount of eligible costs of the project is PLN 7.3 million, while the co-financing does not exceed PLN 4.6 million.

As at December 31, 2022, the total amount of costs incurred for the implementation of the project is PLN 3.4 million. The amount of the subsidy received by December 31, 2022 is PLN 1.9 million.

Huta Cynku „Miasteczko Śląskie” S.A., as part of its research and development activities, carried out the following projects:

- a) in cooperation with the Institute of Non-Ferrous Metals in Gliwice, it started a project that is a process innovation regarding the recovery of germanium from a polymetallic alloy, produced in the process of in-depth zinc purification carried out at HCM S.A. The end product will be a commercial concentrate of germanium, a material recognized by the EU and the US as critical for the global economy due to its limited resources and application in key sectors of the economy.
- b) commissioned the Łukasiewicz Research Network to the Institute of Non-Ferrous Metals in Gliwice to perform research work, the purpose of which was to develop a technology for producing raw copper and a lead-bearing semi-finished product (lead slag, dust) directly from liquation copper glazes in the Łukasiewicz-IMN experimental rotary-pendulum furnace, equipped with a blowing lance air in the process including:
 - oxidative melting of liquation liqueurs in order to oxidize most of the lead and transfer it to lead slag containing also iron, zinc, tin and antimony oxides,
 - converting the Cu-Pb alloy to obtain raw copper containing approx. 90% Cu with an admixture of Ag and Ni, and Cu-Pb slag recycled to the smelting of glazes.
- c) commissioned ICS Industrial Combustion Systems SA to carry out a technical and economic study of mixing natural gas with post-reduction gas, distribution of the mixture (mixed gas) in the HCM natural gas system and its effective combustion in heating devices of technological processes.
- d) commissioned PREMONT Sp. z o. o. development of project documentation for the construction of an installation for the production of industrial salt in order to reduce the amount of chloride and sulphate ions in post-process waste water.

Works on innovative solutions is carried out at various levels of the company, using and appreciating the potential and creativity of its own staff. Employees know the specific needs best and are able to identify areas and solutions that will translate into better results and greater safety. In 2019, the proprietary Employee Ideas Program was implemented. As a result, commitment to making changes and innovations has become a daily practice of every employee.

In total, the ZGH "Bolesław" Capital Group spent PLN 8.5 million on R&D in 2022.

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 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, especially the entry into force of its 2nd stage (the so-called Tier 2) in July 2021, which will force an even wider use of transformer sheets in the highest grades.

On February 17, 2023, the Management Board of the Company published information on the assumptions for the directions of strategic activities of the Stalprodukt S.A. Capital Group for the years 2023-2030.

"Assumptions for the directions of strategic activities of the Stalprodukt S.A. Capital Group for the years 2023-2030" were created, among others, by as a result of the review of strategic options carried out by the Company, the commencement of which was announced by the Issuer in Current Report No. 20 of October 9, 2020. The unstable period related to the pandemic, market turbulence, intensifying the state of general uncertainty was definitely not conducive to such a process, especially in terms of searching for partners for long-term cooperation.

The new directions of development of the Stalprodukt Group are also the result of the assessment of complicated external conditions and the resulting prospects for the future. It was this assessment that had a decisive influence on the shape and assumptions of the presented document.

The basic risks defined in the activities of the Capital Group include, among others:

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- possible restrictions in the supply of electricity and raw materials;
- the risk of significant increases in the costs of purchasing electricity and natural gas;
- further tightening of regulations regarding climate policy, especially the introduction of a new greenhouse gas emission reduction target (by 62% for sectors covered by the EU ETS by 2030) is a serious challenge for energy-intensive entities such as ZGH and HCM in the coming years, and meeting its requirements guarantees further functioning of this business segment;
- possible tightening of environmental regulations;
- effects of the so-called border carbon tax (CBAM), including withdrawal of free CO₂ emission allowances,
- significant economic downturn or even possible recession in Poland and the EU.

Main goals to be achieved by the Group:

- ✓ **improving energy efficiency by:**
 - development of cogeneration sources with a total capacity of approx. 22 MW.
 - reconstruction of technological lines, including:
 - replacing natural gas burners with hydrogen burners;
 - changing the method of drying electrotechnical sheets;
 - extension of the heat recovery installation from the Waelz process and the use of waste heat generated in this process;
 - use of post-process gas.
- ✓ **decarbonisation of the Group's production as a result of:**
 - elimination of the use of thermal coal,
 - replacement of "grey" hydrogen, the so-called "green" (i.e. using renewable energy for the electrolysis process),
 - construction of own renewable energy sources (photovoltaic and wind farms) with a total capacity of approx. 110 MW (land for photovoltaic farms is fully secured, while land for wind farms is secured in 50%). The energy obtained from RES will be used only for own needs,
 - installation of electrolyzers (with a capacity of 20 MW) in order to start the production of "green" hydrogen,
 - possible use of solutions related to the capture and storage of CO₂.
- ✓ **Measurable goals:**
 - reduction of CO₂ emissions (both in terms of direct and indirect emissions):
 - in the area of steel processing - by 72 thousand. tonnes/year, i.e. by 55%;
 - in the area of zinc production:
 - in the process of electrolysis (ZGH) - by 266 thousand. tonnes/year, i.e. by 50%;
 - in the ISP (HCM) process – by 96 thousand. tonnes/year, i.e. by 20%;
 - reducing the demand for electricity by approx. 268 GWh/year, which is approx. 40% of the current consumption.

Other goals of the Group include:

- ✓ a significant increase in the share of high-grade sheets (so-called HiB) in the plant in

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- Bochnia - at least to the level of 50 thousand tonnes/year,
- ✓ further improvement of the magnetic parameters of the sheets (thanks to the introduction of induction heating to the process),
- ✓ potential introduction to the production of high-grade non-grain electrotechnical sheets intended for the production of electric cars (so-called "NGO" sheets),
- ✓ minimizing the negative impact of zinc activity on the natural environment and improving the quality of discharged waste water by limiting the discharge of chlorine and sulphates (a project to build a waste water treatment plant);

The total expenditure on the above projects will amount to PLN 1 billion in the period until 2030, with the participation of the steel processing and zinc production areas in each of approx. 50% of these expenditures.

The total effects in the form of reduced demand, mainly for the purchase of electricity and gas, will amount to approx. PLN 290 million per year after the full program is completed.

| Planned activities | Estimated annual savings in the group (PLN million) |
|--------------------------------------|---|
| Reduction of electricity consumption | 150 |
| Reduction of natural gas consumption | 93 |
| Reducing CO ₂ emissions | 43 |
| TOTAL | 286 |

The above effects were estimated on the basis of the following assumptions:

- energy and gas prices at the end of Q4 of 2022
- EUA = EUR 75/t
- EURPLN = 4.75

A new area planned to be undertaken by Stalprodukt is the project of construction of commercial buildings, i.e. an office building and premises for rent in the PRS formula. Private Rented Sector) at ul. Wadowicka/Tischnera in Krakow - "Tischnera Green Town".

The estate is intended to be neutral in terms of environmental impact and consist of modern buildings with a high BREEAM rating, powered by cogeneration sources (ultimately based on "green" hydrogen), energy obtained from photovoltaic panels located on the roofs and facades of buildings and the use of heat pumps and rainwater. The project also includes charging points for electric cars.

The investment will be implemented in 2 stages:

1st stage: construction of 38,000 m² of office space and approx. 90 thousand m² of premises for rent in the PRS formula,

2nd stage: additional approx. 45,000 m² of office or residential space (depending on market conditions).

The total cost of construction of stage 1 is estimated at approx. **PLN 1 billion**, while the total annual revenue of stage 1 is **min. PLN 125 million**

The Management Board of Stalprodukt, despite the planned ambitious investment projects, intends **to**

continue the adopted policy of regular dividend payment, which assumes allocating 15 to 25 percent of the company's income for this purpose unit net profit.

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

20.1 External factors significant for the development of the Company

- **GDP level, economic situation in Poland, the EU and in the world**

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

In the general opinion of economists, economic growth in 2023 in Poland will be low. GDP growth estimates range from 0.1% (according to PKO BP analysts), through 0.4% growth (forecast of the European Commission), up to 1.2% (according to Credit Agricole). However, the vast majority of forecasts assume GDP growth below 1%. The main reason for such a poor result is supposed to be low consumer demand. In turn, the reason for its decline is the decrease in purchasing power caused by the increase in inflation. Only a fall in inflation will improve the situation of consumers, which - unfortunately - may not happen until the end of this year. A significant improvement in the economic situation and GDP growth can be expected only in 2024, and the projected growth will range from 2.5% (EC forecast) to 3.4% (S&P forecast).

In addition, according to the EC forecast mentioned above, the average GDP growth in the entire EU in 2023 is to amount to 0.8% (compared to 0.3% forecast for autumn 2022). This means that for the first time since joining the EU, GDP growth in Poland may be lower than the EU average.

- **Inflation**

The EC's forecasts predict that inflation (HICP) will start to decline significantly from Q2 this year, reaching single-digit values already in the fourth quarter of this year. (7.5%). The average annual inflation in according to the EC, it will fall to 11.7%, and in 2024 it will fall significantly to 4.4%. Despite the government's actions aimed at limiting the increase in energy and gas prices, the growth rate of energy prices this year will remain at an elevated level.

According to the EC, core inflation will remain under the influence of high wage growth and expansionary fiscal policy, although the fall in wholesale energy prices and some deterioration of the situation on the labour market will gradually curb inflationary pressure, especially at the end of the forecast horizon.

- **Demand for the Company's products (forecast for steel-using sectors for 2023-2024)**

Total production in steel-using sectors in 2021 rebounded by 6.8% after a sharp decline recorded in 2020 due to the impact of the pandemic (-10.2%). The forecast for the full year 2022 predicted that the production of steel-using sectors would increase in 2022 at a slightly faster pace than the original forecasts (+2.1% vs. +1.9%).

On the one hand, growth in the second and third quarters was stronger than expected as production growth proved solid and resilient despite the outbreak of war in Ukraine and the related disruptions.

On the other hand, the rapid deterioration of the global industrial and economic outlook, combined with the long-term effects of rising energy costs, contributed to a decline in production in the last quarter of 2022.

As a result of these downward factors likely to continue in the first two quarters of this year, production is expected to decline in 2023 (-0.6%). This would be the second SWIP recession since 2013, following the experience of 2020 due to the pandemic. Production in 2019 was virtually flat.

Based on the current scenario, the economic and industrial outlook should improve gradually starting from Q2 2023 before reaching moderate growth in 2024 (+1.8%) thanks to improved economic confidence and some recovery in the industrial cycle.

Other significant external factors include:

- possible disruptions in supply chains and the availability of materials and services, exchange rate developments,
- changes in the prices of feedstock and prices for the Company's products and the appropriate correlation between both prices,
- the risk of another global financial and/or economic crisis.

20.2. Internal factors significant for the development of the Company:

- maintaining liquidity and stable external financing (necessary due to the persistence of inflationary pressure affecting the increase in costs),
- conducting a conservative policy in the field of credit risk and receivables management,
- controlling fixed costs throughout the organization,
- further optimization of work organization and internal processes within the entire organizational structure of the Company.

21. Description of significant risk factors and threats, specifying the extent to which the Issuer is exposed to them

a) macroeconomic environment

The market environment remains unfavourable for the Company. In addition to the ongoing war in Ukraine and its multiple effects, high inflation and economic downturn will remain a serious problem in 2023, which will be reflected in the decline in Gross Domestic Product. As a result, the economic activity of many entities, including the Company's clients, will decrease, which will translate into a decrease in orders placed and sales.

b) volatility of electricity and gas prices

Due to the nature of the technological processes used, Stalprodukt is an energy-intensive company. Rising electricity prices due to the outdated energy infrastructure in Poland, based mainly on coal-fired energy, will negatively affect the Company's profitability in the coming years. The reasons for

this are e.g. CO₂ emission allowances, which additionally increase the cost of purchasing electricity. It should be noted that the outbreak of the war in Ukraine caused a drop in EA prices to the level of EUR 58/tonne, but it was short-lived, and then their prices began to grow steadily again. The year 2022 brought a continuation of the upward trend in the prices of CO₂ emission allowances, which resulted in an increase in EUA quotations to historically maximum levels exceeding EUR 100 per tonne of CO₂ emissions at the beginning of 2023.

Natural gas prices increased several times in 2022, mainly due to a reduction in supply by cutting off supplies (as a result of the war) of this commodity from the Russian market. Favourable weather conditions during the winter meant that the European and Polish economies coped (mainly due to LNG gas supplies from the USA and other directions) with the existing restrictions. However, the crisis has not been completely averted and the risk of significant price increases remains high.

c) the ever-increasing costs of EU climate policy

EU and domestic steel producers are burdened with the costs of climate policy, mainly due to the need to implement significant investments aimed at reducing CO₂ emissions (decarbonisation) and the rising prices of CO₂ emission allowances. With high energy-intensive processes in the steel industry, this results in a significant increase in steel production costs and a decrease in the competitiveness of EU producers, which often leads to the phenomenon known as "carbon leakage", i.e. the transfer of production by companies to other countries with more lenient regulations on reducing emissions.

It was, among others, this factor that decided to close the raw material part of the Kraków steelworks owned by ArcelorMittal Poland S.A. This policy indirectly favours producers from outside the European Union, who are not affected by the aforementioned EU regulations.

There are serious concerns that the announcement of the introduction of a carbon footprint tax (i.e. a tax imposed on products imported into the EU) will not solve the problem of high burdens for EU producers, as their products sold outside the European Union (charged with additional fees) will be uncompetitive.

d) the risk of an industrial accident

Due to the nature of its operations and the related risks, Stalprodukt S.A. is exposed to events that may affect the safety of people and the environment. The plant is currently not classified into the category of increased or high risk of an industrial accident, as shown by *the Analysis of the Plant's application*. Despite this, the Plant declares to maintain a safety management system in which the following operate: Failure 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 failure - "Instruction for counteracting major industrial failures in Stalprodukt S.A. in Bochnia". The purpose of the manual is to ensure the identification and prevention of potential dangerous events that may have an impact on people and the natural environment, and to define post-emergency procedures that limit the effects of these potential events.

e) risks related to financial instruments

Other risks arising from financial instruments, i.e. credit and contract risk, liquidity risk and market risk, are described in detail in the Notes and Explanatory Notes to the Financial Statements (Item 9: Financial Instruments and Risk Management Assessment) .

22. Impact of the political and economic situation in Ukraine and the COVID-19 coronavirus on the operating activities and financial situation of the Issuer and its Capital Group

When assessing the impact of the COVID-19 coronavirus on the Polish economy, it should be stated that it was insignificant. It was similar in the case of Stalprodukt's operations; in 2022, no impact of the pandemic on the operations of the Company's operating segments was observed.

22.1 Information on the political and economic situation in Ukraine and its actual and potential impact on the activities of the Issuer and its Capital Group.

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

For the first 2 months of 2022, until the beginning of the armed conflict, it amounted to 0.03% of sales revenue.

The main direction of supply of input materials for Stalprodukt (including, above all, hot-rolled sheets) are steel mills belonging to the ArcelorMittal concern, located in Poland and Western Europe. The Company only makes supplementary purchases of feedstock from smelters in Ukraine and Russia (this applies only to the Profiles Segment). Valuable purchases from the above countries accounted for 5.94% in 2020 and 9.73% of material purchases, respectively. For the first 2 months of 2022 until the start of the armed conflict, the value of purchases accounted for 5.96% of total material purchases. In the opinion of the Company, these values are not material items and do not have a negative impact on the Company's financial situation.

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

Impact of the political and economic situation in Ukraine on the Group's operations

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

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Company, these values are not material items and do not have a negative impact on the Company's financial situation.

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

In 2022, 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

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 | 865 472 | 217 251 | 132 383 | 1 215 106 |
| Łukasz Mentel | 623 866 | 173 022 | 123 720 | 920 608 |
| Total | 1 489 338 | 390 273 | 256 103 | 2 135 714 |

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

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| | Allowance | Remuneration due to performing functions in the authorities of subordinated entities | Total |
|------------------------|------------------|---|----------------|
| Stanisław Kurnik | 121 479 | | 121 479 |
| Sanjay Samaddar | 0 | | 0 |
| Magdalena Janeczek | 127 897 | | 127 897 |
| Agata Sierpiska-Sawicz | 117 242 | | 117 242 |
| Romuald Talarek | 114 538 | | 114 538 |
| Total | 481 156 | | 481 156 |

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 28 April 2023) |
|------------------|--|
| Piotr Janeczek | 115 053 |
| Łukasz Mentel | 100 |

b) officers:

| Full name | Current number of Stalprodukt S.A. shares (as of 28 April 2023) |
|------------------|--|
| Stanisław Kurnik | 1 000 |

On October 5, 2022, the Issuer received a notification from Mr. Stanisław Kurnik about the sale of 1,900 registered preference shares at PLN 250 per share on the same day. The transaction took place outside regulated trading.

Apart from the change mentioned above, 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 managing or supervising persons.

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

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

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

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

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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.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation appeal against the above judgment. The Supreme Court in Warsaw By a decision of January 27, 2021, refused ZGH "Bolesław" S.A. 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 in Kraków, of August 30, 2021, was submitted, obliging 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. issued a letter to the Court with a request to oblige PWiK sp.z o.o. to submit to the Court and the party documents and information related to the technical operation of the water supply network. The District Court, by order dated 10 December 2021, granted the request 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 approx. 10,000 thousand PLN and is currently demanding the amount of PLN 54 839 thousand.

On December 10, 2021, a pleading from PWiK Sp. z o.o. was received. 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. is underway.

