March 30, 2020

2019 Annual Report and Management Discussion & Analysis

The Management Board of Cognor Holding S.A. (Cognor, the Company, the Group) presents the following deliberations over the key facts and figures contained in the consolidated financial report for the year ended December 31, 2019.

I. INTRODUCTION

Last year was deemed favourable in terms of demand for the steel industry. The global production increased by 3.5%, as compared to 2018 and amounted to 1,849 million tonnes according to the World Steel Association. Based on Wood McKenzie's estimates, the growth of demand for finished steel products is assessed at 1,758 million tonnes in 2019, which translates into 3.8% growth.

But positive market conditions were not spread evenly. The dominant share in world production has strengthened for China – 53.9% – followed by 8.6% in the case of the EU(28) which actually shrank further from 9.4% in 2018 and 9.9% in 2017. The nominal production in China grew by a staggering 8.3% and reached 996.3 million tonnes while it decreased in the EU by 4.9% to just 159.4 million tonnes. Against this backdrop, Poland did even worse with a decrease of 10.8% and 9.1 million tonnes. Sharply decreasing production in the EU and Poland remained in contrast with a much slower decrease of consumption of finished products estimated to have fallen by 3.2% for the EU and by 7.9% for Poland. In nominal terms, the consumption reached 164.6 million tonnes and 14.3 million tonnes respectively.

The divergence of the steel output figures between the EU and the rest of the world, including China in particular, demonstrates very clearly the importance of adequate import policies. The anti-dumping measures that have been introduced by the European Commission since 2016 and the safeguard instrument against new import flows that was put in place in 2018 have been so far inadequate to prevent the European steel industry from shrinking. Steel manufacturing continues to be moved from Europe to regions where environmental standards are far less stringent. The increases of steel imports into the EU not only act to the detriment of the local industry and its employees, but they also promote ecological harm and add to carbon dioxide emissions.

Positive demand witnessed in some areas had little to do with profitability, though. That has deteriorated significantly over 2019 primarily due to the sharply increasing electricity costs and CO_2 emission rights. Our EBITDA fell by half and our net profit was just one fourth of the result of 2018.

The only counterbalancing effect brought the issue of cost difference between scrap metal used in the electric arc furnace (EAF) steelmaking and the cost of feedstock materials used by producers using basic oxygen furnace (BOF) technology. In 2019, that relation improved from our point of view and the EAF producers, including Cognor, had more opportunities to succeed in the competition with BOF steelmakers, particularly on the semi-finished products (billets) market.

In summary, last year Cognor suffered along with the whole steel industry of the European Union. In spite of the decreasing local demand and lower prices, we continued to operate our facilities at maximum melting capacities and thanks to that, our shipments of billets much improved while sales of finished steel products were only just slightly down. Our operational profits fell as a result of higher costs and shrinking conversion spreads.

Although last year's results are disappointing we are contented to have generated positive cash flow and a net result, as well as the fact that we have managed to advance significant investment projects resulting in the reduction of the consumption of energy and certain production materials. We will continue our CAPEX and R&D projects to achieve further efficiency and capacity effects in 2020 and 2021.

II. MACRO BACKGROUND

1. Market & Regulatory Drivers

   The steel business cyclicality is determined primarily by the demand from the construction and the automotive sectors. Last year construction activity was strong, in particular in China which continued the expansion of its infrastructural spending. The production and sales of cars fell worldwide. In the EU, the demand for steel weakened and the automotive industry slowdown was gaining pace. With the exception of the manufacturing of vehicles, all other major steel intensive industries generated the steel demand in Poland. Demand patterns across major consumption sectors are important, yet it appears that certain regulatory and development policies applied by particular countries or organizations of countries weigh more on steelmaking profitability.

   In the past decade, the sharp development of the Chinese steel industry destroyed production margins across the whole world. New facilities were built much ahead of the pace of the internal demand. In 2015, the production capacities in China accounted for as much as 1,407 million tonnes while the production of crude steel amounted to 799 million tonnes with the domestic demand being even lower - at just 656 million tonnes of finished products. The imbalance resulted in a huge outburst of Chinese exports which accounted for a record breaking (net) 99 million tonnes in 2015, causing steel prices and margins to drop sharply everywhere. That was very harmful for the Chinese steel industry too with many steel facilities suffering losses or even went bankrupt.

