



Stalprodukt S.A.

REPORT

OF THE SUPERVISORY BOARD
OF STALPRODUKT S.A.
based in Bochnia

for 2024

Bochnia, May 2025

This report covers:

- I. Activities and decisions of the Supervisory Board of Stalprodukt S.A. and the Audit Committee along with the self-assessment of the work of the Supervisory Board in 2024.
- II. Assessment of the economic and financial situation of Stalprodukt S.A. for the period from January 1, 2024 to December 31, 2024, including the assessment of internal control systems, risk management and the work of the Company's Management Board.
- III. Assessment of the manner in which the Company fulfils its disclosure obligations regarding the application of the corporate governance principles set out in the Stock Exchange Regulations and the provisions on current and periodic information provided by issuers of securities.
- IV. Assessment of the rationality of the company's policy in the field of sponsorship, charity or other activities of a similar nature.
- V. Report of the Supervisory Board on the results of the assessment of the financial statements of Stalprodukt S.A. for the period from 1 January to 31 December 2024.
- VI. Report of the Supervisory Board on the results of the assessment of the consolidated financial statements of the Stalprodukt S.A. Capital Group and the Management Board's report on the activities of Stalprodukt S.A. and the Stalprodukt S.A. Capital Group for the period from 1 January to 31 December 2024.
- VII. Assessment of the motion of the Management Board of the Company regarding the distribution of the net profit for 2024.
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I. Activities and decisions of the Supervisory Board of Stalprodukt S.A. and the Audit Committee together with the self-assessment of the work of the Supervisory Board in 2024.

In the period from January 1, 2024 to December 31, 2024, the Supervisory Board acted on the basis of: the provisions of the Commercial Companies Code, the provisions of the Company's Articles of Association, the Regulations of the Supervisory Board of Stalprodukt S.A. as well as the corporate governance principles adopted by the Company set out in the Best Practices of Listed Companies WSE, by constantly supervising the Company's operations in all areas of its operation, as well as considering issues and motions submitted to the Supervisory Board meetings by the Company's Management Board.

Composition of the Supervisory Board in the reporting period:

In 2024, due to the expiry of the term of office of the Supervisory Board, the Annual General Meeting of Stalprodukt S.A. elected members of the Supervisory Board for the next term of office. Therefore, the members of the Supervisory Board served during the following periods:

Stanisław Kurnik - Chairman of the Supervisory Board from January 1st to June 26th, 2024

Piotr Tomasz Janeczek - Chairman of the Supervisory Board from June 26th to December 31st, 2024

Sanjay Samaddar - Vice-Chairman of the Supervisory Board from January 1st to December 31st, 2024

Magdalena Janeczek - Secretary of the Supervisory Board from January 1st to December 31st, 2024

Agata Sierpińska-Sawicz - Member of the Supervisory Board from January 1st to December 31st, 2024

Romuald Talarek - Member of the Supervisory Board from January 1st to December 31st, 2024

Statutory activities

In the reporting period, the Supervisory Board conducted its activities in the form of meetings (stationary and remote) convened by the Chairman of the Supervisory Board. The Supervisory Board performed its activities collectively.

In the period from January 1, 2024 to December 31, 2024, the Supervisory Board held 4 stationary meetings, during which it adopted 32 resolutions and 8 resolutions were adopted via means of direct distance communication.

At its meetings, the Supervisory Board analyzed the production and financial results of the Company, assessed the economic and economic situation and its functioning, as well as assessed the current situation of the Company.

At the meetings of the Supervisory Board, members of the Management Board of the Company presented extensive information on the current economic and financial situation of the Company, its operations, action plans and significant events that may affect its operations. The Management Board of the Company informed the Supervisory Board in detail about all important issues connected with the conducted activity and about the risks associated with them and the method of managing these risks.

The cooperation with the Management Board of the Company throughout the period was correct and did not raise any reservations. The Supervisory Board received exhaustive information on the situation of the Company, as well as on all other matters on the Board's agenda.

At each stationary meeting of the Board, in accordance with Article 380 of the Commercial Companies Code, the Management Board's obligation to inform the supervisory board about the company's current situation was fulfilled.

The Supervisory Board in 2024, among others:

- analysed the quarterly financial results of the Company,
- assessed the Management Board's report on the Company's operations and the Company's financial statements for the financial year from 1 January to 31 December 2023, as well as the Management Board's motion regarding the distribution of net profit for the financial year from 1 January to 31 December 2023, and recommended the Annual General Meeting to adopt resolutions in accordance with these conclusions,
- assessed the consolidated financial statements of the Stalprodukt S.A. Capital Group and the Management Board's report on the activities of the Stalprodukt S.A. Capital Group for the financial year from 1 January to 31 December 2023 and recommended the Annual General Meeting to adopt a resolution in accordance with this request,
- prepared and approved a report on the activities of the Supervisory Board in the period from 1 January to 31 December 2023,
- considered and gave opinions on the matters that were the subject of the Ordinary General Meeting of the Company,
- approved the Plan of Stalprodukt S.A. for 2024,
- selected the statutory auditor KPW – Audyt Sp. z o.o., based in Łódź, for the years 2024, 2025, and 2026 to audit the financial statements,
- adopted the Report on the Remuneration of Members of the Management Board and Supervisory Board of Stalprodukt S.A. for 2024,
- approved amendments and updates to the consolidated text of the Organizational Regulations and the Regulations of the Management Board of Stalprodukt S.A.,
- consented to the purchase of treasury shares for the purpose of their redemption,
- approved an amendment to the Company's Articles of Association,
- the Supervisory Board of the new term of office was constituted and the Audit Committee was appointed,
- approved amendments to the Company's Investment Budget for 2024,
- adopted the Report on the periodic assessment of transactions with related entities for the second half of 2023 and the first half of 2024,
- adopted amendments and approved the consolidated text of the "Procedure for concluding transactions with related entities at Stalprodukt S.A. and their periodic assessment,"
- adopted resolutions regarding consent for the Company to perform certain activities specified for the Supervisory Board in the regulations, including those related to the acquisition of real estate.

All meetings of the Supervisory Board were documented in the minutes of the meetings.

Audit Committee

The activities of the Supervisory Board were supported by the Audit Committee, an advisory and opinion-forming body operating within the structures of the Supervisory Board and appointed from among its members. The scope of activities of the Audit Committee is determined by the Regulations of the Audit Committee adopted by the Supervisory Board.

In the period from 1 January to 31 December 2024, the Audit Committee of the Supervisory Board of Stalprodukt S.A. performed its duties in the following composition:

- Agata Sierpińska-Sawicz - Chairwoman,
- Romuald Talarek - Deputy Chairwoman,
- Magdalena Janeczek - Member.

Ms. Agata Sierpińska-Sawicz has knowledge and skills in the field of accounting and auditing of financial statements, Romuald Talarek has knowledge and skills in the industry in which Stalprodukt S.A. operate, this is Romuald Talarek.

Two members of the Audit Committee, i.e. Ms. Agata Sierpińska-Sawicz and Mr. Romuald Talarek, are independent of the Company, i.e. meet the independence criteria referred to in Art. 129 section 3 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws 2024 item 1035 dated 12.07.2024)

In the period from January 1, 2024 to December 31, 2024, the Audit Committee held 4 stationary meetings and 3 using means of direct remote communication.

Throughout the reporting period, the Audit Committee monitored the process of preparing financial statements and submitted to the Supervisory Board a report on its work along with a recommendation regarding the assessment of financial statements. He also oversaw the process of preparing sustainability reporting.

The Audit Committee actively cooperated with the statutory auditor (KPW Audit and Consulting) carrying out the review of the semi-annual financial statements and discussed the results of the annual audits of financial statements.

Self-assessment of the work of the Supervisory Board in 2024

The Supervisory Board (in its opinion) in the period from 1 January to 31 December 2023 correctly performed its tasks and obligations resulting from the Articles of Association and the Regulations of the Supervisory Board, as well as from the Code of Commercial Companies, consisting in constant supervision over the Company's activities.

The Supervisory Board monitored the financial results and the situation of the Company on an ongoing basis. The Management Board of the Company informed the Supervisory Board about the situation of the Company as well as about possible threats and risks related to the conducted activity. Thanks to the appropriate competences to perform its functions and the efficient organization of work, the Supervisory Board effectively carried out its statutory tasks, guided by the interests of the Company.

The Supervisory Board assesses its work throughout 2024 as effective and conducted in accordance with the best standards.

II. Assessment of the economic and financial situation of the Company for the period from January 1, 2024 to December 31, 2024, including the assessment of internal control systems, risk management and assessment of the work of the Management Board.

Based on the Financial Statement, the Management Board's Report and the Independent Auditor's Report, the Supervisory Board assesses the Company's financial standing as good.

The following areas were taken into account in this assessment:

- structure of assets and sources of its financing,
- the level of financial liquidity and debt,
- profitability of the company and factors shaping it.

Re: Asset Structure and Financing Sources

In 2024, there were minor changes in the structure of assets and their financing sources. The company's assets increased by only 0.7% compared to the previous year. Fixed assets increased by 0.7%, primarily in property, plant and equipment (an increase of 1.3%), which account for 49.9% of their total value. Long-term financial assets (shares and interests in subsidiaries) account for 37.4% of fixed assets. The decrease in their value in 2024 compared to the previous year was insignificant, amounting to only 0.4%. The share of fixed assets in the company's total assets in 2024 was 51.2%, unchanged compared to the previous year.

Current assets increased by 0.8% compared to 2023. In 2024, the company recorded a 32.5% increase in inventories, while short-term receivables decreased by almost 2.9%. A year-on-year decline in cash and cash equivalents was observed, accounting for 9.1%. These uneven changes in the dynamics of the company's individual assets resulted in changes in its structure. The share of inventories in these assets in the year under review was 27.2%, compared to 20.7% in the previous year. The share of receivables in current assets decreased slightly from 19.7% in 2023 to 19.0% in 2024. The share of cash decreased during the period under review from 59.4% in 2023 to 53.6%.