On February 28, 2022, ZGH Bolesław S.A. submitted their position on the matter. The letter contained a motion to dismiss the claim, as well as formal and evidentiary motions. The basis for submitting a motion to dismiss the claim is the indication that PWiK sp.z o.o. has not suffered any damage in terms of civil law, i.e. there has been no financial loss. Further allegations were raised, boiling down to the fact that the possible damage may not be the own expenditure on the investment made, and there is no damage in the scope of the so-called stage II, where no expenses were incurred, and their incurring is not settled and justified. On March 17, 2022, PWiK sp.z o.o. submitted another letter in the case. On April 5, 2022, the District Court in Krakow called on the parties to the dispute to consider mediation in the case.

On July 15, 2022, the District Court in Kraków issued a Decision on the admission of evidence from the Institute's opinion on the legitimacy and amount of the damage suffered so far by PWiK Sp. z o.o., as well as future planned expenses. On September 22, 2022 a pleading of ZGH "Bolesław" S.A. was delivered to the District Court in Krakow - a request for evidence in the field of evidence from the opinion of the Institute. In a letter of November 8, 2022, the District Court called on the parties' attorneys to indicate further proposals of the entity that would undertake the preparation of the opinion. At the request of the Court, ZGH "Bolesław" S.A. in the letter of December 14, 2022 indicated the Silesian University of Technology in Gliwice, Faculty of Environmental and Energy Engineering, Department of Water and Sewage Engineering. In turn, PWiK Sp. z o.o. proposed 3 universities. The information portal of the District Court in Kraków shows that a letter from the Court was sent to the Silesian University of Technology in Gliwice, Faculty of Environmental and Energy Engineering, Department of Water and Sewage Engineering requesting to loan of the case files for a month in order to prepare an opinion.

Moreover, it should be mentioned that 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 (item 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). This amount was presented in the balance sheet as at 31/12/2013 in the item "contingent liabilities due to the purchase of ZGH "Bolesław" S.A." As at December 31, 2022, the amount of provisions in the subsidiary and at the level of the consolidated financial statements covers 100% of the amount from the lawsuit. The amount was presented in the statement of financial position under short-term provision for decommissioning, recultivation and environmental repair costs.

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 KPW Audyt Sp. z o.o. was concluded on 20 July 2022 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.

b) 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,

The Company has not used the services of the selected audit firm before.

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 25,000;
- for the review of the semi-annual consolidated statement – PLN 23,000.

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

- separate financial statement – PLN 60,000;

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- consolidated financial statement – PLN 30,000.

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 2022 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 did not declare the following principles and recommendations:

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. However, it was announced in 2023 (i.e. in Current Report No. 3 of February 17, 2023). The Company will take into account the new circumstances resulting from the publication of new directions of strategic activities in the Statement on the application of corporate governance principles in the Company for 2023.

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. Although there is no explicitly formalized strategy in this regard, the Code of Ethics adopted and binding throughout the Group applies to all of the above-mentioned issues.

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. However, it was announced in 2023 (i.e. in Current Report No. 3 of February 17, 2023). The Company will take into account the new circumstances resulting from the publication of new directions of strategic activities in the Statement on the application of corporate governance principles in the Company for 2023.

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

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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.
- 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.

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

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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.*
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*

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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.*
- 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*

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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 § 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.

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In 2022, 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 2022 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.*
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.*

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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

l) 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.

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**

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 2022, the Audit Committee held 3 stationary and 5 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 Capital Group's operations and significant diversification of its individual operating segments.

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.

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.

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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 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.

Currently, one of the main issues affecting the operations of the Stalprodukt Capital Group are issues related to climate change, as well as related issues of sustainable development. The Management Board of the parent company, which is responsible for the directions of the Group's development, is aware of the resulting conditions, as a result of which all areas affecting the business have been identified. The most important factors include:

- “European Green Deal”, which has the greatest impact on the current situation and prospects of European industry,
- growing pressure of expectations from customers and lenders related to the implementation of the climate neutrality policy,
- the need to implement the energy transformation policy, i.e. costly investments aimed at reducing the carbon footprint (including in own energy sources),
- the announcement of the introduction of a carbon footprint tax (CBAM) along with a simultaneous reduction in the number of free CO₂ emission allowances, which will be the greatest challenge for maintaining competitiveness, especially in energy-intensive industries, and the Stalprodukt Group operates within such framework (production of zinc and steel products),
- expected further increase in prices of CO₂ emission allowances,
- reducing the negative impact of our operations on the natural environment,
- EU product policy and circular economy, which promote the economical management of raw materials and their recycling,
- the situation on the commodity markets resulting from, among others, from the above conditions (significant from the point of view of all operating segments of the Group).

Being aware of the challenges facing the Company in the coming years, the Issuer's Management Board decided to develop assumptions for new directions of strategic activities for 2023-2030, which largely concern the policy of creating pro-environmental solutions, including in particular those aimed at decarbonisation of the business, i.e. a significant reduction of emissions CO₂.

The main goals to be achieved by the Stalprodukt Capital Group in terms of climate issues relate to three areas:

- Improvement of energy efficiency
- Decarbonization of the Group's production
- Achievement of measurable goals

Improvement of energy efficiency will be implemented through:

- the development of cogeneration sources with a total capacity of approx. 22 MW,

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- reconstruction of technological lines, including:
 - replacing natural gas burners with hydrogen burners;
 - changing the method of drying electrotechnical sheets;
 - extension of the heat recovery installation from the Waelz process and the use of waste heat generated in this process;
 - use of post-process gas.

The decarbonisation of the Group's production will be achieved as a result of:

- elimination of the use of steam coal,
- replacement of "grey" hydrogen, with the so-called "green" hydrogen (i.e. using renewable energy for the electrolysis process),
- the construction of own renewable energy sources (photovoltaic and wind farms) with a total capacity of approx. 110 MW (land for photovoltaic farms is fully secured, while land for wind farms is secured in 50%). The energy obtained from RES will be used only for own needs,
- installation of electrolyzers (with a capacity of 20 MW) in order to start the production of "green" hydrogen,
- possible use of CO₂ capture and storage solutions.

Measurable goals include:

- ✓ reduction of CO₂ emissions (both in terms of direct and indirect emissions):
 - in the area of steel processing - by 72 thousand. tonnes/year, i.e. by 55%;
 - in the area of zinc production:
 - in the process of electrolysis (ZGH) - by 266 thousand. tonnes/year, i.e. by 50%;
 - in the ISP (HCM) process – by 96 thousand. tonnes/year, i.e. by 20%;
 - reducing the demand for electricity by approx. 268 GWh/year, which is approx. 40% of the current consumption.

The total expenditure on the above projects will amount to PLN 1 billion in the period until 2030, with the share of steel processing and zinc production areas, each of approx. 50% of these expenditures.

Guided by the need to reduce the risk associated with operating in energy-intensive industries, exposed to high regulatory risk (broadly understood EU climate policy) and looking for alternative investment areas, the Management Board decided to diversify its activities and implement the commercial building construction project.

In making this decision, the Management Board of the Company took into account, among others: possessed potential in the form of an attractive real estate with an area of approximately 7.5 ha, located in the centre of Krakow at the intersection of Tischnera and Wadowicka streets. After an analysis of the commercial and residential real estate market in Kraków and its development prospects, the Company found it reasonable to implement the construction of commercial buildings, i.e. an office building and

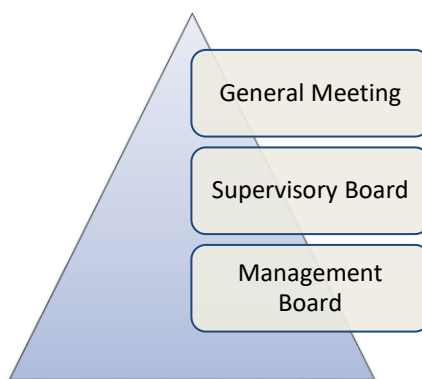
premises for rent in the PRS formula at ul. Wadowicka/Tischner in Krakow, named "Tischner's Green Town". The estate is intended to be neutral in terms of environmental impact and consist of modern buildings with a high BREEAM rating, powered by cogeneration sources (ultimately based on "green" hydrogen), energy obtained from photovoltaic panels located on the roofs and facades of buildings, and the use of heat pumps and rainwater. The project also includes charging points for electric cars.

1.2. Managerial governance

- Stalprodukt S.A.

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:



In 2022 the Management Board of the Company currently consists of 2 people.

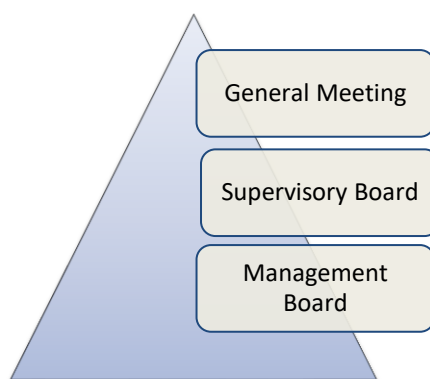
The Company's Management Board consists of three persons, whereas the Supervisory Board consists of five persons.

- ZGH "Bolesław" Group

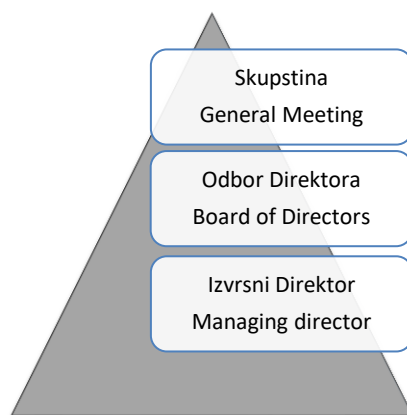
The companies of the ZGH "Bolesław" Group operate on the basis of the provisions of the Code of Commercial Companies (Act of September 15, 2000, Journal of Laws of 2000, No. 94, item 1467, as amended) and the Statutes of the Companies.

The corporate governance structure in the domestic companies of the ZGH "Bolesław" Group is as follows:

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Corporate governance structure in Gradir Montenegro d.o.o. looks like this:



The management boards of the Companies consist of one to three persons, whereas the Supervisory Board consists of three to five persons. The Agency for the Protection of Persons and Property has not appointed a Supervisory Board due to the size of the company.

The rules of operation and organisation of work, as well as the rights, duties and responsibilities of the personnel are defined in the Organisational Rules of individual companies.

○ Other companies of the Stalprodukt Capital Group

The remaining subsidiaries of Stalprodukt Capital Group operate based on the provisions of the Code of Commercial Companies (the Act of 15 September 2000, Journal of Laws of 2000, No. 94, item 1037, as amended) as well as their respective Articles of Associations and Company Deeds.

The structure of corporate governance in the domestic companies of Stalprodukt Capital Group is similar to that of the parent company.

The Management Boards of the Companies are composed of 1 to 2 members, while the Supervisory Boards are composed of 3 persons. Stalprodukt-Ochrona Sp. z o.o. and Stalprodukt-Wamech Sp. z o.o. have not appointed supervisory bodies due to the sizes of the companies.

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GO Steel Frydek Mistek operates in the Czech Republic, where the Act No. 90/2012 on Commercial Companies and Cooperatives (*Zákon o obchodních společnostech a družstvech*), also known as the Commercial Corporations Act (UKH), applies.

The act provides for two systems of the joint stock company's internal structure:

1. A system with a management board and a supervisory board, referred to as the two-tier system (known under the Polish law),
2. A system with a statutory director and a managing board, also referred to as the one-tier system, where the said statutory director performs the role of the aforementioned Management Board, and the managing board – that of the aforementioned Supervisory Board.

GO Steel Frydek Mistek operation is based on the latter system. The Statutory Director is represented by one person and the Managing Board consist of two persons.

A joint stock company bodies operating in the one-tier system include:

- Shareholders' meeting,
- Statutory director,
- Managing board.

Due to the entry into force in the Czech Republic on January 1, 2021 of the amendment to the Act on Commercial Companies 33/2020 Sb and in order to avoid problems related to the interpretation of the new regulations, Stalprodukt S.A., as the sole shareholder of GO Steel Frydek-Mistek a.s. Made the decision to change the existing system of the internal structure of the company (the so-called one-tier board structure, with the statutory director and the management board) to a two-tier board structure system (in which the management board and the supervisory board operate), so the system also known in Poland under the provisions of the Commercial Companies Code.

Necessary changes to the statute of GO Steel Frydek Mistek a.s., with the simultaneous change of the company's name to **GO Steel a.s.** entered into force on January 1, 2021.

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.

| Indicator | Capital Group | |
|--|---------------|------|
| | 2021 | 2022 |
| Revenue per employee (thousand x PLN) | 864 | 1159 |
| Energy consumption per unit of revenue (GJ/PLN 1 thousand) | 2,39 | 1,76 |

In 2021-2022, the above-mentioned indicators for the parent company and for the entire Capital Group were as follows:

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| | 2021 | 2022 |
|--|------|------|
| Zinc production per employee (t Zn / average employment). | 57 | 60 |
| Electricity consumption / for zinc production (GJ / t Zn) | 13 | 11 |
| Coke and coal consumption / for zinc production (GJ / t Zn) | 32 | 32 |
| CO ₂ emissions / for zinc production (t CO ₂ / t Zn) | 3,6 | 3,7 |

1.4. Social and environmental risk management

Concern for and protection of the natural environment are matters of extreme importance for the employees of the Stalprodukt Capital Group companies, who make efforts to ensure that their operations comply with applicable laws on environmental protection and comply with the guidelines issued by the Companies in this regard.

- Stalprodukt S.A.

Stalprodukt S.A., due to the specificity of its operations and the related risks, is exposed to 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 a high industrial risk category (ZDR), nor is it classified as an increased industrial risk category (ZZR). Despite this, the Plant declares to maintain a safety management system in which the following operate: Failure Prevention Program and elements of the management system required by the Environmental Protection Law. Exercises are carried out on the premises of the Plant, the purpose of which is to check the means, equipment and personnel to eliminate the effects and combat potential ecological 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.

- ZGH „Bolesław” Group

In the ZGH "Bolesław" Group, the companies ZGH "Bolesław" and HC "Miasteczko Śląskie" were classified as plants with an increased or high risk of a serious industrial failure in accordance with the provisions of the Environmental Protection Law and the provisions of the Regulation of the Minister of Development of January 29, 2016 on the types and quantities of dangerous substances present in the plant.

In implementing the liabilities included in the regulations, the company has developed:

- Programme for Preventing Major Accidents (PZA),
- Report on Safety (RoB),
- Internal Operational and Rescue Plan (WPOR),

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- Procedure to be adopted by residents when facing an accident and chemical hazard,
- Information on security measures and procedure to be adopted when facing an industrial accident at ZGH "Bolesław" S.A.

As a result of a detailed analysis of the hazards to the installations and facilities of the Company made for the purposes of the Report on Safety, potential and representative emergency scenarios were identified. The risk analysis carried out showed no significant impact of failures on the area outside the plant.

Huta Cynku "Miasteczko Śląskie", due to the storage and processing of substances within the grounds of the plant, which are toxic for aquatic organisms, in quantities exceeding the threshold values specified in the Regulation of the Minister of Development of 29 January 2016, the plant was determined to pose a high risk of a serious industrial accident.

The plant has the following documents required by the Environmental Protection Law:

- Notification of High Risk Plant,
- Programme for Preventing Accidents (PZA),
- Report on Safety (RoB),
- Internal Operational and Rescue Plan (WPOR),

The above-mentioned documents, pursuant to the requirements of the Act, were submitted to the Silesian Voivodeship Commandant of the State Fire Service and the Silesian Voivodeship Inspector for Environmental Protection. According to Art. 256 above of the act in 2022 documents have been updated and resubmitted.

- Other companies of Stalprodukt Capital Group

Due to the scale and size of the activities conducted, there are no significant threats to the environment in the remaining subsidiaries of the Group. This applies to all environmental components (air, noise, water, waste, etc.). The applied technical and technological solutions guarantee a high level of protection of the environment as a whole. The companies operate on the basis of internal regulations regulating the safety of people and the environment.

In addition, the remaining companies of the Stalprodukt Capital Group are not classified into any of the categories of industrial accident risk in the light of the classification contained in the ordinance of the Minister of Economy of January 29, 2016 on the types and quantities of hazardous substances, the presence of which in the plant determines its classification as a plant. an increased risk or a plant with a high risk of a serious industrial accident (Journal of Laws of 2016, item 138).

All subsidiaries of the Group have assessed the environmental aspects in order to eliminate or reduce the negative effects of the conducted activities on the environment as much as possible.

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 2016", 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

In terms of operating activities, the companies that build the Capital Group are characterized by autonomy. Due to the diversified profile and specificity of the operations of the companies belonging to the Capital Group, management of environmental areas is based on solutions based on certified management systems implemented in individual subsidiaries.

All elements of the companies' activities that may have an impact on the environment have been identified. Taking into account the specific nature of the industries belonging to the Capital Group, we are particularly aware of their significant impact on the environment. The impact of the environmental aspects identified in the Capital Group's units is constantly monitored, and measures are taken to reduce the harmful impact on the environment.

The model of the circular economy is becoming increasingly important for the future of the economy and the state of the natural environment. The ZGH "Bolesław" Group is an example of building a closed circuit in the zinc industry, which perfectly fits into the policy of the European Union. The assumption of this policy favouring an economy in which resources are used in a more sustainable way, i.e. by rationalizing land resources and increasing the share of recyclable materials. The Group has unquestionable achievements in this field - the share of waste materials in the stream of raw materials for the production of zinc, both in hydrometallurgical technology (ZGH "Bolesław") and pyrometallurgical technology (HC "Miasteczko Śląskie"), makes the company a leader in this field in the world. One of the key aspects of both technologies is objectively their energy consumption and the need to use coal, which unfortunately cannot be replaced in this case with any other element. Despite the unavoidable CO₂ emission related to the carbon-derived products used in the technology, the ability of the technologies used in the Group to recycle large masses of industrial waste and produce a full-fledged product from them is a very serious argument in favour of their use today and in the future.

Observing the activities on the European and global market, from the point of view of the Stalprodukt Capital Group, reducing emissions and the carbon footprint of products will be one of the competitive advantages. Therefore, it is important to carry out a low-emission energy transformation as a goal subordinated to the long-term prospects of running production activities.

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The report includes data from the main segments of the Group's operations, the impact of which has a significant impact on the environment. In the case of companies whose impact on the environment is marginal, they have been omitted in this part of the report, and all units operate on the basis of environmental protection regulations and are subject to monitoring.

- Stalprodukt S.A.

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.

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 2022:

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- 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,
- 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 2022, no new administrative decisions regarding the use of the environment were obtained. Below is a list of decisions obtained in 2021:

- 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;

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- 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;
- 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.

- ZGH „Bolesław” Group

ZGH "Bolesław" S.A. and Huta Cynku "Miasteczko Śląskie" S.A. are one of the largest enterprises in the Olkusz and Tarnogóra region. During their operations, the companies care for the natural environment by promoting themselves as socially responsible companies. Such long-term pro-ecological and pro-social policy shaping of the companies strengthens the image and creates added value for both companies and the local community.

Technologies, the technical and technological level of individual production processes matches the level of leading European and world plants. These activities led to equipping individual departments in the ZGH "Bolesław" Group with low failure rate installations and covering them with the control, supervision and computer visualization system. As a result, the nuisance related to business activity is minimized, and thus the negative impact of the Company on the natural environment is limited.

Both the electrolysis and the pyrometallurgical (ISP) methods of zinc production are associated with a significant impact on the natural environment. Both companies meet environmental standards resulting from more and more stringent legal regulations by systematically modernizing installations built in the past and building new low-emission ones. The technologies used today comply with international standards. This state of affairs is confirmed by the fact that ZGH "Bolesław" S.A. and HC "Miasteczko Śląskie" S.A. certified management systems.

The production companies of the ZGH "Bolesław" Group carry out and plan a number of research, development and eco-efficient tasks. These are both large, key projects that significantly change the technologies used, as well as smaller projects responding to the needs of individual elements of the technological line. Their effect is not only to improve technology and economy, but above all to protect the environment.

The EU climate policy imposes new operating rules on the European industry through the planned gradual withdrawal of support for companies in the form of free CO₂ emission allowances, which accelerates the implementation of plans aimed at reducing actual process emissions at ZGH "Bolesław" S.A. and HC

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"Miasteczko Śląskie" S.A. The decarbonisation strategy for 2023-2030 adopted and implemented in the ZGH "Bolesław" Group provides for the acceleration of the implementation of projects related to the reduction of CO₂ emissions.

Currently, ZGH "Bolesław" S.A. is building a 13 MW cogeneration source of electricity and heat. Its launch will allow, together with the use of heat from systematically implemented installations for heat recovery from technological processes, to shut down the operating classic boiler room, which emits 30,000 tonnes of CO₂ each year.

As part of the above strategy, ZGH "Bolesław" S.A. is planning to build a wind and photovoltaic farm cooperating with energy storage facilities with a capacity of 45 MW, and in HC "Miasteczko Śląskie" S.A. a photovoltaic farm with a capacity of 10 MW and a cogeneration source with a capacity of 2 MW.

Assuming the production of 150,000 tonnes of zinc per year, it is expected to reduce CO₂ emissions in the ZGH "Bolesław" Group by 370,000 in 2030 tonnes compared to 2022. ZGH "Bolesław" S.A. also intends to use the possibility of changing the operating parameters of zinc electrolysis by increasing the active surface of the electrodes (increasing the number of anodes and cathodes) and reducing the so-called operating current density, thus reducing the specific current consumption index by 3%.

The increasing share of waste materials in the production process requires the expansion of the waste water treatment plant to meet the growing environmental requirements. HC "Miasteczko Śląskie" S.A. is implementing an investment task entitled "Construction of a technological line for the production of industrial salt". It aims to reduce the amount of chlorine compounds in waste water directed to the on-site treatment plant by separating solid sodium chloride - NaCl, which will significantly improve the quality of water discharged as waste water from the treatment plant outside the plant.

Both companies meet environmental standards resulting from more and more stringent legal regulations by systematically modernizing installations built in the past and building new low-emission ones.

ZGH "Bolesław" S.A. has an implemented, integrated, certified quality, environment and health and safety management system based on the ISO 9001: 2015 and ISO 14001: 2015 and 45001: 2018 standards. The scope of the system includes: production of zinc and zinc alloys, sulfuric acid, zinc and lead concentrates, recovery of zinc-bearing waste, production and sale of heat and sale of laboratory services in accordance with ISO 17025: 2018.

HC "Miasteczko Śląskie" S.A. has implemented the quality policy in accordance with the PN-EN ISO 9001:2015, PN-EN-ISO 50001:2018 and PN-EN ISO/IEC27001:2017-06.

In 2022, the BureauVeritas Certification Body recertified the Quality Management and Energy Management systems at Huta, and also conducted the first audit of the Information Security Management system supervision.

Boltech Sp. z o. o. implements the quality policy in accordance with the following standards:

- for zinc products ISO 9001: 2015; ISO 14001: 2015; ISO 45001: 2018,
- for aggregates PN - EN 13043, PN - EN 1342,
- for transport based on industry quality certificates.

There are no certified quality management systems in Gradir Montenegro.

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ZGH "Bolesław" S.A. has a regulated formal and legal status regarding the use of the environment in all its components.

Integrated permits of ZGH "Bolesław" S.A. cover:

- installations for the production of electrolytic zinc and its alloys with a production capacity of 130,120 tons / year, valid for an indefinite period;
- installation of deep dechlorination, defluorination and leaching of raw zinc oxide with a processing capacity of 70,000 tons of zinc oxide / year, valid for an indefinite period;
- installations for flotation enrichment and filtration of waste from zinc hydrometallurgy, valid for an indefinite period;
- rotary kiln installations for the production of zinc concentrate from waste zinc-bearing materials in the Waelz tumble process, valid for an indefinite period;
- an industrial sewage treatment plant (TSO), valid for an indefinite period.

and sectoral environmental decisions, i.e.:

- Permit for the production of waste, taking into account the treatment in the recovery process by the flotation enrichment method of waste with the code 01 03 81 obtained (excavated) from the mining waste treatment facility - tailings ponds at the Flotation Waste Processing Plant ZGH "Bolesław" S.A., valid until July 2027 .;
- Permit for waste processing in the recovery process at a mining waste neutralization facility - tailings ponds, valid until January 2025;
- Permit for the processing of waste in the recovery process in the Department of Mechanical Processing Olkusz-Pomorzany, valid until January 2025;
- Permit to generate waste for the Mining and Processing Part, including the Dąbrówka Boiler House and Olkusz Boiler Plant at ZGH Bolesław S.A., valid until January 2025;
- Permit to generate waste for the Bolesław Boiler Plant, valid until September 2028;
- Decision authorizing the operation of a mining waste treatment facility, valid until April 2032;
- Permit for the production of extractive waste from a mining waste treatment facility, valid until June 2027;
- Extractive waste management program approved by the decision of November 30, 2017;
- Consent for the extraction of mining waste obtained from the eastern side of the mining waste neutralization facility of ZGH Bolesław S.A. valid for an indefinite period;
- Permits for the introduction of gases and dusts into the atmospheric air for:
 - "Dąbrówka" and "Olkusz" boiler houses, valid until December 2025;
 - "Bolesław" boiler house, valid until December 2029;
- Integrated permit for industrial wastewater treatment plants (OSP), valid for an indefinite period;
- Water permit for the drainage of the mining plant - the western part of the Pomorzany region by pumping through the Dąbrówka and Mieszko shafts, for the collection of water from the mining plant drainage from the intake No. 2 - Dorotka, and the discharge of sewage constituting a mixture of water from the plant drainage through the Dąbrówka Canal through the Dąbrówka Canal mining, post-flotation waters from sedimentary ponds and treated domestic wastewater from the treatment plant at the Dąbrówka shaft, valid until January 2025;
- Water permit for drainage of the mining plant - eastern catchment area of Pomorzany, Olkusz sub-level and Olkusz region by pumping through Chrobry, Stefan and Bronisław shafts, intake of water from mining plant drainage, intake No. 1 located in the pump chamber at the Stefan

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- and Bronisław shafts and the coastal intake WP2 and discharge into the Baba River through the South Canal, sewage constituting water from the mine drainage, valid until January 2025;
- Water permit for the drainage of the mining plant with a deep water intake located in the shaft of the decommissioned Mieczysław shaft and for the intake of water from the mine drainage from the intake located in the shaft of the decommissioned Mieczysław shaft, valid until January 2025;
 - Water permit for water services, including collection and treatment of sewage, valid until October 2051;
 - Water permit for the construction of a water device - drainage boxes and for the introduction of rainwater and snowmelt from the premises of Zakład Przerobu Odpadów Flotacyjnych ZGH "Bolesław" S.A. with this system, valid until April 2025;
 - Water permit for the construction of a water device, i.e. a groundwater intake consisting of the OW-1, OW-2 and OW-3 wells, and for water services consisting in the abstraction of groundwater for the production of concentrates, metallic zinc and zinc alloys, valid until February 2052 .

The production of zinc and lead in Huta Cynku "Miasteczko Śląskie" conducted via the pyrometallurgical method (ISP) is included in the BAT list.

Integrated permits of HC "Miasteczko Śląskie" S.A. for:

- Integrated permit for installations for the production of non-ferrous metals from metal ores, concentrates or recovered products as a result of metallurgical and chemical processes of 28 March 2012 – decision of the Marshal of the Silesian Voivodeship No. 726/OS/2012 amended by decisions No. 1723/OS/2013 of 5 August 2013, No. 2706/OS/2014 of 24 November 2014 and No. 1296/OS/2015 of 25 June 2015,
- Integrated permit for the hazardous waste landfill of 4 November 2014 – decision of the Marshal of the Silesian Voivodeship No. 2240/OS/2014 amended by decision No. 2382/OS /2014 of 4 December 2014,
- Permit required by Water Law Act of 29 March 2013 - decision of the Marshal of the Silesian Voivodeship No. 780/OS/2013,
- Permit for greenhouse gas emission permit - decision of the Marshal of the Śląskie Voivodeship no. 00322 / OS / 2017 of February 1, 2017 amended by decision no. 03078 / OS / 2018 of October 4, 2018, decision no. 175 / OS / 2020 of January 21, decision 2020 year and decision No. 2786 / OS / 2021 of August 25, 2021 and decision no. 824/OS/2022 of March 2.

- Other companies of Stalprodukt Capital Group

Only the companies whose environmental impact can be considered significant are taken into account. This applies in particular to Stalprodukt-Zamość sp. z o. o., STP Elbud sp. z o. o., Cynk-Mal S.A. and a company operating in the Czech Republic GO Steel a.s. Considering the type and scale of operations of other entities of the Capital Group, their impact on the environment is negligible, and as a result they have been omitted in the environmental area. It should be noted that all subsidiaries located in Bochnia in the area of Stalprodukt S.A. are covered by the supervisory system in force in the parent company. In addition, all outsourced processes are supervised. This supervision is ensured by contracts containing all legal and quality requirements.

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Stalprodukt Zamość sp. z o.o.

Stalprodukt Zamość sp. z o.o. is a producer of steel doors, aluminium joinery and sectional doors. It also conducts trade operations pertaining steel products.

The Company holds the following permits and decisions issued by relevant authorities for its operations:

- Permit to discharge gases or dust into the air,
- Decision – permit for generating waste,
- Decision - permit required by Water Law Act for special use of water in the scope of its collection from own intake.

STP Elbud sp. z o.o.

STP Elbud sp. z o.o. is a producer of hot-dip galvanised steel structures for the needs of energy, telecommunications, construction and road engineering. The company's quality policy is implemented through quality management of products using as a certified tool - the Integrated Management System that meets the requirements of ISO 9001, ISO 14001, EN 1090-1, EN 1090-2 and ISO 3834-2. The Integrated Management System operating in the STP Elbud sp. z o.o. covers processes related to the production and hot-dip galvanizing of steel structures.

The Company's Integrated Management System leads to the improvement of manufacturing and management processes, as well as the manufactured products, and is implemented through the continuous optimisation of cooperation with customers and suppliers based on the results of monitoring and analysing their needs, expectations and satisfaction levels, undertaking organisational and investment measures, meeting the requirements of legal and other regulations, regular training of the company's personnel in order to increase their competence and ensure high qualifications resulting from the improvement of the manufacturing and management processes, as well as the continuous improvement of the working environment, so that it is perceived by the personnel as friendly and conducive to the optimal implementation of the objectives of the Integrated Management System Policy.

Planned and implemented activities of STP Elbud sp. z o.o. for the benefit of the natural environment concern in particular the use of technologies compatible with the best available techniques - BAT, limiting the consumption of raw materials, materials and energy, reducing emissions to the environment, minimizing the amount of waste generated and making their management proper, meeting legal requirements and other that concern environmental aspects, raising employees' awareness regarding the impact of their work on the natural environment and the potential consequences of non-compliance with applicable rules of conduct.

Individual plants owned by STP ELBUD Sp. z o.o. operate on the basis of the permits issued by relevant authorities competent to issue such decisions.

The following administrative decisions are currently held by "STP ELBUD" sp. z o.o.:

- Permit for generating waste for the installations for production of steel structures on the premises of the Steel Structures Department in Kraków,
- Permit for discharge of gases and dust into the air from the installation for production of steel structures on the premises of the Steel Structures Department in Kraków,
- Integrated permit for the installation for hot-dip galvanizing on the premises of the Product Galvanizing Department in Bukowno,

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- Permit for discharge of gases and dust into the air for the installation for painting steel structures in the Product Galvanizing Department in Bukowno,
- Permit for generating waste for the installation for painting steel structures in the Product Galvanizing Department in Bukowno.

Cynk-Mal S.A.

The core operations of the Cynk-Mal S.A. production plant with its registered office in Legnica is production and sale of hot-dip galvanized steel products and provision of hot-dip galvanizing services. The plant has an innovative production technology, a line for continuous galvanizing of steel strips, which allows to provide services in the field of anti-corrosion protection.

The installations that are in possession of Cynk-Mal S.A. operate on the basis of permits issued by the authorities competent to issue these decisions. Administrative decisions held by Cynk-Mal S.A.:

- Decision integrated permit, Reg. No. DM.S.IV.7650-2858/08/10, L.dz.IV/LS/7660-46/352-III/09/10, Decision No. PZ 184/2010. of 20 August 2010,
- Modification of the decision, integrated permit, DOW-S-IV.7222.108.2014.LS, L.dz. 690/12/2014, Decision No. PZ 184.1/2014 of 4.12.2014,
- permit for the production of waste (sector permit) - the application was submitted to the Marshal's Office on July 23, 2020, in the letter No. DOW-SV.7221.100.2020.AT of December 15, 2021, a new deadline for settling the matter was set until June 33, 2023 ;
- Water permit for the discharge of rainwater cleared by the sand trap from the site to the drainage ditch - Decision No. 108/2021 of 07/04/2021, ref. WR.ZUZ.1.4210.359.2020.MK;
- Water permit for special use of water, i.e. water abstraction from the groundwater intake (drilled well No. 1), reference number OŚR.6210 / 8/2005 of July 22, 2005.

GO Steel a.s.

GO Steel A.S. is a producer of cold rolled steel strips and sheets. The main range offered consists of steel strips and sheets for anisotropic electrical engineering and, on a smaller scale, steel strips and sheets for isotropic electrical engineering and strips as well as sheets of alloy and non-alloy steel.

The scope of the operational activity corresponds to the activities included in the integrated permit issued by the Regional Office of the Moravian-Silesian Region in Ostrava, which has been in force since 13.07.2009, and which has been updated 16 times. The integrated operating permit is classified in category 2.6 - i.e. devices for surface treatment of metals and plastics using electrolytic or chemical processes, if the Spa content is greater than 30 m³.

The plant operates on the basis of secondary legislation resulting from the regulations regarding Environmental Protection applicable in the Czech Republic (V – register - duties used in EMS).

In all listed companies building the Capital Group, the consumption of energy and fuel consumption is continuously monitored. The obligation to recover and recycle packaging waste is carried out through a recovery organization.

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. The statements of accrued and paid fees for using the environment are also forwarded to Marshals' Offices.

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2.1 Consumption of raw materials and other materials

In a table below summarising consumption of the most important materials used in production processes have been shown.

| Organisational unit | Type of material | Unit | Consumption | |
|--------------------------------------|--|-------------------------------|-------------|-----------|
| | | | 2021 | 2022 |
| Stalprodukt S.A. | Hot rolled steel | thousand x Mg | 263,6 | 251,9 |
| | Cold rolled steel | thousand x Mg | 16,7 | 11,4 |
| | Galvanized steel | thousand x Mg | 3,1 | 1,9 |
| | <i>The cost of used materials in relation to net revenue from the sale of products</i> | % | 69,6 | 63,9 |
| ZGH „Bolesław” Group | Olkusz-Pomorzany Mine - own concentrates | thousand x Mg (wet weight) | 18,7 | 5,2 |
| | Gradir Mine - own concentrates | thousand x Mg (wet weight) | 5,5 | 4,6 |
| | Sulphide concentrates from import | thousand x Mg (Zn) | 52,9 | 60,7 |
| | Concentrates from flotation waste (¹) | thousand x Mg (Zn) | 5,2 | 5,0 |
| | Own oxides from steelmaking dusts (¹) | thousand x Mg (Zn) | 33,5 | 30,7 |
| | Oxides from import (¹) | thousand x Mg (Zn) | 37,6 | 48,5 |
| | Concentrates from sludge | thousand x Mg (Zn) | 7,7 | 8,2 |
| | Dusts and other zinciferous waste (¹) | thousand x Mg (Zn) | 19,3 | 8,8 |
| | <i>Value of external raw materials used as % of income</i> | % | 44 | 54 |
| Other companies of the Capital Group | Hot rolled steel sheets | Mg | 90 948 | 78 958 |
| | Steel | Mg | 22 785 | 25 667 |
| | Zinc | Mg | 2 419 | 2 347 |
| | Paints | Mg | 58 | 67 |
| | Iron vitrol | Mg | 1 225 | 1 094 |
| | Hydrochloric acid | Mg | 145 | 158 |
| | Pickling acids | thousand l | 1 276 | 1 172 128 |
| | Hydrogen | m³ | | |

¹ – from recycling

Stalprodukt S.A.