At the end of 2024, the company held PLN 713 million in its account. The company maintains a cash balance, and the remaining funds at the end of the year will be used to finance operating activities and implement the investment program adopted in the development strategy for the coming years.

In 2024, there were also minor changes in the structure of asset financing sources. Equity decreased by 3.0% year-on-year (primarily in retained earnings). The company's long-term liabilities increased by 4.6%, and short-term liabilities increased by 43.2%. Equity financed 84.2% of assets in 2024, compared to 87.4% in the previous year. With such a high degree of equity financing, it can be concluded that the company has a strong financial position and is a reliable business partner in the market. However, it should be noted that the predominance of equity in the structure of asset financing sources reduces the rate of return on this capital and

the effectiveness of investments. Equity is generally more expensive than debt capital, as interest on debt reduces the tax base.

A portion of equity capital, in the form of net working capital, is used to finance the company's operating activities. Net working capital in 2024 amounted to PLN 1,049.6 million, financing almost 79% of current assets. These data indicate a very high degree of financing of operating activities with fixed capital. On the one hand, this demonstrates financial security, but on the other, it may lead to an increase in the average cost of capital and a decrease in the number of profitable investments when comparing their profitability with the average cost of capital employed to finance them. However, the Company's dynamic environment, intense competition, rising energy prices and CO₂ emissions fees, debt interest rate risk, risks related to the war in Ukraine, and fluctuations in the Company's financial result justify the Management Board's conservative strategy in financing operating activities.

Total liabilities financed only 15.8% of the company's assets, while in 2023, they represented 12.6% of total financing sources. The increase in debt in the equity and liabilities structure was influenced only by a slight increase in equity from the net profit generated in 2024. This profit amounted to only PLN 2,265,000, compared to PLN 219,648,000 in the previous year. The main source of this profit was financial income in the form of interest on deposits, as the loss generated from operating activities amounted to PLN 14,154,000.

An assessment of asset structure and financing sources should take into account the specific characteristics of highly capital-intensive industries, such as the steel industry. These sectors are characterized by a high share of equity in the equity structure, which results from significant fluctuations in financial results resulting from economic changes and increasing international competition.

Furthermore, industrial sectors such as the steel industry are not typically highly valued by the stock market, especially in conditions of intense competition and limited growth potential. As of December 30, 2024, Stalprodukt S.A. shares were listed at PLN 222, while their book value was PLN 424.88. This means that the book value exceeded the market value by 92.4%.

Re: Assessment of financial liquidity and debt level

Financial liquidity was measured based on the Company's current assets and the level of operating cash and current liabilities, whose payback period is shorter than the financial year. In 2024, the current liquidity ratio decreased compared to the previous year, primarily due to current liabilities growing faster than current assets. Current liabilities increased by 43.2% year-on-year, while current assets increased by only 0.8%.

The financial liquidity ratios in the next five years were as follows:

<i>Specification</i>	2020	2021	2022	2023	2024
<i>Current financial liquidity ratios</i>	3,08	2,84	4,21	6,72	4,73
<i>Acid liquidity ratios</i>	1,91	1,52	2,60	5,32	3,44
<i>Short-term investment indicators</i>	0,95	0,45	1,24	3,99	2,54
<i>Cash liquidity ratios</i>	0,63	-0,01	0,76	1,81	0,22

The accelerated liquidity ratio also decreased from 5.32 in 2023 to 3.44 in the year under review, meaning that liquid assets (receivables + cash and cash equivalents) were 3.4 times higher than current liabilities. The cash liquidity ratio, calculated as the ratio of operating cash flows to current liabilities, decreased from PLN 1.81 in 2023 to PLN 0.22 in 2024. This means that in 2023, PLN 1 of short-term debt corresponded to PLN 1.81 of operating cash, compared to only PLN 0.22 in 2024. The cash flow statement was also used to assess the company's financial condition. It shows which areas of operations generated cash and which areas absorbed it.

Cash flows in the following years were as follows (in PLN thousand):

	2020	2021	2022	2023	2024
- net cash flow from operating activities	<i>141 301</i>	<i>-2 095</i>	<i>229 231</i>	<i>356 208</i>	61 686
- net cash flow in the investment area	<i>26 146</i>	<i>23 051</i>	<i>142 685</i>	<i>143 367</i>	-52 996
- net cash flows from financing activities	<i>-25 523</i>	<i>-61 539</i>	<i>-151 019</i>	<i>-89 393</i>	-79 512
- balance sheet change in cash	<i>141 924</i>	<i>-40 583</i>	<i>220 897</i>	<i>410 182</i>	-70 822
- cash at the end of the year	<i>193 545</i>	<i>152 962</i>	<i>373 859</i>	<i>784 084</i>	<i>713 219</i>

The company generated PLN 61,686 thousand in free cash flow from operating activities. PLN 52,996 thousand was spent on investing activities, and PLN 79,512 thousand was spent in the financial area. Funds generated from operating activities and drawn from accumulated funds from previous periods were used to cover expenditures in the investment and financial areas. The funds remaining at the company's disposal will be allocated to the implementation of strategic investment projects in subsequent years. In 2024, capital expenditures amounted to PLN 52,996 thousand and were lower than the level of depreciation (PLN 54,087 thousand), meaning that the company did not directly replace tangible fixed assets. However, it should be noted that the increase in the prices of raw materials, fuels, and energy, relatively high interest rates compared to rates of return on investment, and the uncertainty of the economic situation among customers of finished products adversely affected certain areas of the Company's operations.