Over 99% 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.

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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.

ZGH "Bolesław" Group

Wsadem do produkcji cynku, obok własnych i kupowanych koncentratów, jest produkowany w ZGH „Bolesław” S.A. na bazie pyłów stalowniczych (EAFD – Electric Arc Furnace Dust) koncentrat ZnO tzw. tlenek cynku z procesu Waelz’a. Pyły stalownicze to odpady powstające przy produkcji stali w elektrostalowniach, z odpadów tych zawierających kilkanaście procent cynku w procesie przewalowym (proces Waelz’a) produkowany jest tlenkowy koncentrat cynku (ZnO).

Taki model rozwoju wpisuje się wprost w ideę gospodarki o obiegu zamkniętym (circular economy), w której minimalizuje się zużycie surowców, wielkość odpadów oraz emisję i utratę energii poprzez tworzenie zamkniętej pętli procesów, w których odpady z jednych procesów są wykorzystywane jako surowce dla innych, co maksymalnie zmniejsza ilość odpadów produkcyjnych.

Elementem budowania obiegu zamkniętego w branży cynkowej jest także wykorzystanie zdeponowanych na stawach osadowych odpadów z flotacyjnego wzbogacania rudy. W roku 2017 uruchomiony został nowy Zakład Przerobu Odpadów Poflotacyjnych odzyskujący minerały cynku i ołowiu w postaci kwalifikowanego koncentratu. Koncentrat ten jest wsadem do produkcji cynku i ołowiu w Hucie Cynku „Miasteczko Śląskie” S.A.

Rok 2021 dla ZGH „Bolesław” był pierwszym w historii Spółki, w którym nie była wydobywana ruda cynku i ołowiu. Po ponad 45 latach pracy zakończyła wydobywanie kopalnia „Olkusz-Pomorzany”, która przez lata zapewniała ciągle dostawy wyjątkowo dobrych koncentratów do produkcji cynku dla Grupy ZGH „Bolesław”.

Brakującą ilość wsadów Grupa ZGH „Bolesław” kupuje z Australii, Bałkanów, Niemiec czy Szwecji. Są to: ruda Zn-Pb, siarczkowe i tlenkowe koncentraty oraz odpady cynkonośne.

Z uwagi na to, że produkcja cynku w Grupie prowadzona jest w oparciu o bardzo ściśle powiązania technologiczne pomiędzy spółkami produkcyjnymi produkty i odpady z jednej instalacji są wsadem dla innej instalacji.

Other companies of Stalprodukt Capital Group

The type and amount of raw materials and materials consumption in other companies of the Capital Group depends on the profile of the company's operations.

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Stalprodukt Zamość sp. z o.o. is a producer of steel doors, aluminium joinery and sectional doors. As a production charge, it mainly uses steel.

STP Elbud sp. z o.o. is a producer of hot-dip galvanized steel structures for the needs of energy, telecommunications, construction and road engineering. In the production, it uses steel for making steel constructions, zinc and hydrochloric acid for galvanizing structures and paints for painting ready-made constructions.

Spółka Cynk-Mal S.A. jest producentem wyrobów stalowych ocynkowanych ogniowo. Do produkcji wyrobów wykorzystuje głównie stal, cynk, kwasy trawiące. Zakład dysponuje innowacyjną technologią produkcji, posiada linię do ciągłego cynkowania taśm stalowych, co pozwala świadczyć usługi w zakresie zabezpieczeń antykorozyjnych. Cynkowanie ogniowe to najbardziej trwałe, bezpieczny i ekonomiczny sposób zabezpieczenia stali, przyjazny środowisku oraz zapewniający uzyskanie powłok cynkowych o wysokich walorach technicznych i estetycznych.

GO Steel Frydek Mistek AS as a producer of transformer steel sheet and cold rolled steel for production uses hot rolled steel as the main charge, additionally sulphuric acid and other auxiliary materials.

2.2. Fuel and energy consumption

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

| Organisational unit | Type of fuels and energy | Unit | Consumption | |
|--------------------------------------|--|------|-------------|-----------|
| | | | 2021 | 2022 |
| Stalprodukt S.A. | Electricity | GJ | 602 589 | 639 449 |
| | Natural gas, propane and butane | GJ | 610 627 | 641 308 |
| | Bituminous coal | GJ | 312 888 | 302 207 |
| | Fuels | GJ | 3 892 | 3 586 |
| | Heating oil | GJ | 2 411 | 1 820 |
| ZGH „Bolesław” Group | Electricity ⁽¹⁾ | GJ | 2 161 352 | 1 744 003 |
| | Coking coal and coke breeze ⁽²⁾ | GJ | 4 525 743 | 4 615 735 |
| | Natural gas | GJ | 1 208 335 | 1 082 867 |
| | Bituminous coal | GJ | 675 129 | 430 593 |
| | Thermal energy | GJ | 566 004 | 469 376 |
| | Heating oil | GJ | 5 889 | 5 433 |
| Other companies of the Capital Group | Electricity | GJ | 112 502 | 108 533 |
| | Natural gas, propane and butane | GJ | 357 339 | 322 665 |
| | Thermal energy | GJ | 6 831 | 7 126 |
| | Fuels | GJ | 4 358 | 4 470 |

¹ - use mainly by ZGH "Bolesław" S.A.

² - use mainly by HC "Miasteczko Śląskie" S.A.

Stalprodukt S.A.

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

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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.

ZGH „Bolesław” Group

At ZGH "Bolesław" S.A., electricity is the basic carrier of energy – a crucial component from the perspective of both production and plant safety. At HC "Miasteczko Śląskie" S.A., coke and gas are the basic carriers of energy. The technology of zinc production using the ISP method relies on these fuels.

Due to the nature of its operations, ZGH is an energy-intensive plant. High consumption of energy affects zinc production costs, hence, for many years now, the Group has been pursuing a responsible energy and fuel use policy, covering the following:

- reducing energy consumption by investing in modern machines, devices and technologies,
- development of network infrastructure improving energy security,
- organizational and legal activities:
 - creating actively free electricity market through the management of the Chamber of Industrial Energetics and Energy Customers, establishment and management of the operations of the Forum of Electricity and Gas Customers, cooperation with the Energy Regulatory Office and the Ministries for Economy and the Environment,
 - establishment of the Electricity Management Department,
- works on the recovery of processing heat from the Waelz process,
- works on high-efficiency cogeneration.

Due to the continuing high costs of coke and rising emission fees, the Miasteczko Śląskie smelter conducts a number of design and modernization activities aimed at minimizing the consumption of coke and natural gas.

As part of the strategy of transformation to a low-emission and hydrogen economy adopted by the Management Board of HC "Miasteczko Śląskie" S.A., conceptual and study work has begun in the following areas:

- Preparation for the implementation of the task entitled "Establishment of a 10 MW photovoltaic farm in the area of Huta Cynku Miasteczko Śląskie. S.A.", intended for own needs (in the process of the so-called auto-consumption), which in turn is to lead to a reduction in the volume of electricity purchased from the national distributor, i.e. TAURON S.A.;
- Execution of an installation for mixing natural gas with post-reducing gas and a transmission installation for the combustion of the resulting mixture in technological equipment of HCM S.A. A technical and economic study was carried out;
- Use of the remaining part of the post-reduction gas to produce technological heat for evaporators (3.5 MWt) and heating heat (max. 4.5 MWt) during the heating period and electricity production;
- Purchase and installation of a transformer in the transformer chamber of the GSZ-2 substation and its commissioning, meeting the requirements of the distribution network operator Tauron Dystrybucja. An energy audit will be prepared, which will determine the achieved energy and environmental effect in the form of reduction of CO₂ emissions.

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Other companies of Stalprodukt Capital Group

The highest energy consumption is generated by GO Steel Frydek Mistek and Cynk-Mal S.A., which are responsible for the consumption of over 86% of the total energy consumed by the remaining companies of the Capital Group.

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 | |
|--------------------------------------|--|----------------|-------------|-----------|
| | | | 2021 | 2022 |
| Stalprodukt S.A. | Water supply network | m ³ | 32 071 | 41 424 |
| | Surface water intake | m ³ | 513 301 | 537 298 |
| | Water consumption for social and living purposes | % | 5,9 | 7,2 |
| | Processing water consumption | % | 94,1 | 92,8 |
| ZGH „Bolesław” Group | Water supply network | m ³ | 23 190 | 487 802 |
| | Underground water | m ³ | 10 618 685 | 4 415 752 |
| | Water consumption for social and living purposes | % | 2,5 | 2,6 |
| | Processing water consumption | % | 97,5 | 97,4 |
| Other companies of the Capital Group | Water supply network | m ³ | 17 654 | 25 359 |
| | Surface water intake | m ³ | 2 068 330 | 1 635 830 |
| | Water consumption for social and living purposes | % | 5,3 | 5,8 |
| | Processing water consumption | % | 94,5 | 94,2 |

Stalprodukt S.A.

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 | 2021 | 2022 |
|-------------------------------------|----------------|---------|---------|
| Water collected from the Raba river | m ³ | 513 301 | 537 298 |
| Reused water | m ³ | 264 710 | 265 997 |
| % of water reuse | % | 52,0 | 49,5 |

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

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ZGH „Bolesław” Group

Water is an important component of the zinc production process. It is used, among others during ore and waste enrichment (flotation), waste hydrotransport, as well as in the process line of the steelworks. Most of the water is used during flotation, i.e. for mechanical separation in the presence of reagents) of the useful component - concentrate - from the depleted output (waste).

In the case of the Mechanical Processing Department (including the Tailings Processing Department), water circulates between the ore enrichment plant and the waste recovery plant and the tailings ponds – the place where the tailings are stored.

The dewatering of the mine, which finally took place in January 2022, made it necessary to secure an alternative source of industrial water. On the basis of three ventilation openings, an intake was made - wells OW-1, OW-2, OW-3 for the abstraction of groundwater for technological purposes ZGH Bolesław S.A. Regardless of this intake, the metallurgical part uses water from the deep water intake located in the shaft pipe of the Mieczysław shaft of the former "Bolesław" mine, which was liquidated in the 1990s. At the same time, for welfare and production purposes, the plant buys from PWiK Sp. z o. o. in Olkusz drinking water.

Water supplying ZGH "Bolesław" is for:

- Mechanical Processing Department together with OPOP:
 - own groundwater intake through the OW-1, OW-2 and OW-3 wells (redistribution through a surface reservoir);
 - recycling of post-flotation water from tailings ponds,
 - drinking water purchased from PWiK Sp. z o. o. in Olkusz.
- Steelworks:
 - own groundwater intake through the OW-1, OW-2 and OW-3 wells (redistribution through a surface reservoir);
 - deep-water intake located in the shaft pipe of the liquidated Mieczysław shaft. Pumped out and unused water from this intake is directed to the industrial waste water treatment plant (WWTP),
 - drinking water purchased from PWiK Sp. z o. o. in Olkusz,
 - treated sewage purchased from PWiK Sp. z o. o. in Olkusz.

ZGH "Bolesław" S.A. regularly monitors the quality of groundwater in the vicinity of its plants and the parameters of discharged wastewater to ensure that the Company's operations meet the environmental protection standards.

Other companies of Stalprodukt Capital Group

The highest energy consumption is generated by GO Steel Frydek Mistek, which uses water for industrial purposes in over 95%. Water is taken from the surface watercourse (Ostravice river) on the basis of an integrated permit. The highest amount of water from the water supply network is consumed by Cynk-Mal SA and STP Elbud sp. z o.o.

2.4. Biodiversity protection

The operations of all companies of the Capital Group do not directly cover areas protected by law. None of the companies operates in the immediate, impactful vicinity to the areas of national parks, complexes and health resorts, areas included in the "World Heritage" list and areas covered by the Natura 2000 programme. However, in the vicinity of ZGH "Bolesław" there is the border of Jurassic Landscape Parks and the ecological area of Natura 2000, i.e. Błędów Desert (PLH 120014).

Regular monitoring of the environment is carried out through water and waste water tests, emissions and noise measurements, as well as monitoring of the landfill in accordance with the permits obtained.

Due to the liquidation of the mining plant by flooding, ZGH "Bolesław" S.A. conducts research on groundwater and surface watercourses in accordance with the Water Environment Monitoring Program after the closure of the zinc and lead ore mine "Olkusz-Pomorzany" approved by the Operation Manager of the Mining Plant of the "Olkusz-Pomorzany" mine ".

Pursuant to the above-mentioned Programme, the water environment monitoring network includes 22 observation boreholes - piezometers, 32 monitoring points on watercourses and 31 on springs. The points are located within the range of the former depression cone created by the mine and in its periphery. In piezometers, observations of the position of the groundwater table are made. At selected points, samples are taken for physical and chemical analyses. In the area of monitoring of surface watercourses, the flow rate is monitored, and in the area of sources, their efficiency is measured. Water from springs and surface watercourses are also monitored in terms of their physicochemical composition.

The plant has a team for monitoring the water environment after the liquidation of the zinc and lead ore mine "Olkusz-Pomorzany" established by Order No. 15/2022 of the Mining Plant Operations Manager of March 16, 2022. Currently, in addition to plant employees, the team includes experts from the AGH University of Science and Technology in Kraków, the University of Silesia and the Kraków University of Technology. The task of the team is to analyze and interpret data from the monitoring of the water environment, forecast changes in the water environment well in advance during the submersion of the rock mass, advise and substantive supervision in the field of hydrogeology during the process of filling the former depression cone of the "Olkusz-Pomorzany" mine.

In connection with the liquidation of the mining plant by switching off the drainage, in November 2013 it was prepared under the supervision of prof. dr hab. Andrzej Czylok, a study entitled "Social and environmental effects of liquidation of mines of ZGH "Bolesław" S.A. by flooding". Continuation of the above of the study was made in August 2021. "Assessment of the impact of stopping the drainage of water from the drainage of the "Olkusz-Pomorzany" mine belonging to ZGH "Bolesław" S.A. in Bukowno on the river ecosystem: Biała and Sztola and possible actions in the event of identifying significant threats to these ecosystems" by a team of scientists, including prof. dr hab. Andrzej Czylok and Dr. Andrzej Tyc. In November 2021, ZGH Bolesław S.A. signed with Prof. A. Czylok and Mr. Dr. A. Tyc (University of Silesia in Katowice) an agreement covering:

- a) supervision and environmental monitoring of activities undertaken by ZGH Bolesław S.A. in the following river valleys: Biała and Sztola in connection with the completion of the drainage of the Olkusz-Pomorzany Mine (fish, beavers, plants, amphibians, peat bogs),
- b) advice and ongoing consultations for the needs of the Management Board of ZGH Bolesław SA in the field of actions taken in the ecosystems of the Biała and Sztola valleys,

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- c) reports on the supervision and environmental monitoring of activities limiting ecological effects in connection with the completion of the drainage of the Olkusz-Pomorzany Mine.

Information on the ongoing environmental monitoring and the activities carried out, implemented or planned to be implemented by the Company are included in the periodically sent to the Regional Water Management Board in Gliwice, the Catchment Board in Katowice, the Regional Directorate for Environmental Protection in Katowice, the Regional Directorate for Environmental Protection in Kraków and the Voivodship Inspectorate for Environmental Protection Environment in Krakow documents and reports.

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 | |
|--------------------------------------|--|------|-----------|---------|
| | | | 2021 | 2022 |
| Stalprodukt S.A. | CO ₂ | Mg | 63 186 | 63 320 |
| | CO | Mg | 108 | 113 |
| | Dusts | Mg | 3,1 | 3,2 |
| | SO ₂ | Mg | 57 | 78 |
| | NO _x | Mg | 47 | 45 |
| | Aromatic hydrocarbons and aliphatic hydrocarbons | Mg | 0,88 | 0,86 |
| | Hydrofluorocarbons | Mg | 0,022 | 0,004 |
| | Sulphuric acid | Mg | 0,17 | 0,16 |
| ZGH „Bolesław” Group | CO ₂ | Mg | 598 856 | 577 803 |
| | CO | Mg | 4 486 | 3 784 |
| | Dusts | Mg | 27 | 30 |
| | SO ₂ | Mg | 1 154 | 920 |
| | NO _x | Mg | 236 | 184 |
| | Zinc | Mg | 2,6 | 2,3 |
| | Lead | Mg | 1,0 | 0,9 |
| Other companies of the Capital Group | CO ₂ | Mg | 19 729 * | 19 587 |
| | CO | Mg | 16,2 | 21,0 |
| | Dusts | Mg | 0,79 | 0,86 |
| | NO _x | Mg | 12,80 | 10,65 |
| | Chlorine | Mg | 0,42 | 0,46 |
| | Zinc | Mg | 0,02 | 0,02 |
| | Ammonia | Mg | 0,20 | 0,20 |
| | Volatile organic compounds VOC | Mg | 23,52 | 25,29 |

* - information presented in the Consolidated Financial Statements for 2021 did not include CO₂ emissions generated by GO Steel, therefore an appropriate adjustment was made in the current report. The correction also includes data on the volume of CO₂ emissions for Stalprodukt-Zamość sp. z o.o.