Re: Company profitability assessment

The main determinant of the company's financial condition for shareholders is the rate of return on engaged capital. In their investment decisions, they are guided by the rate of return, comparing it to alternative possibilities of using free funds. One of the determinants of the rate

of return on capital is return on sales. It was calculated at four levels of the profit and loss account.

In the audited financial year, the return on sales at individual levels of the profit and loss account was as follows:

Specification	2020	2021	2022	2023	2024
<i>Sales profitability, %</i>	<i>0,90</i>	<i>11,90</i>	<i>13,84</i>	<i>2,00</i>	<i>-1,25</i>
<i>Operating profitability, %</i>	<i>1,80</i>	<i>11,40</i>	<i>12,11</i>	<i>2,39</i>	<i>-0,96</i>
<i>Gross profitability, %</i>	<i>4,20</i>	<i>12,50</i>	<i>15,89</i>	<i>10,62</i>	<i>0,52</i>
<i>Net profitability, %</i>	<i>4,10</i>	<i>10,70</i>	<i>13,61</i>	<i>9,83</i>	<i>0,15</i>

**Gross and net profitability has been established as the ratio of gross or net profit to the company's total revenues (sum of revenues from product sales, other operating revenues and financial revenues).*

In 2024, there was a significant decline in profitability compared to the previous year, both in sales profitability and gross and net profitability. In 2024, revenue from business activities reached PLN 1,557,835 thousand, a 31.2% decrease compared to 2023. In 2023, the decrease in total revenue compared to the previous year was 23.6%.

In the financial year under review, the Company recorded an operating loss of PLN 14,154 thousand, while in 2023, an operating profit of PLN 48,600 thousand was achieved.

Net profit in 2024 amounted to only PLN 2,265 thousand, representing only 1% of the net profit achieved in the previous year, which amounted to PLN 219,648 thousand. EBITDA reached PLN 40,833 thousand and was 2.5 times lower than in 2023.

The company recorded a significant decline in sales revenue by value across all operating segments.

Financial income amounted to PLN 28,699,000, compared to PLN 202,088,000 in the previous year. The main difference resulted from lower dividend income from subsidiaries.

The deferred settlement of certain expenses resulted in the effective tax rate in 2023 being lower than the nominal tax rate (19%), at 7.42%. In 2024, due to the settlement of some of these expenses, the effective tax rate increased to 71.3%, meaning the company paid over 70% of its gross profit to the state budget.

In 2024, domestic sales accounted for 38.4% of total sales revenue, compared to 32.5% in the previous year. Revenue from the sale of transformer sheets accounted for 50.8% of the company's total revenue, cold-formed sections for 35.7%, **and road barriers for 7.5%**. Revenue from export sales of sheets decreased by 34.4%. **Italy is the main recipient of electrical sheets (26.4%). However, sales to Italian customers decreased by a staggering 37.3% in 2024. Less than 15% of sheet production is destined for the German market, and almost 12.0% for the Austrian market.**

The Czech Republic was a major recipient of sheet metal in 2023, but in 2024, revenue from sheet metal sales to that country amounted to only 13.6% of the previous year's value. Sales to Mexico also fell by almost half. Other countries, such as the United Arab Emirates, Slovakia, Croatia, and Turkey, accounted for 3-6% of export sales. The decline in electrical sheet production and sales revenue resulted from strong competition from Asian producers. A particular threat to Stalprodukt is the continued expansion of grain-oriented sheet production capacity, particularly among Chinese producers. Imports of transformer sheets to Poland in 2024 increased by 27% in tonnage terms, reaching 12.3 tons, primarily from Japan, Germany, and Italy. Prices for imported materials fell by 38% during this period.

Core sales, expressed in value, fell by 33.3% in 2024. The company faces very strong competition, primarily from China, India, Turkey, the Czech Republic, and Slovenia. Competing in the market for these products is increasingly difficult due to technological challenges and declining demand due to the uncertain global economic situation.

Cold-formed sections are the core product of domestic sales. In 2024, domestic revenue from section sales accounted for 67.7% of total revenue generated domestically. This revenue decreased by 12.5% compared to the previous year.

Sales of cold-formed sections by tonnage are steadily declining. In 2024, 72.6% of sales were generated on the Polish market, with the remainder coming from foreign markets.

Sales of road barriers by tonnage in 2024 were lower than in the previous year, with a 27.1% decline in revenue from barrier sales. 77.0% of barriers manufactured were sold in Poland. The company has the potential to develop this product segment under the adopted program of construction of bypasses, expressways, and highways by 2030.

The other business segment, primarily the sale of goods, recorded a 12.4% decline in sales revenue in 2024 compared to 2023.

The decline in sales volume and finished product prices had the greatest impact on the company's financial results.

The company's return on assets and equity decreased significantly in 2023. These indicators were calculated as the ratio of net profit to the average annual value of assets and equity.

This is illustrated by the data below:

<i>Specification</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
<i>Return on assets (ROA),%</i>	<i>2,50</i>	<i>9,60</i>	<i>15,60</i>	<i>8,17</i>	<i>0,08</i>
<i>Return on equity (ROE),%</i>	<i>3,20</i>	<i>11,90</i>	<i>19,10</i>	<i>9,56</i>	<i>0,10</i>
<i>Capital multiplier (assets / equity), (times)</i>	<i>1,26</i>	<i>1,24</i>	<i>1,22</i>	<i>1,14</i>	<i>1,19</i>

Return on assets decreased from 8.17% in 2023 to 0.08% in 2024. Return on equity decreased from 9.56% in 2023 to 0.10% in the year under review. This decrease in profitability was due to an exceptionally low net profit of only PLN 2,265,000, compared to PLN 2,294,199,000 in equity. Net profit in the previous year was PLN 219,648,000. The level of benefits and losses generated for shareholders can be expressed in shareholder value, as illustrated in the table below.

<i>Specification</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
<i>Number of shares, thous. pcs</i>	5 580	5 580	5580	5400	5 399 598
<i>Share price (last December quotation)</i>	300,50	263,50	238	241	222
<i>MV thous. PLN</i>	1 676 870	1470 330	1 328 040	1 301 400	1 198 711
<i>Equity, thous. PLN</i>	1 754 349	1 940 931	2 226 021	2 365 575	2 294 199
<i>MVA, thous. PLN</i>	- 77 479	- 470 601	-898 881	-1 064 175	- 1 095 488

At the end of 2024, the capital market valued the Company significantly below its book value. The book value per share in 2024 was PLN 424.88 a 3.0% decrease year-on-year. At year-end, the book value per share was 92.4% higher than the stock exchange price at its last trading date in December 2024. Net earnings per share in 2024 decreased to only PLN 0.42, compared to PLN 40.68 in the previous year. Over the past decade or so, the company has not issued shares or used additional shareholder capital, and its growth has been financed primarily from retained earnings after dividend payments and periodically from external capital. In the long term, taking into account dividends paid, Stalprodukt has generated a satisfactory rate of return on equity for shareholders. It is important to emphasize that equity investments are long-term instruments, and due to fluctuations in capital markets, this rate is also subject to short-term changes.

Assessment of the Company's Management Board's performance.

The Supervisory Board positively assesses the performance of the Company's Management Board in 2024. Conditions in the steel market were and remain challenging due to strong competition and significant imports of steel products. In 2024, this market accounted for 80% of apparent steel consumption in the Polish economy. Furthermore, declines in the prices of process feedstock and energy were lower than the declines in finished product prices resulting from excess production capacity in many countries relative to domestic consumption. This increases market competition and impacts the financial results of entities in the steel industry.

In the Management Board's assessment of the Company's performance in 2024, the following should be emphasized:

- **Rational financial risk management.**

In its operations, the Company, like any other entity, is exposed to credit and contract risks, liquidity risk, and market risk related to changes in interest rates and exchange rates. The Management Board flexibly uses various instruments to protect the Company against these risks. The Management Board also consistently implements its adopted risk management policy, employing a risk avoidance strategy and a risk hedging strategy. The Company has full capacity to settle its liabilities on time and is not exposed to currency risk resulting from fluctuations in exchange rates due to the possibility of using natural hedging, as it settles its foreign currency liabilities from sales revenues in foreign currencies. Stalprodukt S.A. is not exposed to interest rate risk as it does not use bank loans. The primary risks associated with the Company's operations concern the operational area and include: an unfavorable market environment, weak economic development, rising electricity and gas prices, the rising costs of EU climate policy, which necessitates the implementation of costly investments aimed at reducing CO₂ emissions, and high prices of CO₂ emission allowances. Increasingly frequent changes in EU regulations, especially those related to the Green Deal, pose regulatory risk. Due to the nature of its operations, the Company is also exposed to events that may impact human safety and the environment. Risks are also generated by formal and legal conditions of operations, such as market protection measures (customs duties and quotas), which significantly distort market competition.

- **Careful management of the Company's financial liquidity.**

Financial liquidity ratios are very high. Current assets are almost five times higher than current liabilities due by the balance sheet year. At the end of 2024, the Company held PLN 713.0 million in its account, representing 53.6% of current assets. During the year under review, the Management Board placed significant

emphasis on maintaining financial liquidity, i.e., the ability to timely settle due liabilities, both to employees, the state budget, banks, and suppliers.