Stalprodukt S.A.

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,

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- 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.

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.

ZGH „Bolesław” Group

Zinc production in RLE and ISP technology is closely related to environmental impact. The ZGH "Bolesław" Group implements a program of systematic reduction of process emissions to the environment in all its components. The result of these activities is obtaining emission parameters in accordance with the legislation of the European Union and national law. Industrial installations meet stringent emission standards, and the condition of air protection equipment and the impact of operations on the environment are systematically controlled by state environmental protection institutions. The high level of environmental protection is confirmed by obtaining and maintaining sectoral decisions and integrated permits.

The Group intends to continue and follow in the following years of its operation in accordance with the adopted strategy focused on the circular economy (CE), the introduction of the decarbonization process (systematic reduction of carbon dioxide emissions to the atmosphere) and the implementation of the idea of sustainable development at every stage of the production process, thus limiting its negative impact on the environment.

Other companies of Stalprodukt Capital Group

GO Steel, Cynk-Mal S.A. and STP Elbud sp. z o.o. are responsible for the largest amounts of emissions.

The companies own installations consisting of a number of devices and emitters which emit pollutants into the air.

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The plants are obliged to measure the amount of emission into air from the emitters located in their areas. The measurements carried out did not show any emission excesses.

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.

2.6 Waste management

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

| Organisational unit | Waste type | Unit | Amount | |
|--------------------------------------|--------------------------------------|----------------------|----------------|----------------|
| | | | 2021 | 2022 |
| Stalprodukt S.A. | Hazardous waste | Mg | 2 229 | 2 070 |
| | Waste other than hazardous | Mg | 31 021 | 30 178 |
| | <i>Total waste</i> | <i>Mg</i> | <i>33 250</i> | <i>32 248</i> |
| | Stored waste | Mg | 608 | 700 |
| | Waste recovered | Mg | 1 462 | 1 226 |
| | Waste sent to recovery organisations | Mg | 31 180 | 30 322 |
| ZGH „Bolesław” Group | Hazardous waste | thousand x Mg | 186,7 | 153,2 |
| | Waste other than hazardous | thousand x Mg | 1 303,9 | 1 136,0 |
| | <i>Total waste</i> | <i>thousand x Mg</i> | <i>1 490,6</i> | <i>1 289,2</i> |
| | Stored waste | thousand x Mg | 24,9 | 27,3 |
| | Waste recovered | thousand x Mg | 1 465,1 | 1 261,8 |
| Other companies of the Capital Group | Hazardous waste | Mg | 1 861 | 1 800 |
| | Waste other than hazardous | Mg | 13 885 | 12 196 |
| | <i>Total waste</i> | <i>Mg</i> | <i>15 746</i> | <i>13 996</i> |

Stalprodukt S.A.

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,

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- 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.

ZGH „Bolesław” Group

The general objective of the Group's policy on rational waste management is to continue using its own waste from technological lines at each stage of production and foreign waste (from outside) in order to maximise the recovery of Zn without affecting the natural environment.

In the area of own waste, the construction and technical and technological start-up of the Flotation Waste Processing Plant is an evidence of such activity at ZGH "Bolesław". This unique technology - not only in the scale of ZGH Bolesław S.A., but also in the scale of the country and the world - makes it possible to produce zinc concentrates on the basis of post-flotation waste deposited at settling ponds. They constitute an additional charge for the production of metallic zinc in the steelworks of ZGH Bolesław S.A. Capital Group. This action is a credible confirmation not only of the business, but also of the eco-effective use of available waste (raw material) in accordance with the principle of sustainable development.

In Huta Cynku "Miasteczko Śląskie" S.A. waste is recovered, only 2% of waste is stored in its own hazardous waste landfill.

Other companies of Stalprodukt Capital Group

In administrative decisions for individual companies, the types and amount of waste allowed to be generated during the year were determined. The inventory record of waste generated and waste sent to other entities holding a permit for waste management is kept.

Waste is collected selectively, in designated areas which do not pose a threat to the environment. All waste storage areas shall be marked and adequately protected against unauthorised entry.

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:

- 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.

Cynk-Mal S.A. does not store and does not have any permits for the storage of waste.

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GO Steel a.s. does not store waste or recycle it. In accordance with the Act, all waste is transferred for liquidation or sale (metal waste, mill scale from pickling and roll abrasion) to authorized companies based on a contractual relationship.

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

| Organisational unit | Waste water | Unit | Amount | |
|----------------------|--|----------------------------|---------|-------|
| | | | 2021 | 2022 |
| Stalprodukt S.A. | Total amount of water and waste water | thousand of m ³ | 1 445 | 1 659 |
| | Discharged | thousand of m ³ | 361 | 379 |
| | Treated | thousand of m ³ | 1 084 | 1 280 |
| ZGH „Bolesław” Group | Total amount of water and waste water | thousand of m ³ | 113 100 | 4 050 |
| | Discharged <i>including mine water</i> | thousand of m ³ | 109 110 | 977 |
| | Treated | thousand of m ³ | 3 990 | 3 073 |

Stalprodukt S.A.

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.

ZGH „Bolesław” Group

In the metallurgical part of ZGH "Bolesław", the drainage water used as technological wastewater is subjected to treatment in the on-site industrial wastewater treatment plant before being discharged to a surface receiver. The quality parameters of mine and technological waters introduced into the Baba and Biała rivers and the Warwas watercourse belonging to the Biała Przemsza River catchment area do not cause significant physical, chemical and biological changes that would prevent the proper functioning of aquatic ecosystems.

As part of the next stage of improving the quality of discharged waste water, HCM started the investment process entitled "Execution of an installation for the production of industrial salt in order to reduce the amount of chloride and sulphate ions in post-process waste water." The process of water evaporation from the salt solution will use the heat recovered from the heat recovery boiler.

Other companies of Stalprodukt Capital Group

On the premises of GO Steel Frydek Mistek there is a company waste water treatment plant, where industrial waste water generated on the premises of the plant as well as technological waters and rainwater are discharged.

GO Steel as, when managing waste and sewage, is guided by statutory obligations, which are specified in the Integrated Permit ref. Act. MSK 25120/2009 of July 13, 2009, which was issued by the Voivodship Office for the Moravian-Silesian Voivodship. As part of maintaining the quality and reducing the production of wastewater, a complete reconstruction of water management was carried out in 2007 in GO Steel as, including the installation of pre-cleaning equipment at the main production lines.

Most of the other companies using water from water supply networks discharge waste water to municipal treatment plants. In the case of Cynk-Mal, the generated wastewater in the form of acidic solutions is treated as waste and transferred to entities holding appropriate permits for waste management.

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 Capital Group companies. 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

- Stalprodukt S.A.

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.

The applied Integrated Management System compliant with the international standard ISO 9001 and ISO 14001 enables us to identify the most important elements of 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 general management system of the company.

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,

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- 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 activities are systematically assessed. The IMS policy is implemented taking into account local conditions, aims at continuous improvement of environmental protection and is approved by the Company's top management. The IMS Policy and information on actions taken to implement it are made available to suppliers, recipients and other interested parties.

Legal and other requirements, technological and financial options, operational requirements arising from running a business, as well as the views of stakeholders are taken into account when setting environmental goals. The goals are consistent with the established IMS policy. The Top Management of Stalprodukt S.A. conducts regular reviews of the IMS in order to assess the usefulness, adequacy and effectiveness of the functioning IMS, implementation of the established policy, objectives and quality indicators and environmental objectives, opportunities for improvement as well as the need to introduce changes to the system.

In order to ensure that employees are familiar with the requirements of the Integrated Management System, training is conducted for individual professional groups on the rules and documents of the system and the 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.

The IMS documents define the methods of monitoring, measurement and analysis, as well as the selection of appropriate quality improvement techniques.

Statistical methods are used to supervise the stability of specific machines, processes and the quality of manufactured products. Statistical methods are also used for data analysis, complaints and corrective actions and audit results.

The processes necessary for continuous improvement of the IMS are planned and managed. Continuous improvement is implemented through the use of the Integrated Management System Policy.

During internal audits and data analysis, opportunities to improve the system are identified. Implementation of corrective actions allows restoring the effectiveness of the IMS and reduces the likelihood of problems in the future. Strategic actions for continuous improvement are undertaken during the review of the top management of Stalprodukt S.A.

- ZGH „Bolesław” Group

ZGH “Bolesław” S.A., as one of the largest companies in the zinc processing industry in Poland, cannot and does not deviate from responsibility for the state of the surrounding environment. The extraction of Zn-Pb ore and its subsequent processing at all stages of production is inextricably linked with its environmental impact. The Company implements a programme of systematic reduction of process emissions to the environment in all its components. The result of these activities is the achievement of emission parameters in accordance with the European Union legislation and national law. Industrial installations meet stringent emission standards, and the condition of atmosphere protection equipment and the impact of activities on the environment is systematically controlled by state environmental protection services. The high level of environmental protection is confirmed by obtaining and maintaining sector decisions and integrated permits.

The company intends to continue and follow in the following years of its operation in accordance with the adopted strategy focused on the implementation of the idea of sustainable development at every stage of the production process. ZGH Bolesław S.A. carries out the processing process on its own, starting from the stage of extraction, production, marketing and sale of final products (zinc and zinc alloys, concentrates, sulfuric acid), and ending with responsible waste management, so as to obtain maximum recovery of zinc in its own installations (or installations operating within the ZGH "Bolesław" Group), thus limiting its negative impact on the environment.

Gradir Montenegro based in Montenegro

In Montenegro, the broadly understood concept of environmental protection is based on the guidelines specified in the Act on the Natural Environment ("*Zakon o životnojsredini*" *Službeni list CrneGore*", br. 052/16 since 09.08.2016, 073/19 since 27.12.2019, 073/19 since 27.12.2019), which is the main document regulating measures undertaken in this respect. In addition, this legal act is supplemented by other acts, decisions and regulations providing detailed information on particular segments related to the above concept.

The Company's production activity, both in terms of the extraction of zinc and lead ores, as well as the production of concentrates, is based on the Business Licence (*Upotrebnadozvola*). It is the most important document required to run mining and production operations. In order to be able to obtain this document, the Company was required to meet all applicable environmental, as well as health and safety requirements.

What is more, in order to ensure full compliance with all statutory environmental protection requirements and guidelines in terms of investments and production activities, the Company commissioned the preparation of comprehensive studies on the environmental impact of the "ŠupljaStjena" mine (2010), on the environmental impact of the construction of the settling pond at the "ŠupljaStjena" mine (2014), on the environmental impact of zinc and lead ore mining at the "Zapadana Struktura and Stara Jama" deposit, as well as on the environmental impact of the construction of phase III settling pond, and the closure of the phase I settling pond at the "ŠupljaStjena" mine (2017). The main mining design regarding zinc and lead extraction at the "ŠUPLJA STIJENA" deposit of October 2018 is the most recent document the Company holds, which specifies, among other things, issues related to natural environment protection and the reclamation of post-mining areas.

Water

The company draws water for the technological process from nearby streams and streams. Its availability varies depending on the season. The process uses return technological water from the settling ponds, which, after settling and sedimentation, is re-directed to the process. Gradir does not use water from the water supply network in its production activities.

At the end of the fourth quarter of 2017, the Company started activities related to the implementation of the water treatment plant construction project, the aim of which is to purify water from flotation ponds and, optionally, from old adits, and to increase its share and possibility of using it in the process. The project is carried out in stages, and one of the initial stages was the construction of a pilot installation, which made it possible to track the parameters and efficiency of the process in relation to the conditions prevailing in the mine.

At the end of the third quarter of 2018, the stage of construction of the pilot installation was completed, and then monitoring of its operation parameters and treatment efficiency was started and continued in Q4 2018. After collecting conclusions from the works carried out so far and making the necessary changes, in 2019 further monitoring of the operation of the pilot water purification installation was carried out, on the basis of which the final concept of the industrial installation will be developed. This monitoring was carried out until the end of the first quarter of 2020, and then in the second quarter of 2020 a feasibility study was prepared for the project on an industrial scale. After analysing the document and other technical and economic conditions, it was decided to temporarily suspend the implementation of the project until the Company's financial situation improves. During this time, based on the received feasibility study, the Company will commission the design of the installation and apply for the necessary permits.

Emissions to the atmosphere

The production activity of Gradir is not directly related to the emission of harmful substances into the atmosphere. The only factor that can be mentioned in this area is the periodic dusting during strong gusts of wind, occurring in dry seasons, on the slopes of the open pit and the emission of diesel fumes resulting from the use of mining machinery.

Waste

In Gradir Montenegro, the main waste is post-flotation waste stored, in accordance with the design and permits, in tailings ponds. In addition, waste includes used oils, lubricants and other petroleum-derived substances that are used in mining machines (engines, hydraulics, gears) and technological devices (hydraulics, lubrication and cooling), used filters, plastic parts and packaging, as well as used batteries. Disposal of the above materials is outsourced to an external company.

Environmental fees

Gradir Montenegro, as a legal entity that generates and deposits waste (containing at least one hazardous or toxic substance), is obliged to pay environmental fees (Act on the protection of environment Sl. Letter CG, no. 52/16)

In addition, Gradir Montenegro is required to pay the Environmental Research Agency (CETI) and the Metallurgical Institute, fees related to the inspection and testing of materials and goods from foreign suppliers entering Montenegro.

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In accordance with the guidelines of the state institution for environmental protection, the company regularly commissions the state agency for environmental research (CETI) to monitor air, land, water and noise.

In Gradir Montenegro, in 2022, there were no major failures with environmental consequences, and there were no violations of environmental protection regulations in connection with which any administrative proceedings would be initiated.

Environmental policy

The environmental policy of Gradir Montenegro is aimed at adapting its operations to the growing requirements regarding environmental protection, which result from legal regulations aimed at unifying standards in this area with EU requirements. These actions are enforced by opening successive pre-accession treaties.

In the near future, the Company's environmental policy provides for the organization of water management in the plant by launching a water purification installation, which will allow for better use of water resources and more effective management of its availability.

W trakcie 2022 r. na spółki Grupy Kapitałowej Stalprodukt nie zostały nałożone kary z tytułu naruszeń warunków korzystania ze środowiska.

- Other companies of Stalprodukt Capital Group

Stalprodukt Zamość sp. z o.o.

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,
- proper waste management,
- 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.

STP Elbud sp. z o.o.

The development of the company with simultaneous reduction of the impact on the natural environment is one of the elements of the strategy of STP Elbud sp. z o.o. The environmental management system applied in accordance with the international standard 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. The environmental management system is integrated into the overall management system of the company.

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.

The effects of the actions are evaluated. The environmental 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. 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 Management of STP Elbud sp. z o.o. regularly reviews the Integrated Management System. The aim of the review is to assess the usefulness, adequacy and effectiveness of the functioning the integrated system. In the documents the methods of monitoring and measurement as well as conducting analyses have been specified, and appropriate techniques for quality improvement have been selected. The processes necessary for continuous improvement are planned and managed. Continuous improvement is achieved through the application of quality and environmental policies.

Cynk-Mal S.A.

The impact of the plant, including both installations, on the environment is within the limits set by law. This applies to all components of the environment (air, noise, water, waste, etc.). Applied technical and technological solutions guarantee a high level of protection of the environment as a whole:

- application of production technology in accordance with the principles of the Best Available Technique (BAT),
- adherence to the technological regime, the use of automatic regulation and control of the technological process parameters,
- Minimising water consumption through:
 - monitoring water consumption by means of water meters installed at the supply point for each plant,
 - sequencing process tanks in such a manner as to eliminate unnecessary rinsing,
 - the use of three pickling tanks in a cascade (overflow) configuration to reduce rinse water consumption,
 - the use of cascade rinsing,
 - the use of post-rinsing water and the water from the acid vapour absorber to prepare a new hydrochloric acid bath,
- The protection of the soil and water environment through:
 - conducting the manufacturing process in sealed process tanks,
 - positioning plants and storage locations for chemicals in rooms equipped with sealed and properly shaped floors (slopes, thresholds),
 - positioning process tanks containing solutions which are particularly dangerous for the environment (acid pickling), as well as storage tanks for acid and acidic solution (post pickling) in sealed, undrained sumps equipped with pumps to enable pumping of spilled liquids to tanks designed to collect waste acids,
- The reduction of the amount of substances emitted to the atmosphere through:
 - the addition of substances (inhibitors) limiting the evaporation of hydrogen chloride (at the narrow strip galvanising line),
 - the air-tight sealing of the process at the wire and wide strip galvanising line,

- pickling in closed tanks equipped with extraction systems at the narrow strip galvanising line, fluxing is done in a tank equipped with a lid, galvanising in a covered tank equipped with an extraction system (lids opened for loading and unloading),
- chrome plating with the use of rollers (without dipping in tanks) – the emission of chromium compounds is reduced to a minimum,
- the use of sheet heating in a nitrogen and hydrogen atmosphere in a continuous induction furnace,
- the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 25 mg/m³ in chlorine equivalent) for purifying the air from the narrow strip pickling tanks, wire pickling tanks, as well as hydrochloric acid tanks,
- the use of an aqueous absorber (with a min performance concentration of hydrogen chloride of 10 mg/m³ in chlorine equivalent) for purifying the air from the wide strip pickling tanks,
- the purification of the air from above the narrow strip galvanising tank and the wire galvanising tank with a shared fabric filter,
- fitting the grit-blasting machine used for cleaning sheet surface with a fabric filter,
- Minimising the amount of generated waste through:
 - the sound management of materials and raw materials,
 - maximising the pickling properties of acids by extending the pickling time and reducing the acid concentration level,
 - the absence of raw material treatment processes (e.g. degreasing in solvents, chromium+6 passivation), which are the source of deleterious hazardous waste,
 - the use of additives (inhibitors) extending the service life of the process solutions (pickling acids and flux),
 - the use of waste rinse water and waste water from the acid vapour absorber in the process of preparing the pickling solutions,
 - transferring the generated waste first to recovery and only then for disposal – only to recipients with appropriate waste management licences.