- **Rational selection of trade credit instruments.**

To maintain financial liquidity, the Company's Management Board utilizes a variety of trade credit instruments and flexibly manages the prices of finished products to mitigate the risk of non-collection of receivables. Despite unfavorable market conditions, payment bottlenecks in the economy, high interest rates, and significant imports of steel products, overdue receivables decreased in 2024 and accounted for 14.2% of customer receivables, compared to 18.1% in the previous year. Receivables recovered within 30 days accounted for 50.4%, while those recovered within 30 to 90 days accounted for 37.2%. The risk of potential failure to recover overdue receivables in the year under review was mitigated by ongoing creditworthiness assessments of contractors, the use of collateral such as bank guarantees, letters of credit, sureties, and bills of exchange, as well as the ongoing monitoring of overdue receivables. The sales and finance departments implement appropriate credit and debt collection procedures. These procedures determine the selection of contractors, the establishment of credit limits, and the treatment of overdue receivables.

- **Maintaining short- and long-term capital and cash balance.**

Rational management of financial liquidity and trade credit facilitates maintaining capital and cash balance. As of the end of 2024, the company had no bank loans, and the liability under lease agreements related to the right of perpetual usufruct of land, defined as a lease under IFRS 16. The company has agreements with banks for multi-purpose credit lines intended to secure supplies and letters of credit and maintain the ability to settle liabilities on time. The company has significant capital potential in the form of equity. It also has the ability to extensively utilize the debt market and can diversify its operations to limit the impact of industry cycles on financial results.

- **Properly implementing sales revenue policy in an environment of exceptionally fierce market competition.**

To maintain the company's competitiveness, the Management Board flexibly responds to customer needs by changing the product mix, improving product quality, ensuring timely deliveries, and monitoring market price changes, while also monitoring competitor behavior. Maintaining the Company's market position amidst highly volatile market risk and import competition required significant effort from the Management Board. The Company's cash position indicates it can effectively modernize production technologies, launch new product production, diversify its operations, and implement projects in the areas of renewable energy and environmental protection.

- **Proper management of supply and sales processes.**

The Company maintains a reasonable level of raw materials and finished goods inventories to ensure continuous supply to the market. This is extremely important in an environment of intense market competition and product imports. The Management Board takes appropriate measures to ensure the continuity and regularity of process feedstock deliveries to ensure timely order fulfillment and maintain optimal inventory levels. The goal of inventory management within the Company is to balance the benefits and costs associated with inventory management.

- **Care for the environment and compliance with related standards.**

The comprehensive 2024 sustainability report clearly demonstrates that the Management Board is diligently adapting the Company's operations and business model to environmental protection requirements. The Management Board is striving to utilize renewable energy and advanced recycling techniques to effectively contribute to the circular economy. The Company's strategy for the coming years is subordinated to these objectives. Environmental initiatives are focused on improving energy efficiency and decarbonizing production by eliminating the use of thermal coal, replacing gray hydrogen with green hydrogen, and building its own renewable energy sources. The Company has begun construction of a photovoltaic farm and has initiated a project related to the construction of a trigeneration source. Furthermore, the Management Board is committed to raising employee awareness of the impact of their work on the natural environment and the consequences of non-compliance with applicable codes of conduct.

- **Maintaining a sound information policy for the capital market.**

In the Board's opinion, the Management Board provides timely and reliable information to investors and clearly presents the company's strategy in its core areas of operations.

Summing up, the Supervisory Board positively assesses the Company's activities in the entire scope of its operation: in the operational, investment and financial areas. The company pursues all its goals in a sustainable manner, based on well-understood rationality, including maintaining business continuity and implementation of plans, mitigating risks and meeting the challenges of market uncertainty, and effectively responding to rapidly changing law regarding, among others, digital transformation and financial security, environmental protection. The Supervisory Board emphasizes that the Management Board takes due care of the Company's position on the competitive market, the Company's brand and its reputation as a reliable supplier of products and recipient of supply products.

Evaluation of internal control and risk management systems.

The company's internal control and risk management systems enable ongoing identification and control of risks related to the nature and profile of its operations. The increase in energy costs was influenced by the high prices of CO₂ emission allowances. Risks related to the economic situation on the local market and in European Union countries, which generate demand for the company's products, rising raw material prices, rising electricity prices, and rising costs of EU climate policy are monitored by the Company's Management Board, which systematically takes measures to mitigate their effects.

III. Assessment of the manner in which the Company fulfils its disclosure obligations regarding the application of the corporate governance rules set out in the Stock Exchange Regulations and the provisions on current and periodic information published by issuers of securities.

The Supervisory Board positively assesses the manner of fulfilling the disclosure obligations regarding the application of the corporate governance principles set out in the Stock Exchange Regulations and the provisions on periodic and current information published by issuers of securities. The Management Board informs and clearly explains to the shareholders the restrictions on the application of certain corporate governance principles.

IV. Assessment of the rationality of the company's policy in the field of sponsorship, charity or other activities of a similar nature.