The Company is taking steps to reduce the consumption of electricity. These activities include:

- energy consumption control,
- optimization of energy, raw materials and materials consumption (optimization of the process),
- equipping the installation with an automatic control system for production parameters,
- keeping all elements of the installation in good technical condition.

GO Steel Frydek Mistek

With environment protection being one of the main priorities for the company, GO Steel FrydekMístek is very active in this respect. Apart from meeting legal and statutory obligations, the company engages in additional activities aimed at taking care of its immediate surroundings. It primarily involves adherence to noise limits and meeting all statutory obligations relating to the management of chemicals and mixtures, as well as ensuring compliance with REACH and CLP. What is more, the company complies with ADR and RID regulations. The obligations resulting from the Packaging Act are fulfilled within the framework of the EKO-KOM association.

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 sets out the criteria for the determination

- **whether the given economic activity qualifies as environmentally sustainable,**
- **determining the extent to which a given investment is compliant with the Taxonomy, ie environmentally sustainable.**

In accordance with the applicable regulations, for the purposes of fulfilling the disclosure obligations arising from the Regulation, this Statement on non-financial information (being part of the Management Board's Report on activities for 2021), allows to determine the extent to which the activities carried out by individual companies of the Stalprodukt Capital Group qualifies for the taxonomy.

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

According to the above technical qualification criteria, the only activity conducted within the Stalprodukt Capital Group and eligible for the Taxonomy is "hydrogen production" (marked with no. 3.10.) This activity is conducted within Stalprodukt S.A. For this activity, enter the percentage of economic activity qualifying for the taxonomy and economic activity not qualifying for the taxonomy in total turnover, capital expenditure and operating expenditure.

For practical reasons, a significance criterion of 3% was adopted for the 1st ratio (share in turnover).

Taking into account the ratio of the share of activities qualifying for the Taxonomy (production of hydrogen) in the total turnover of the Stalprodukt S.A. Group, amounting to 0.30%, the Company considers this type of activity to be insignificant and thus refrains from providing further required ratios (share in investment and operating expenses).

4. Social and employee area

4.1. Using public aid and public sector contracts

- Stalprodukt S.A.

In 2021, Stalprodukt S.A. used co-financing from public aid in the amount of PLN 2,244,131.45 (at nominal value). It was operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration, while in 2022, for the time of preparation of this statement, it benefited from public aid in the amount of PLN 2,503,310.42 (in nominal value). It was operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration.

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• ZGH Group "Bolesław"

Public aid in the form of subsidies or non-returnable benefits and a reduction in the amount of the fee (according to the nominal value) granted to the companies of the ZGH "Bolesław" Group in 2021 amounted to PLN 43.1 million, compared to PLN 58.6 million in 2022.

Public aid in 2021 in the Capital Group, apart from ZGH "Bolesław", was received only by Huta Cynku "Miasteczko Śląskie" S.A. in the amount of PLN 9.5 million. In 2022, also only Huta Cynku "Miasteczko Śląskie" S.A. received aid in the amount of PLN 4.4 million and an agreement was concluded to provide Assistance by the National Fund for Environmental Protection and Water Management on behalf of the Ministry of Agriculture and Tourism and HC "Miasteczko Śląskie" SA under the program "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022." The amount of aid applied for is PLN 100,474,488.94.

Public procurement in 2022 in the Capital Group was carried out by Boltech (due to the merger with Przedsiębiorstwo Robót Drogowych S.A.) for the amount of PLN 7.1 million, and in 2021, public procurement in this company amounted to PLN 12.05 million.

• Other companies of the Stalprodukt Capital Group

Public aid granted to other companies of the Capital Group (according to the nominal value of the aid) in 2021 amounted to PLN 135,258.00 as a refund, i.e. aid in the form of wage subsidies for the recruitment of disabled employees. In 2022, it amounted to PLN 142,374.00 as a refund, i.e. aid in the form of wage subsidies for the recruitment of disabled employees.

4.2. Level of employment and level of remuneration

All presented data reflect the situation at the end of a given year.

The employment structure by positions

| | Type of position | 2021 | | | | | | 2022 | | | | | |
|--------------------------------------|------------------|-------|------|-----------------------------|--------------------------------|-----------------------------------|---------------------|-------|------|-----------------------------|--------------------------------|-----------------------------------|---------------------|
| | | 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 | 6 | 47 | 0 | 0 | 53 | 0 | 7 | 44 | 0 | 4 | 47 | 0 |
| | White-collar | 69 | 169 | | 5 | 233 | 1 | 74 | 179 | 2 | 18 | 233 | 2 |
| | Blue-collar | 27 | 1033 | 1 | 0 | 1059 | 0 | 36 | 985 | 1 | 25 | 995 | 11 |
| | total | 102 | 1249 | 1 | 5 | 1345 | 1 | 117 | 1208 | 3 | 47 | 1275 | 13 |
| ZGH Bolesław Group | Management staff | 14 | 99 | 0 | 9 | 104 | 0 | 14 | 147 | 0 | 8 | 153 | 0 |
| | White-collar | 171 | 302 | 2 | 58 | 413 | 11 | 171 | 224 | 4 | 40 | 350 | 12 |
| | Blue-collar | 101 | 2094 | 12 | 403 | 1780 | 66 | 100 | 1843 | 8 | 181 | 1755 | 56 |
| | total | 286 | 2495 | 14 | 470 | 2297 | 77 | 285 | 2214 | 12 | 229 | 2258 | 68 |
| Other companies of STP Capital Group | Management staff | 18 | 31 | 0 | 3 | 46 | 0 | 17 | 39 | 0 | 2 | 47 | 0 |
| | White-collar | 83 | 146 | 1 | 15 | 214 | 20 | 76 | 154 | 1 | 22 | 214 | 15 |
| | Blue-collar | 19 | 981 | 26 | 108 | 865 | 121 | 20 | 957 | 18 | 121 | 843 | 140 |

Employment structure by gender

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| | | 2021 | | | | 2022 | | | |
|--------------------------------------|---------------------|-----------------------------|--------------------------------|-----------------------------------|---------------------|-----------------------------|--------------------------------|-----------------------------------|---------------------|
| | 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 | 3 | 99 | 0 | 1 | 21 | 95 | 8 |
| | men | 1 | 2 | 1246 | 1 | 2 | 26 | 1180 | 5 |
| | total | 1 | 5 | 1345 | 1 | 3 | 47 | 1275 | 13 |
| ZGH Bolesław Group | women | 2 | 37 | 247 | 11 | 5 | 46 | 234 | 11 |
| | men | 12 | 433 | 2050 | 66 | 7 | 183 | 2024 | 57 |
| | total | 14 | 470 | 2297 | 77 | 12 | 229 | 2258 | 68 |
| Other companies of STP Capital Group | women | 0 | 21 | 99 | 16 | 1 | 15 | 97 | 12 |
| | men | 27 | 113 | 1018 | 125 | 18 | 130 | 1007 | 143 |
| | total | 27 | 134 | 1117 | 141 | 19 | 145 | 1104 | 155 |

The majority of employees in the employment structure of the Stalprodukt Capital Group are men. In Stalprodukt S.A. they constitute over 91% of employees, 89% in the ZGH “Bolesław” Group, and 91% in the remaining Companies. Employees are mainly employed in blue-collar positions. Such specificity of the employment structure is related to the subject and specificity of the activity of the Stalprodukt S.A. Capital Group.

The contract for an indefinite period has been the most popular form of employment in the entire Capital Group for years. Their share for all contracts in Stalprodukt S.A. is over 96%, and in the ZGH “Bolesław” Group and in other Companies it is 90% and 87% respectively.

In 2022, there was a slight decrease in employment compared to 2021, reaching about 2%. In the ZGH "Bolesław" Group, the decrease in employment amounted to approximately 10% and was mainly caused by the liquidation of the "Olkusz-Pomorzany" mine.

In other companies of the Stalprodukt Group, employment was 1% lower than in 2021.

Employment structure by age

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| | Division by age | 2021 | | | | 2022 | | | |
|---|-----------------|-------|------|-----------------------|------------------------|-------|------|-----------------------|------------------------|
| | | women | men | Blue-collar positions | White-collar positions | women | men | Blue-collar positions | White-collar positions |
| Stalprodukt S.A. | do 30 lat | 6 | 111 | 108 | 9 | 10 | 76 | 72 | 14 |
| | 31- 50 lat | 63 | 759 | 625 | 197 | 73 | 758 | 634 | 197 |
| | >51 lat | 33 | 379 | 327 | 85 | 34 | 374 | 315 | 93 |
| ZGH Bolesław Group | do 30 lat | 25 | 248 | 236 | 37 | 31 | 186 | 179 | 38 |
| | 31- 50 lat | 143 | 1387 | 1191 | 339 | 136 | 1213 | 1040 | 313 |
| | >51 lat | 119 | 859 | 768 | 210 | 117 | 816 | 725 | 204 |
| Other companies of STP Capital Group | do 30 lat | 7 | 141 | 111 | 37 | 6 | 110 | 108 | 25 |
| | 31- 50 lat | 70 | 487 | 343 | 212 | 63 | 381 | 403 | 131 |
| | >51 lat | 45 | 531 | 412 | 160 | 44 | 523 | 472 | 124 |

In the structure of employment by age, the most employed are employees aged 31-50 (similar to the previous year).

Newly employed employees by age and gender

| | Division by age | 2021 | | | 2022 | | |
|---|-----------------|-------|-----|-------|-------|-----|-------|
| | | women | men | total | women | men | total |
| Stalprodukt S.A. | up to 30 years | 0 | 1 | 1 | 8 | 11 | 19 |
| | 31- 50 years | 12 | 12 | 24 | 10 | 13 | 23 |
| | > 50 years | 5 | 4 | 9 | 2 | 2 | 4 |
| ZGH Bolesław Group | up to 30 years | 5 | 58 | 63 | 10 | 23 | 33 |
| | 31- 50 years | 9 | 215 | 224 | 15 | 60 | 75 |
| | > 50 years | 6 | 89 | 95 | 12 | 72 | 84 |
| Other companies of STP Capital Group | up to 30 years | 3 | 26 | 29 | 0 | 27 | 27 |
| | 31- 50 years | 7 | 52 | 59 | 3 | 56 | 59 |
| | > 50 years | 0 | 23 | 23 | 1 | 24 | 25 |

In Stalprodukt S.A. in 2022, an increase in employment of new employees is visible, i.e. by about 35% by 2021. However, in the ZGH "Bolesław" Group, there is a significant decrease in new hires by about 50% by 2021. In other companies of the Stalprodukt Capital Group in 2022, the number of employees was at the same level as in 2021.

Pracownicy zwolnieni w podziale na wiek i płeć

| | Division by age | 2021 | | | 2022 | | |
|-----------------------------|-----------------|-------|-----|-------|-------|-----|-------|
| | | women | men | total | women | men | total |
| Stalprodukt S.A. | up to 30 years | 1 | 13 | 14 | 1 | 12 | 13 |
| | 31-50 years | 2 | 28 | 30 | 4 | 23 | 27 |
| | >51 years | 4 | 31 | 35 | 4 | 34 | 38 |
| ZGH „Bolesław” Group | up to 30 years | 3 | 154 | 157 | 1 | 34 | 35 |
| | 31-50 | 11 | 478 | 489 | 8 | 208 | 216 |

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| | years | | | | | | |
|--------------------------------------|----------------|----|-----|-----|----|-----|-----|
| | >51 lat | 27 | 244 | 271 | 31 | 203 | 234 |
| Other companies of STP Capital Group | up to 30 years | 5 | 26 | 31 | 1 | 20 | 21 |
| | 31-50 years | 21 | 69 | 90 | 4 | 36 | 40 |
| | >51 lat | 15 | 71 | 86 | 6 | 58 | 58 |

In the years 2021-2022, 1 203 and 682 people were dismissed in the entire Capital Group, respectively. The percentage of the dismissed to the total number of employees at Stalprodukt is approximately 6%, in the ZGH "Bolesław" Group it is 19% and in other companies it is about 9%.

Employment of people with disabilities

| | 2021 | | 2022 | |
|--------------------------------------|------------------------------------|----------------------|------------------------------------|----------------------|
| | Number of people with disabilities | Employment share [%] | Number of people with disabilities | Employment share [%] |
| Stalprodukt S.A. | 5 | 0,37 | 6 | 0,45 |
| ZGH "Bolesław" Group | 32 | 1,15 | 32 | 1,28 |
| Other companies of STP Capital Group | 38 | 2,95 | 35 | 2,77 |

Due to the nature of the Group's operations and difficult working conditions, there were 75 disabled employees employed in 2021 and 73 in 2022. The total amount of contributions to PEFRON in the entire Capital Group amounted to PLN 5,785 thousand.

Average remuneration (PLN)

| | 2021 | | 2022 | |
|---|---|-------|---|----------|
| | Average remuneration regardless of gender | | Average remuneration regardless of gender | |
| Stalprodukt S.A. | | 6 228 | | 7 494 zł |
| ZGH "Bolesław" Group | Average remuneration regardless of gender | 6 961 | Average remuneration regardless of gender | 7 494 zł |
| Other companies of STP Capital Group | Average remuneration regardless of gender | 5 689 | Average remuneration regardless of gender | 6 107 zł |

In Stalprodukt, the average annual remuneration increased by approximately 20% compared to 2022. In the ZGH "Bolesław" Group there was an increase by about 8%, while in the remaining Companies there was also an increase by about 7%.

4.3. Relations with the employees and freedom of association

- Stalprodukt S.A.

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 2022, the ratio of employees belonging to trade unions was about 18%, whereas in 2021 it was about 19%.

In the Company, no collective dispute was initiated in 2022.

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).

- ZGH „Bolesław” Group

Depending on the company, the ZGH "Bolesław" Group has from 1 to 7 trade union organizations. The unionisation rate in 2022 was around 45% compares to 48% in 2021.

In 2022 there were no strike actions.

Social activities:

- non-returnable material and financial aid in the form of benefits,
- borrowing for housing purposes,
- co-financing for leisure of an employee and his/her children,
- co-financing for sports and recreation activities in the form of co-financing tickets for the swimming pool, sports cards,
- additional payment for family trips organized by the employer in winter (holidays),
- additional payment for tourist services as well as cultural and sports events organized by the employer,
- Christmas benefits (vouchers, cards, gifts) as well as events for children of employees.

- Other companies of Stalprodukt Capital Group

In the other companies of Stalprodukt Capital Group, there are five trade unions: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A., MOZ NSZZ "Solidarność", Komisja Zakładowa NSZZ Solidarność 80,

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NSZZ Solidarność and OS Kovo. The share of employees belonging to unions in 2022 and in 2021, amounted 35%.

Social activities

Social activities in the other companies of the Capital Group are conducted in accordance with the Act on ZFŚS and provides various forms of aid (in individual companies they are varied) for employees and their families, including:

- additional medical care,
- non-returnable material and financial or material aid in the form of hardship benefits,
- aid in the form of returnable loans for home, flat renovation or house construction,
- 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,
- co-financing for sport and recreational activities,
- gifts for children on St. Nicholas' Day and for women employees on Women's Day,
- supplementary retirement insurance.

4.4 Occupational health and safety (OHS)

Due to a diverse nature of the operations of the main entities forming the Capital Group, and hence various threats and regulations resulting from them, the approach to the area related to the OHS and applied solutions are tailored to the needs and requirements of the individual companies.

The ambition of the Capital Group 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.

- Stalprodukt S.A.

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:

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

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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.

| Specification | 2021 | 2022 |
|---|-------|-------|
| Total number of accidents at work | 13 | 18 |
| Accident frequency indicator (number of accidents/number of people employed x 1000) | 9,61 | 13,58 |
| Number of heavy accidents | 0 | 0 |
| Number of fatalities | 0 | 0 |
| Total number of days of inability to work among employees due to accidents | 813 | 966 |
| Accident severity indicator (number of days of inability/1 accident) | 62,54 | 53,67 |
| 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) | 186 | 120 |
| 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 |

- ZGH „Bolesław” Group

It is the goal of ZGH "Bolesław" Group to create a safe, healthy and friendly work environment for its employees. The company applies the best available practices in order to minimise risks to health and safety of its personnel, to build awareness and promote safe conduct.

Such activities include, among others:

- introduction of the Occupational Health and Safety Management System at ZGH "Bolesław" in 2022 (ISO 45001:2018);
- additional OHS and fire protection training. (each month);

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- promoting OHS rules and discussing the circumstances and causes of accidents occurring in the Capital Group through information on OHS Boards and Monthly Information of the OHS Department;
- technical control of equipment, compliance with technical tests and approvals;
- reporting near misses by employees and taking corrective actions in connection therewith (ultimately, it is planned to introduce a collective analysis of notifications in order to implement systemic actions);
- use of a range of teaching aids during initial training (alcohol goggles, phantom, practice AED),
- despite the pandemic and the suspension of periodic training, conducting it using the method of self-education guided by electronic means;
- carrying out (in the appropriate sanitary regime) preventive examinations despite their suspension by the Legislator;
- agreeing with the crew the introduction of new security measures through their prior testing;
- monitoring workers' exposure to lead in the blood;
 - equipping critical parts of the plant with Automatic External Defibrillators (AED),
 - aiding people who participated in dangerous accidents,
 - preventive care (proper maintenance of sanitary and hygienic rooms, washing work clothing, personal care products, extended preventive care, health monitoring of exposed people also by facultative examinations, vitamin C, prophylactic meals and drinks, vitamin programme, reimbursement of dietary supplements and medicines, and organizational improvements in the use of medical care as part of the preventive care)

In the Companies, in accordance with the regulations, Social Labour Inspectors are appointed at the level of the main organizational entities who closely cooperate with OHS services, caring for the protection of employee rights specified in the OHS regulations. The irregularities found are removed on a regular basis.