The Supervisory Board positively assesses the policy pursued by the Management Board of Stalprodukt S.A. in the field of sponsorship, charity or other activities of a similar nature.

V. Assessment of the financial statements of Stalprodukt S.A. for the financial year from 1 January to 31 December 2023.

In carrying out the tasks resulting from art. 382 § 3 of the Commercial Companies Code and § 28 item 2 of the Company's Articles of Association, the Supervisory Board assessed the financial statements of Stalprodukt S.A. prepared for the financial year covering the period from 1 January to 31 December 2024, which consists of:

- 1) balance sheet prepared as at December 31, 2024, which shows a PLN **2,725,345** thousand balance in assets and liabilities;
- 2) statement of profit and loss and statement of comprehensive income for the period from January 1, 2024 to December 31, 2024, showing comprehensive income and net profit of PLN **2,264** thousand;
- 3) statement of changes in equity for the period from January 1, 2024 to December 31, 2024, showing an increase in equity by the amount of PLN **71,376** thousand;
- 4) cash flow statement for the period from January 1, 2024 to December 31, 2024, showing an increase in cash by the amount of PLN **70,822** thousand;

- 5) additional information on the adopted accounting principles and other explanatory information.

The Supervisory Board got acquainted with the audit company KPW Audyt Sp. z o. o. The report on the audit of the separate annual financial statements, which shows that the audited financial statements:

- provides a reliable and clear picture of the entity's property and financial position as at December 31, 2024, as well as its financial result for the financial year from January 1, 2024 to December 31, 2024, in accordance with the International Financial Reporting Standards,
- has been prepared, in all material respects, in accordance with the International Financial Reporting Standards as approved by the European Union,
- complies in all material aspects, in terms of form and content, with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757), hereinafter referred to as the regulation on current and periodic information and with the provisions of the Company's Articles of Association affecting its content,
- has been prepared on the basis of correctly kept, in all material aspects, accounting books in accordance with the principles set out in the Accounting Act.

After analyzing the financial statements of Stalprodukt S.A. prepared for the financial year covering the period from January 1, 2024 to December 31, 2024 and having read the opinion and report of the statutory auditor, the recommendation of the Audit Committee as well as based on its own analyses, the Supervisory Board states that in its opinion the financial statements of the Company Stalprodukt S.A. prepared for the financial year covering the period from January 1 to December 31, 2024 - as at December 31, 2024, has been prepared correctly, in accordance with applicable law, is consistent with the books and documents as well as with the facts, and presents information fairly and clearly significant for the assessment of the property and financial situation of the Company.

VI. Assessment of the consolidated financial statements for the financial year from 1 January to 31 December 2023 of the Stalprodukt S.A. Capital Group and the Management Board's report on the activities of the Stalprodukt S.A. Capital Group for 2023.

The Supervisory Board assessed the Management Board's report on the activities of the Stalprodukt SA Capital Group and the consolidated financial statements for the financial year from 1 January to 31 December 2024, which consists of:

- 1) consolidated balance sheet prepared as at December 31, 2024, showing the assets and liabilities in the amount of PLN **4,907,769** thousand;
- 2) consolidated profit and loss account for the period from January 1, 2024 to December 31, 2024, showing a net profit of PLN **33,931** thousand,

- 3) consolidated statement of comprehensive income for the period from January 1, 2024 to December 31, 2024, showing total comprehensive income in the amount of PLN **21,912** thousand;
- 4) statement of changes in consolidated equity for the period from January 1, 2024 to December 31, 2024, showing an increase in equity by PLN **49,494** thousand,
- 5) consolidated cash flow statement for the period from January 1, 2024 to December 31, 2023, showing an increase in cash by the amount of PLN **860** thousand,
- 6) additional information on the adopted accounting principles (policy) and other explanatory information.

After analyzing the Consolidated Financial Statements of the Stalprodukt S.A. Capital Group for the period from 1 January 2024 to 31 December 2024, and after reviewing the auditor's opinion and report, and the recommendation of the Audit Committee, the Supervisory Board assesses that the statements in question contain all the required elements, have been prepared correctly, in accordance with applicable law, and present information relevant to the assessment of the assets and financial situation of the Stalprodukt S.A. Capital Group.

VII. Assessment of the Management Board's Report on the Activities of Stalprodukt S.A. and the Stalprodukt S.A. Capital Group for the 2024 Financial Year.

In carrying out its duties under Article 382 § 3 of the Commercial Companies Code and § 28 item 2 of the Company's Articles of Association, the Supervisory Board assessed the Management Board's Report on the Activities of Stalprodukt S.A. and the Stalprodukt S.A. Capital Group, prepared for the period from January 1, 2024, to December 31, 2024.

The Management Board of the Company worked in the following composition:

- Piotr Janeczek - President of the Management Board, General Director in the period from January 1 to December 31, 2024
- Łukasz Mentel - Member of the Management Board, Financial Director in the period from January 1 to December 31, 2024.