The most common causes of accidents in 2022 are:

- employee misbehaviour;
- improper use of the material factor by the employee;
- poor general organization at the workplace.

| Specification | 2021 | 2022 |
|---|-------|-------|
| Total number of accidents at work | 19 | 27 |
| Accident frequency indicator (number of accidents/number of employees x 1000) | 6,8 | 10,8 |
| Number of heavy accidents | 2 | 0 |
| Number of fatalities | 0 | 1 |
| The total number of days of inability to work due to accidents | 1 137 | 1 955 |
| Accident severity rate (number of days of incapacity/1 accident) | 60 | 72 |
| Number of diagnosed cases of occupational diseases. | 1 | 1 |
| Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN) | 372 | 333 |
| Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary) | 0 | 0 |

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- Other companies of Stalprodukt Capital Group

In all other companies of the Stalprodukt Capital Group, there are appropriate health and safety regulations regulating work safety. In addition, all legal provisions covering the scope of health and safety issues are applied.

| Specification | 2021 | 2022 |
|---|------|------|
| Total number of accidents at work | 12 | 9 |
| Accident frequency rate (number of accidents/number of employees x 1000) | 10,0 | 15,7 |
| Number of severe accidents | 1 | 0 |
| Number of fatal accidents | 0 | 0 |
| Total number of days of incapacity for work for employees caused by accidents | 385 | 261 |
| Accident severity rate (number of days of incapacity/1 accident) | 32,1 | 29 |
| Number of diagnosed cases of occupational diseases. | 1 | 0 |
| Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN) | 319 | 288 |
| Number of jobs where the level of risk assessed is unacceptably high (i.e. measures to reduce the level of risk are necessary) | 33 | 1 |

4.5 Development of education

In order to ensure satisfaction from work, the Capital Group invests in professional development of its employees and good atmosphere in the workplace. The Group companies 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. 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.

- Stalprodukt S.A.

Stalprodukt S.A. helps in the professional development of its employees in various ways. For example, with employees who, on their own initiative, take up post-graduate studies or training on specialized courses, consistent with the scope of their professional activities, contracts for improving qualifications are concluded, giving co-financing of up to 50% of the price or studies. At the same time, the company undertakes to grant training leave and to reimburse travel costs if the training or studies take place in another city.

Training in the Company is carried out on the basis of an annual training plan. All organizational units are covered by the training plan. There was a significant increase in the number of trainings compared to the trainings in 2021.

In 2022, a total of 78 training sessions were held, attended by 473 employees. The training took place both

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in stationary and online form. Some employees, as part of improving their professional qualifications, participated in courses and exams that guaranteed obtaining state qualifications (UDT, SEP).

The trainings are attended by: directors, managers, specialists, foremen, engineering and technical employees as well as administrative and office employees, as well as employees employed in production positions. Attestations and certificates are issued for participation in training. Each employee fills in a questionnaire evaluating the method of conducting the training, the quality of training materials, the level of social conditions during the training and the selection of topics for current needs. Three months after the participation in the training, the supervisor submits an evaluation of the effectiveness of the employee's training.

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

| | 2021 | 2022 |
|---------------------------|------|------|
| Number of persons trained | 228 | 473 |

- ZGH „Bolesław” Group

In order to ensure contentment and satisfaction of its employees, ZGH "Bolesław" Group invests in the professional development of its personnel and good atmosphere at the workplace. The companies create favourable conditions for their employees to facilitate new knowledge acquisition, professional development and the use of various forms of education.

The following are organised: thematic training dedicated to individual professional groups, aimed at further development, specialization and improvement in the performed work; training supplementing knowledge in the field of: accounting, accounting and finance, environmental protection, sales, purchases, labour law, energy; professional courses (specialized in the field of industrial automation, diagnostics, operation and service of devices, operation of overhead cranes, hoists and winches, lift trucks and specialized forklifts, operation of single-bucket loaders, operation of goods and passenger lifts, welding, SEP and UDT qualifications); subsidizing individual training of employees (higher education, post-graduate studies at state universities, language courses).

Continuous learning and acquiring new skills, as well as the professional development are in line with the Group's strategy. Employees put their newly acquired qualifications into practice on their current positions or will do so in the future. It has become a must to continuously improve one's professional qualifications. The need for continuous learning is linked to technological and organisational changes, as it also helps ensure a sufficiently high level of safety, and therefore knowledge must be constantly updated and expanded. The most important item in the training budget are expenses for training and vocational courses related to the specificity of the industry, as well as training in the field of occupational health and safety and obligatory exams.

Due to the state of the epidemic in 2021, the assumed training plan was not implemented, only trainings were conducted that resulted from urgent needs in the companies of the ZGH "Bolesław" Group. In order to limit the spread of the coronavirus, training companies, similarly to the previous year, gave up the traditional form and offered online training. As a result, in 2021, using this form, employees took part in the necessary training and courses. Periodic health and safety training was organized in the form of guided self-education. In the necessary sanitary regime, SEP exams and a few vocational courses and further

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education took place. Initial general trainings for newly hired employees were held, as well as on-the-job trainings, also for transferred and allocated employees, as well as employees of external companies performing commissioned work, pupils and students undergoing apprenticeships.

| | 2021 | 2022 |
|---------------------------|-------|-------|
| Number of persons trained | 2 232 | 1 982 |

The companies of the ZGH "Bolesław" Group constantly encourage their employees to broaden and deepen their knowledge, facilitating their adaptation to technical, technological and organizational changes. Identifying talents and building their individual development paths, tailored to the capabilities and needs of the organization, is the key to the further development of ZGH.

In the Capital Group in 2022, 53 employees improved their professional qualifications by participating in various forms of further education, in 2021 - 56 employees.

INNOVATION is one of the most important elements of the strategy of the ZGH "Bolesław" Group, as the success of the Group also depends on the commitment and cooperation of employees with diverse knowledge and experience. Work on innovative solutions is carried out at various levels of the company, using both cooperation with independent entities (universities, research institutes) and appreciating the potential and ingenuity of its own staff. Employees know the specific needs best and are able to identify areas and solutions that will translate into better results and greater safety. In 2018, ZGH "Bolesław" S.A. implemented a proprietary Employee Ideas Program, which was then implemented in 2019 in HC Miasteczko Śląskie S.A. and Boltech Sp. z o.o. Thanks to this, commitment to making changes and innovations has become a daily practice for every employee. From the time the program was launched until December 31, 2022, 126 improvement applications were submitted to ZGH, of which 43 were accepted for implementation.

- Other companies of Stalprodukt Capital Group

All other companies of the Stalprodukt S.A. Group they also enable employees to improve their qualifications through training and courses.

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 Capital Group 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. and other companies of the Capital Group 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.

4.7 Human rights

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

The Capital Group companies 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.

The companies of Stalprodukt S.A. Capital Group comply with the Anti-Mobbing Policy.

In 2022, there were no cases of discrimination, mobbing or sexual harassment in the companies of the Capital Group.

4.8 Child and forced labour

None of companies of the Capital Group employs children or uses forced or compulsory labour.

4.9 Local communities and social engagement

- Stalprodukt S.A.

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.

Stalprodukt S.A. is one of the largest companies operating in Małopolska region and a large employer, employing at the end of 2022 1325 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

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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 2022 include:

- donation to Caritas 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 15th edition of the Festival of the song "Integration painted with sound",
- financial support for the Association of Bochnia and Bochnia Land Lovers,
- support for charity runs organized by the Auxilium Foundation in Bochnia, which helps people with disabilities, 5th edition of the Pilecki Run, 25th Memorial Run named after Bogdan Włosik,
- support of Associations and Foundations.

The total amount of expenses related to the area of corporate social responsibility in 2022 amounted to PLN 124,200.

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.

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- ZGH „Bolesław” Group

For years, the ZGH "Bolesław" Group has been implementing the Strategy of Sustainable Development and Social Responsibility through rational management of natural resources of zinc-lead ores, constant increase in the use of recycled materials, modernization of technologies to ensure environmental protection. Good communication with our stakeholders, in particular with the local community, strengthens the modern image of the company and strengthens the leading position of the zinc producer in Central Europe.

The ZGH "Bolesław" carries out the Strategy of Sustainable Development and Social Responsibility of ZGH "Bolesław". This strategy distinguishes the following leading directions of action:

- Responsible business
- Social partnership
- Caring for traditions

The Company as a socially conscious entity, whose main task is not only to ensure current operations in accordance with the applicable law, also has a positive impact on the raw material economy by implementing the idea of a closed-loop economy. In addition, the Company conducts activities aimed at supporting the local community, protecting and improving the natural environment, supporting the development of local self-government and building civil society.

The motto of the strategy is: "Business only with the inhabitants and tradition"

In order to promote and preserve the knowledge about the history and traditions of lead and zinc mining in the region of Bukowno for future generations, ZGH "Bolesław" S.A. created an interactive exhibition "Zinc Knowledge Mine" at its plants. In the Company's opinion, this history and knowledge of traditions should be saved from oblivion, especially as the mining industry in the Bukowno region, at the end of 2020 years in the area passes into history.

One of the pillars of corporate social responsibility is the Zakłady Górniczo-Hutnicze "Bolesław" Foundation established in 2018, which conducts charity works. In September 2020, the Foundation received the status of a public benefit organization, therefore it is possible to support the Foundation by paying 1% of PIT [Personal Income Tax] for its activities. This activity is focused on health prevention, promotion of sport, culture and science, ecology and environmental protection, as well as popularization of the heritage and mining and metallurgical traditions of the Olkusz-Bolesławski region.

In 2022, ZGH "Bolesław" S.A. granted support in the form of donations to schools, foundations organizing charity campaigns, public benefit organizations and for parishes - as usual on the occasion of industry holidays.

When making donations, the interests of companies, employees employed in companies belonging to the Group, as well as the involvement of potential recipients in activities for the benefit of the local community were taken into account. Taking into account the above, donations were made to entities operating in and for the inhabitants of the Olkusz region, the successful rate of whom are employed by the companies that belong to the Capital Group.

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On the other hand, the activities of ZGH in the field of advertising and sponsorship assume the allocation of most of the funds to the implementation of planned activities aimed, on the one hand, at promoting the Company and the Olkusz land, and, on the other hand, at supporting cultural, sports, scientific and social projects. The amount allocated in 2022 by ZGH "Bolesław" S.A. under sponsorship is PLN 564.9 thousand. Including to support the 1st-league women's handball team - PLN 120.0 thousand.

In 2022, the total value of donations, sponsorship and other forms of social involvement of ZGH "Bolesław" was PLN 738.0 thousand.

Huta Cynku "Miasteczko Śląskie" S.A. is a well established company operating on the non-ferrous metals market for fifty years. The Company has become a permanent part of the history and landscape of its region. Throughout all these years, it has been changing and transforming, developing its potential and adapting to new market conditions. It is a depository of knowledge on the non-ferrous metals industry and a witness to its transformation. The Company's mission links business objectives with the respect for the principles of corporate responsibility: By combining many years of experience of the European leader in our sector with a modern approach to business, and with common welfare, safety and protection of the environment in mind, we transform natural resources and recycled raw materials into high-quality products for customers around the world.

The values we follow in our activities are:

- People
- Safety
- Development
- Responsibility
- Transparency

In Huta Cynku "Miasteczko Śląskie" S.A. in 2022, the following activities were undertaken in the field of cooperation with the local community:

- cooperation with local enterprises conducting business activity in areas adjacent to the Company (Feniks Tartak, Euromebel, PPHU Koral),
- cooperation with Stalprodukt S.A. in the scope of construction of a new generation wind farm on the Company's premises,
- establishing a dialogue with the local community regarding reported problems regarding the Company's impact on the lives of the inhabitants of Miasteczko Śląskie,
- supporting the initiatives of the local community and the society living in the Tarnowskie Góry powiat by providing subsidies and cash or in-kind donations for activities. Measurable contributions to the local community are donations and sponsorship. In 2022, various forms of social involvement (for health care, education, promotion of sport, local initiatives) were supported by the Capital Group companies with the amount of PLN 933.0 thousand.

- Other companies of Stalprodukt Capital Group

Social involvement and assistance to local communities is carried out by the main and dominant entities of the Capital Group, i.e. Stalprodukt S.A. and ZGH "Bolesław" S.A. Other companies of the Capital Group

conduct activities in this area on a much smaller scale. Assistance to local communities includes primarily donations and sponsorship to local associations and societies, community centres, museums, etc.

In 2022, Cynk-Mal S.A. took part in the "Szlachetna Paczka" charity campaign for the third time; it is a nationwide social project organized by the Spring Association (Stowarzyszenie Wiosna), whose main goal is to provide material and mental help to families and people who are in a difficult life situation. Cynk-Mal S.A. and the Company's employees supported a family from the place situated nearby Legnica, the Company's expenses amounted to PLN 5,908.49.

The company was involved in the charity campaign "Solidarna Paczka", which was also organized by the Spring Association, in which help was provided to a woman of Ukrainian origin who, due to the outbreak of war in Ukraine, came to Poland fleeing from the areas under the Russian attack. The amount of support from the Company is PLN 3,261.00.

During the Christmas period, the Company supported the activities of the Na Rzecz Pomocy Pestka Foundation by donating PLN 5,000 to organize Christmas gifts for Polish families living in Ukraine.

In 2022, the company financially supported the following charity campaigns organized in Legnica: Charity projects for sick children from the Specialist Hospital in Legnica during the Easter and Christmas period - total amount of support PLN 4,800. The event organized by the Association of Large Families Trzy Plus, entitled: "Legnicki Family Day" - support amount is PLN 6,000.

The amount of donations and sponsorship provided by Go Steel as in 2022 amounted to PLN 105 thousand. CZK.

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).

In addition, the Group has solutions in the form of internal procedures that significantly limit the possibility of corruption activities. First of all, the instruction on making and settling purchases should be mentioned here.

- Stalprodukt S.A.

Apart from the document Anti-Corruption Policy and Protection of Signals, Stalprodukt has solutions in the form of internal procedures, which significantly limit the possibility of occurrence of corruption-related activities. This includes, in particular, instructions on how to make and settle purchases.

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The principles contained in it include, inter alia:

- approval of orders by persons authorized to incur liabilities, in accordance with the Company's Articles of Association,
- detailed control of the compliance of materials with demand,
- appointing teams to negotiate the terms of agreements and setting goals to be achieved (when purchasing materials exceeding the amount of PLN 60 000),
- obtaining several price offers for ordered materials,
- multi-stage acceptance of purchase invoices in the IT system (including by two members of the Management Board or a member of the Management Board and a proxy).

It is also worth noting that the purchasing department is subordinated directly to the President of the Management Board - the CEO, who participates in negotiations of key agreements - in the organizational structure of the Company.

- ZGH „Bolesław” Group

To ensure the highest standards of economic transparency and openness, the Group companies have implemented the Anti-Corruption and Whistleblower Protection Policy.

The Anti-Corruption and Whistleblower Protection Policy defines the standards of behavior in detail in corruption-prone situations and indicates responsibility for abuses. Grupa ZGH "Bolesław" S.A. underlines its commitment to fighting corruption in business by adopting and strictly adhering to the principle of "zero tolerance for corruption and bribery". Employees are prohibited from offering or accepting financial benefits in connection with the performance of official duties. The only exception is giving or accepting customary business gifts, in accordance with local cultural norms and customs, with the proviso that giving or accepting gifts may not cause situations in which such behaviour could be considered as an attempt to exert pressure or induce the recipient to behave contrary to his/her duties. Employees are required to avoid taking any action or decision in conflict of interest situations.

The document regulates that employees of the Capital Group entities and external partners are obliged to report suspected violations of this Policy to the Head of the Internal Audit Department

At the ZGH "Bolesław" Group, all commercial contracts are confidential, therefore information, both on the terms of trade and the contractor's data, remains only for the interested parties.

The companies pursue a commercial policy based on purchase / sale contracts, which means that cooperation with clients takes place on clearly defined terms, which hinders the possibility of unfair commercial practices. Commercial conditions are negotiated on the basis of the current market determinants (the so-called Benchmark) and coefficients calculated on the basis of production balances. During the negotiations, the quantities of goods, their quality and delivery conditions are also taken into account, which affect the price and value of the contract. When selecting contractors, companies are guided by openness and transparency of activities, preventing any attempts of illegal or unethical actions.

ZGH "Bolesław" S.A. as part of a long-term strategy assuming, inter alia, strengthening the market position and counteracting corruption, in previous years they introduced the Purchasing Policy of the ZGH "Bolesław" Capital Group covering the purchase of materials, goods and services.

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In the purchasing process, ZGH "Bolesław" S.A. is guided by high ethical standards. The main message is to ensure the professionalism and honesty of people responsible for the implementation of purchasing processes. The purchasing procedures in force at ZGH are strictly defined in the adopted Purchasing Policy, and the selection of contractors is carried out in accordance with the principle of equal treatment of business entities.

The purpose of the Policy is:

- standardization of procedures and purchase contracts at the Capital Group;
- ensuring the transparency of the purchasing decision-making process;
- improving the efficiency of investment and renovation expenditures;
- reduction of expenses for services and materials;
- rationalization of the use of human resources;
- full monitoring of purchasing expenses thanks to the use of an electronic purchasing tool;
- constant expansion of the market of Suppliers of goods and services and their diversification;
- building partnership relations with Suppliers based on market principles;
- building appropriate relationships with Internal Clients (organizational units).

In Huta Cynku "Miasteczko Śląskie" S.A. suppliers of technical materials and services are to a large extent acquired through organized written tender competitions with information posted on the Company's website and purchasing platform. Some of the topics where advanced technical knowledge is necessary are directed to the Competition Committee.

In addition, in accordance with the Act of March 1, 2018 on counteracting money laundering and financing of terrorism (Journal of Laws of 2018, item 723), ZGH "Bolesław" S.A. was introduced Procedure and internal instruction on counteracting money laundering and financing of terrorism.

- Other companies of Stalprodukt Capital Group

All the companies of the Capital Group have been obliged to implement the Anti-Corruption Policy and Protection of Signals adopted by the parent company.

4.11 Product and consumer safety

- Stalprodukt S.A.

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.

The Company treats all its clients fairly and impartially, regardless of the size of transactions concluded with them. The Company's goal is to provide customers with products and services of the highest quality that meet their needs. Employees negotiating the terms of contracts are required to ensure the truthfulness and reliability of all information, presentations and statements that are provided to clients.

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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 conformity assessment for vehicle restraint systems;
- Hollow sections, welded, cold made, of non-alloy and fine-grain structural steels, intended for structural elements for the building industry, manufactured in accordance with the requirements of PN-EN 10219-1:2007 and PN-EN 10219-2:2019;
- Steel sections, cold made, open, made of S235, S275, S355 steel grades JR, JO, J2 according to PN-EN 10025-2:2019 and S420M according to PN-EN 10025-4:2019, intended for general use and special applications, made according to PN-EN 10162:2005;
- Hot-rolled steel sheets in sheets, made of structural steels according to the requirements of PN-EN 10025-2:2019, with a thickness of 1.5 to 16.0 mm, width up to 2150 mm and length up to 12000 mm, intended for welded structural elements, riveted and bolted; manufactured in accordance with the requirements of the PN-EN 10025-1:2007 standard.

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 2021, item 1213).

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.

• ZGH „Bolesław” Group

Zinc and lead are important bulk commodities whose trade has a long tradition and is quite well organised. There are internationally recognized trade rules for both zinc and metal concentrates. There are global exchanges of these metals, a network of warehouses, ports and other infrastructure components to trade zinc and lead in both processed and crude forms.

The sales offer of the ZGH "Bolesław" Group includes the following products:

- Zinc grade Z1 (SHG) with a minimum zinc content of 99.995%;
- Zinc in grade Z5 (Good Ordinary Brand) with a zinc content of 98.5%;
- Galvanizing alloys
 - for continuous galvanizing with aluminum content: from 0.2% to 1% (so-called CGG continuous galvanizing grade), cast in blocks weighting 900 kg and 2 000 kg. Alloys are produced in ZGH "Bolesław" and HC "Miasteczko Śląskie",
 - for continuous galvanizing of aluminum and magnesium, cast in blocks weighing approx. 2,000 kg. Produced in HC "Miasteczko Śląskie" S.A.,
 - for continuous galvanizing with ZnAlSb antimony, produced in blocks weighing approx. 700 kg. Manufactured in ZGH "Bolesław",

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- with nickel "Wegal Mod" for single galvanizing, in the form of blocks weighing about 900 kg and 25 kg tiles. The chemical composition is adapted to the client's needs, with the supervision and participation of the Institute of Non-Ferrous Metals in Gliwice. They are manufactured in ZGH "Bolesław",
- with nickel, bismuth, aluminum and tin for piece galvanizing. The chemical composition is adapted to the needs of customers,
- with lead (ZnPb1) according to the customer's needs;
- Zinc-aluminum alloys ZnAL (ZAMAK) - ZL5, ZL3, ZL2, ZL 2A;
- Zinc anodes - acc. to PN-EN1179 - rolled, balls with diameter of hemispheres 30x12 mm, ribbed bars with elliptical cross-section 52/77 mm;
- Refined lead is produced in HC "Miasteczko Śląskie" S.A. The amount of production depends on the content of lead in the purchased primary charges (mined);
- Dore metal produced by HC "Miasteczko Śląskie" is a high-value usable waste generated during lead refining, suitable only for further processing (jewellery, electronics). It is a high silver alloy with admixtures of copper, lead and gold;
- Flotation galena (lead concentrate about 62% Pb) - obtained in the process of flotation enrichment of lead zinc ores;
- Blenda bulk (collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of zinc-lead ores. It is produced in ZGH "Bolesław" and in Gradir Montenegro;
- Reflot (a collective concentrate of zinc and lead about 45% Zn and 9% Pb) - obtained in the process of flotation enrichment of post-flotation waste in ZGH "Bolesław";
- Lead zinc concentrate with increased silver content - obtained from flotation of metallurgical sludge, used in HC MIASTECZKO ŚLĄSKIE to produce, among others, Dore's metal (silver) as well as zinc and lead;
- Lead-zinc concentrate - obtained from sludge processing in the Waelza process, used in HC MIASTECZKO ŚLĄSKIE;
- Lead sulphate - a by-product obtained in the process of purification of zinc oxide from chlorine and fluorine at the Bolesław Chemical Plant. It is used in HC MIASTECZKO ŚLĄSKIE for the production of so-called Dore metal (silver) and lead;
- The sulphuric acid is produced in ZGH "Bolesław" and in Huta Cynku "Miasteczko Śląskie" as a by-product of the process of roasting sulphate concentrates;
- Dolomite aggregates are produced in the subsidiary Boltech Sp. z o.o. from dolomite mine "Ujków Stary";
- Refined cadmium is a product obtained in the process of zinc rectification in HC "Miasteczko Śląskie".

• Other companies of the Stalprodukt Capital Group

Products manufactured by STP Elbud sp. z o. o. are in accordance with the EN 1090-2 standard and galvanizing services are performed in accordance with the PN-EN ISO 1461 standard and the German DAST 022 Directive. The company manufactures structures according to the customer's documentation and cannot guarantee the safety of the product, but only the product parameters specified in the "Declaration of Performance" in accordance with the EN 1090-1 standard.

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Cynk-Mal S.A. strives to meet customers' requirements to the extent that they are fully satisfied, while ensuring the safety of its products.

The overriding goal of the activities carried out is to obtain by the products features compliant with the technical specification, which are the following standards:

- PN-EN 10346 for galvanized steel strips,
- PN-EN IEC 62561-2 for elements of lightning protection devices,
- PN-EN 10244-2 for galvanized steel wires,

and with the product properties declared by the manufacturer.

The company has a unified procedure for dealing with complaints from customers regarding the products it manufactures or the galvanizing service provided. Complaints are considered based on:

- General Terms and Conditions of Sale of Goods and Services Cynk-Mal S.A. with its registered office in Legnica,
- Cynk-Mal S.A. guarantee conditions,
- Declaration of durability Cynk-Mal S.A.,
- provisions of the concluded trade agreement ,
- internal procedures,
- Civil Code,
- Act of May 30, 2014. on consumer rights (Journal of Laws 2020.287)

In GO Steel, compliance of products and services with applicable standards is ensured by documented procedures, which are specified in particular in organizational guidelines (S 07 Technical Inspection, S 06 Management of Non-Conforming Products, S 09 Complaints Procedure) and in detailed technological regulations. The procedures are checked annually by an external product audit conducted by TZÚS Ostrava.

Compliance with applicable law, including customer safety regulations, is regularly verified as part of the Integrated Management System (IMS) review process. The IMS review process is described in the organizational guideline S 31 and is conducted in accordance with the requirements of ISO 9001: 2015, ISO 14001: 2015, ISO 45001: 2018 and ISO 50001: 2018.

The products offered by the Stalprodukt S.A. Capital Group, due to their quality and specificity, are eagerly bought by customers. So far, the company has had no problems with selling its products. The sale of products is carried out in accordance with the applicable global standards in this area.

In 2022, no product and service safety procedures were violated in any company of the Capital Group. There were also no administrative proceedings conducted against the company by the Office of Competition and Consumer Protection.

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.

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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 2022, the synthetic index amounted to 88.2 points and was lower by approximately one point compared to the result obtained in the previous year. This is a high level, but it did not achieve the set target of 90 points. In connection with the above, the situation was analyzed and corrective actions will be taken by the Company.

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.

In 2022, there were no cases of non-compliance with marketing communication regulations and codes, including advertising, promotion and sponsoring, in the entire Capital Group.

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

4.13 Protection of privacy

In the companies of the Stalprodukt S.A. Capital Group, *a security policy has been implemented in the field of personal data protection.*

The GDPR is the Regulation (EU) 2016/679 of the European Parliament and the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46 / EC (General Regulation on Data Protection)(hereinafter referred to as: "GDPR"). The policy was adopted so that the processing in the ZGH Capital Group is carried out in accordance with the GDPR and other provisions on the protection of personal data and that it is possible to demonstrate this compliance. The policy is subject to review and updating on the terms set out therein. The object of protection under the Policy is personal data processed in IT systems, as well as otherwise recorded on media, including paper and electronic media. The places where personal data are processed in this way are subject to security specified on the basis of this Policy. The policy applies to all personal data processed in the ZGH Capital Group as part of its processes. The obligation to protect personal data processed in the ZGH Capital Group and to comply with the Policy applies to all persons who have access to personal data, regardless of their position and place of work, as well as the nature of the employment relationship. Each person who is to have access to personal data may process it only on the basis of the received authorization (instruction). Persons having access to personal data are required to read the Policy and other related documents and apply the regulations contained therein.

In 2022, there were no events related to the leakage of personal data or unauthorised use of employee or customer data.

4.14 Product labelling

- Stalprodukt S.A.

Proper labelling of products is one of the important issues in customer relations. All products manufactured by Stalprodukt S.A. are properly marked with an identification tag. The scope of information presented on the tags results from the requirements of the relevant standards on the basis of which the products are made, internal requirements and individual needs of recipients. The specified information allows for full product identification and traceability enabling the reconstruction of the production history, starting from the receipt of the input material, through production in progress, to sending the finished product to the customer. The labels used in Stalprodukt S.A. are additionally encoded with information in the form of a QR code. In addition, for individual customers, product marking is carried out in accordance with the requirements for transport labels made on the basis of the guidelines set out in the EN 1573 and EN 606 standards.

In the case of products in the form of cold-formed closed and open sections, permanent marking is applied after agreement with the ordering party in the form of embossing on the wall surface of each product piece, e.g. a sign, logo or an agreed letter-digit notation.

In addition, in accordance with Regulation (EU) No 305/2011 of the European Parliament and of the Council (EU) No. 305/2011, finished products manufactured in Stalprodukt S.A. in the form of road barrier systems that restrain the vehicle, made in accordance with EN 1317-5, seamed hollow sections made in accordance with EN 10219-1, open sections in accordance with EN 10025-1 and EN 10162 intended for steel structures and flat products made of structural steels in accordance with the EN 10025-1 standard in the form of sheets and strips cut lengthwise in coils are subject to CE marking. The CE marking is complemented by a declaration of performance (DoP).

In the scope of the Electrotechnical Sheets Segment, product markings, after being agreed with the recipients, are based on the marking of the types of electrotechnical sheets classified in the following standards: EN 10107:2014, IEC 60404-8-7:2017 or Commercial Catalogue. In addition, each product is labelled in accordance with applicable internal instructions and procedures. Detailed rules for labelling products in the production process are regulated by Procedure BJ/P-8.5.2-01 "Marking and identification of basic materials and products in the production process".

- ZGH „Bolesław” Group

In terms of quality, the basic products of the ZGH "Bolesław" Group, i.e. zinc and lead, have been precisely and clearly described in the standards applicable to all suppliers. In Europe, the PN-EN 1179 and the PN-EN 12659 standards are the major reference documents for all zinc and lead suppliers, respectively.

As the Group's products meet the requirements of the EN standards and have been registered on the London Metal Exchange, they can be sold on any market in Poland and worldwide.

In addition, zinc plates are marked permanently with the following inscriptions embossed on the casting moulds:

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- In the case of ZGH "Bolesław" S.A. - ZGH Z1
- In the case of HC "Miasteczko Śląskie" S.A. - HCM SHG 99,995 or HCM GOB 98,5.

Zinc blocks and zinc alloy blocks are marked with a label including the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture and bar code.

Refined lead ingots feature permanent marks embossed on the casting moulds with the following inscription: H 20 POLSKA MS, each ingot has a stamped heat number and lead grade information; additionally, each package is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Dore silver in the form of ingots is marked with a permanently stamped heat number and a letter designation of the alloy. Additionally, each ingot is labelled with a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

Refined cadmium blocks are marked on the top with a permanent heat number, and a sticker with the following information: manufacturer's data, product name, quality data, heat number, product number, date of manufacture, bar code, as well as HCM S.A. website address.

- Other companies of Stalprodukt Capital Group

Labeling of products in other companies of the Capital Group is carried out depending on the conducted activity and the type of offered products.

Stalprodukt Zamość sp. z o.o.

Each product is marked with a label which contains following information:

- Version A: Interior door - advertising overlay, overprint, containing the address and data of the manufacturer, manufacturer's name, workmanship, product number, National Utility Declaration number, issue data, settings, standards, construction mark, year of production.
- Version B: Entrance doors - the sender, name, label contains the address and data of the manufacturer, name of the product, product, product, number of the Declaration of Settings of Use, settings, reference standards, CE settings, year of production.

STP Elbud sp. z o.o.

The company manufactures steel structures in accordance with the EN 1090-2 standard and in accordance with the standard EN 1090-1 and marks the products with the CE mark. The method of affixing the CE marking is specified in the standard and is described in the internal procedures of the Integrated Management System.

Cynk-Mal S.A.

Products of Cynk-Mal S.A. i.e.:

- a. Hot-dip galvanized steel frame
- b. Hot dip galvanized wire

c. Hot-dip galvanized wide strip (service)
are marked in accordance with the scheme described below:

- a. Hot-dip galvanized steel frame - 25 kg and 50 kg rolls, post-treatment:
 - strapping each disc with a tape measuring 19x0.8 mm or 19x0.63 mm, additionally strapping the goods collectively to a pallet or in bundles,
 - mounting with 19x45 mm size clips without LOGO or 19x45 mm with LOGO (branded as CYNK-MAL S.A.) for domestic and export contractors submitting such a demand,
 - each disc has a sticker containing the following elements:
 - type of produced hoop,
 - indication of the standard corresponding to the manufactured products,
 - production class designation,
 - barcode and system code containing information about the width of the hoop, thickness, coating and weight of the coil,
 - disc weight with the acceptable weight tolerance,
 - company name Cynk-Mal S.A.,
 - for export shipments, collective labels containing the following elements are used:
 - product name in English,
 - type of produced hoop,
 - total net weight of the hoop,
 - number of discs on a pallet or in a bundle,
 - for domestic shipments, the collective packaging of the goods contains a manual annotation about the total weight of the hoop, type of hoop and destination or the name of the Contractor,
 - each post-infection disc (non-standard weight) contains a handwritten weight.
- b. Hot-dip galvanized wire - rolls of 25 kg, 40 kg, 50 kg, post-treatment:
 - strapping each bundle with a tape measuring 16x0.5 mm or 19x0.8 mm or 19x0.63 mm, additionally strapping the goods together on a pallet or in bundles,
 - fastening with clips with dimensions of 16x25 mm without LOGO or 16x25 mm with LOGO (branded CYNK-MAL S.A.) for domestic and export contractors submitting such a demand, or clips with dimensions of 19x45 mm without LOGO or 19x45 mm with LOGO for domestic and exports that make such a demand,
 - for export shipments, collective labels containing the following elements are used:
 - o product name in English,
 - the diameter of the produced wire, i.e. fi6, fi7, fi8, fi10,
 - o total net weight of the wire,
 - o the number of bundles on a pallet or bundle,
 - for domestic shipments, the collective packaging of goods contains a manual annotation about the total weight of the wire, wire diameter and the place of destination or the name of the Contractor,
 - each post-infection bundle (non-standard weight) contains a handwritten weight.
- c. Hot-dip galvanized wide strips - a service for STALPRODUKT S.A. - in accordance with the parameters contained in the Stalprodukt S.A. Company Order and on the delivery note.
 - strapping each coil with a tape measuring 19x0.8 mm or 19x0.63 mm,
 - mounting with clips with dimensions of 19x45 mm without LOGO and 19x45 mm with LOGO,

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- each circle has a sticker containing the following elements:
 - production date,
 - order number,
 - name of the Ordering Party,
 - product name, including: coil size, production standard, steel grade, zinc coating, production class,
 - heat number,
 - package number (KP number),
 - stock number,
 - brigade identification,
 - coil weight,
 - bar code and coil identification number,
 - company name Cynk-Mal S.A.
- each coil contains a manual annotation of coil weight, zinc coating, material size, production number and a color marking indicating the class of the finished product.

GO Steel a.s.

Procedures and rules for product labeling from the delivery of the base material to GO Steel a.s. they are guided by the internal directive S 25. Identification up to the shipment of finished products and tracking, applicable detailed technology regulations and labor procedures.

There are specific rules for:

- identification of the basic material upon delivery to the ZM warehouse (main identification marks made by the supplier, identification of the condition upon receipt);
- identification of the basic material when transferring to production (marking formalities of the preparation plan and material);
- identification in the production process (production order formalities, material marking);
- identification during conversion operations;
- identification upon delivery (formalities of the finishing document, shipping document, customer identification).

Each type of packaging is marked with a four-digit code in which:

- for first place - a capital letter means the type (form) of products (plate plates, rolls, divided strips);
- the second place - two digits, define the packaging means used in relation to the selected degree of product protection;
- third and place - lower case letter, indicates the palletizing agent used.

In 2022, in the entire Stalprodukt Capital Group, there were no cases of non-compliance related to improper labeling of products.

No proceedings have been conducted in this area.

Bochnia, 27 April 2023

Lukasz Mentel
Member of the Board
Financial Director

Piotr Janeczek
Chairman of the Board
Chief Executive Officer