After analysing the report of the Management Board on the activities of Stalprodukt S.A. for 2024, the Supervisory Board states that, in its opinion, the report was prepared correctly, contains all the required elements, complies with the books and documents as well as the actual state, and presents the situation of the Company in the reporting period reliably and clearly. The Management Board of the Company duly shows the threats and risks of the conducted activity and describes the course of events having a significant impact on the Company's activity.

The Supervisory Board determines that the Management Board's Report on the Activities of Stalprodukt S.A. and the Stalprodukt S.A. Capital Group for the 2024 financial year contains all information required by law. The financial data presented in the Management Board's Report is consistent with the information contained in the audited financial statements prepared for the period from January 1, 2024, to December 31, 2024.

The Management Board has considered the scope of application of corporate governance principles within the Company and the Group in the Report.

The completeness of the Management Board's Report on the Activities of the Company and the Stalprodukt S.A. Capital Group for 2024 and its compliance with the information disclosed therein have been confirmed by the certified auditor.

As a result of the assessment and based on the auditor's opinion, the Supervisory Board recommends that the Annual General Meeting adopt resolutions approving:

- the Financial Statements of Stalprodukt S.A. for the 2024 financial year,
- the Consolidated Financial Statements of the Stalprodukt S.A. Capital Group. for the 2024 financial year and
- Management Board Report on the activities of Stalprodukt S.A. and the Stalprodukt S.A. Capital Group in the period from January 1, 2024, to December 31, 2024.
- Sustainability Reporting

The Company has undertaken and largely completed work that has enabled comprehensive preparation for fulfilling the obligations arising from the Accounting Act after implementing the requirements of Directive 2014/95/EU, ensuring that its Reports are also compliant with two sets of European Commission Guidelines on Reporting Non-Financial Information (2017) and Climate-Related Information (2019).

After completing the preparatory phase (in 2023 and during 2024) for reporting sustainability information:

- the so-called Stakeholder mapping, which included defining a group of key stakeholders, i.e., those with a high level of both influence and interest in the Group.
- Based on dual-materiality analyses for two of the Group's core value chains (i.e., the Sheets and Profiles Segment and the Zinc Segment), and in accordance with the requirements of the ESRS standards, the Stalprodukt S.A. Capital Group identified a set of sustainability topics that are significant from the perspective of the Group's impact on the environment and the impact of ESG issues on the Group's financial and operational situation. Subsequently, it conducted an Impact, Risk, and Opportunity (IRO) analysis for these topics.
- For selected, significant areas of the Group's operations, a range of indicators and necessary data for reporting were established,

the necessary non-financial information and data were collected and consolidated at the Group level.

The work resulted in a Report defining significant sustainability topics, key non-financial risks, opportunities, and possibilities related to them, which constitute a separate section of the Management Board's Report on the Activities of the Stalprodukt S.A. Capital Group. (in accordance with Articles 49b and 55, paragraphs 2b-2e of the Accounting Act).

The Capital Group's Sustainable Development Report was certified by the Independent Certified Auditor KPW Audyt.

The Supervisory Board applies to the Annual General Meeting of Stalprodukt S.A. for granting:

- Mr. Piotr Janeczek's discharge in respect of the performance of his duties in 2024 in connection with serving as a Member of the Company's Management Board in the period from January 1 to December 31, 2024,
- Mr. Łukasz Mentel's discharge in respect of the performance of his duties in 2024 in connection with serving as a Member of the Company's Management Board in the period from January 1 to December 31, 2024.

VIII. Assessment of the application of the Management Board of the Company regarding the distribution of the net profit for 2024.

Acting pursuant to Article 382 § 3 of the Commercial Companies Code and § 28 section 2 of the Company's Articles of Association, the Supervisory Board, having reviewed the recommendation of the Audit Committee, positively assesses the Management Board's proposal to pay a dividend of PLN 6 per share. The total proposed dividend of PLN 30,533,580.00 comes from the parent company's net profit of PLN 2,264,636.73 and from the reserve capital recognized in the financial statements under retained earnings in the amount of PLN 28,268,943.27.

The Supervisory Board expresses the opinion that the proposal submitted by the Management Board of Stalprodukt S.A. regarding the payment of a dividend is justified and recommends that the Annual General Meeting adopt a resolution regarding the payment of a dividend in accordance with the proposal contained in the Management Board's proposal.

IX. Summary

The Supervisory Board's own assessments and the auditor's opinion presented in this report provide the Supervisory Board with a basis for a positive assessment of the Company's situation in 2024.

In the Supervisory Board's opinion, the Company's Management Board exercised due diligence to ensure the Company achieved reasonable results in difficult market conditions. Therefore, the Supervisory Board positively assessed the actions and work of the Company's Management Board throughout 2024. The Supervisory Board emphasizes that all its members exercised due diligence in the performance of their duties, diligently applying their best knowledge and experience in performing their functions.

This report was considered and adopted by resolution at the Supervisory Board meeting on May 20, 2024, for submission to the Annual General Meeting of Stalprodukt S.A.

May 20, 2025

Signatures:

Piotr Tomasz Janeczek

*(Chairman of the
Supervisory Board)*

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)