   In 2016, the authorities in China announced a five year program aimed at cutting 150 million tonnes of capacities by 2020. In 2019, capacities went down to 1,261 million tonnes, while production stood at 997 million tonnes and the consumption of finished products was noted at as many as 876 million tonnes. As a consequence, the country's net exports fell to just 53 million tonnes. Currently China runs at over 78% of its output capabilities, which accounts for a much healthier utilization ratio compared to a little as 63% four years ago.

In the recent past, the EU was following a policy aimed at discouraging the local production and promoting exporting of steelmaking activity elsewhere. It opened its borders wide to imports while paying very little attention to the fairness of trade practices. The industry was banned from any support programmes while new environmental burdens were imposed, including the reductions of carbon dioxide emission allowances. Unfortunately, it took a lot of time before the EU policymakers appreciated the importance of having a modern and financially healthy steel industry. Since 2016, the European Commission has been imposing serious anti-dumping measures against numerous countries. It also changed its approach and started supporting the modernization of local steel assets, as well as research and development projects. Contrary to the EU, the USA have been quick to impose stringent protectionist measures for the benefit of its steelmakers. In 2018, a common and, with few exceptions, universal 25% import tax was added to that picture. This time around the EU was quick to implement a recourse action by way of the so-called temporary safeguard instrument. It has been extended in a definite form to last into 2021. In spite of that, the EU was one of the very few markets last year where steel output decreased much greater than the negative demand dynamics. The need to revise and reconsider the scope and the mechanisms of the existing policy in order to introduce further protectionist instruments, has been evident.

Cognor makes most of its sales on the Polish market, particularly with respect to construction steel. Therefore, we have been operating on the market that suffered from the unfriendly atmosphere in the EU before 2016. On top of that, Polish steelmakers had to cope with specific issues, namely quite common VAT evasion practices by some steel importing firms. The effect of those fraudulent activities for steel producers in Poland was similar to regular product dumping. Manufacturers had a hard time competing with criminal market participants and were forced to lower prices and shrink their margins. In 2011, a reverse VAT charge solution was introduced for scrap metal and in 2013 for steel products, which helped the steel plants in Poland achieve better margins and fair results in the following year. Last year a common split payment mechanism was introduced which replaced reverse charges. While it has resulted in greater working capital requirements, it should further seal up the Polish fiscal system which we perceive as a supportive factor for our business.

CRUDE STEEL PRODUCTION	2019	% YoY	2018	2017	2016	2015	2014	2013
m tonnes								
Europe	**297**	**-4.0**	**309**	**310**	**303**	**304**	**311**	**311**
Poland	9.1	-10.8	10.2	10.3	9.0	9.2	8.6	8.0
EU (28)	159	-4.9	168	169	162	166	169	166
CIS	100	-0.6	101	101	102	102	109	109
North America	**120**	**-0.8**	**121**	**116**	**111**	**111**	**121**	**119**
USA	88	1.5	87	82	79	79	88	87
South America	**41**	**-8.4**	**45**	**44**	**39**	**44**	**45**	**46**
Africa / Middle East	**56**	**12.6**	**50**	**46**	**41**	**43**	**44**	**42**
Asia	**1 330**	**5.9**	**1 255**	**1 191**	**1 090**	**1 108**	**1 111**	**1 059**
China	996	8.3	920	871	787	799	823	779
Japan	99	-4.8	104	105	105	105	111	111
Oceania	**6**	**-2.9**	**6**	**6**	**6**	**6**	**5**	**6**
Total	**1 849**	**3.5**	**1 786**	**1 712**	**1 587**	**1 615**	**1 647**	**1 582**

Source: World Steel Association

The demand for steel products increased, in particular in Asia. Poland's output was among the worst hit despite the relatively fair demand for steel products which has much exceeded the capabilities of local manufacturing. This has placed Poland on top of the ranking of net importers of steel per capita. In terms of production output, the Polish market has performed surprisingly weakly as compared to the rest of the EU, which we attribute to the bankruptcy of one EAF plant and temporary idling of one BOF furnace. In terms of steel demand, Poland did worse compared to the EU in spite of the larger GDP growth – 4.0% in Poland compared to 1.5% in the EU.

FINISHED STEEL USE	2019	% YoY	2018	2017	2016	2015	2014	2013
m tonnes								
Europe	**257**	**-1.7**	**261**	**258**	**249**	**245**	**242**	**238**
UE (28), incl:	165	-3.2	170	163	158	154	149	142
Poland	14	-7.9	16	14	13	13	12	12
CIS	51	2.2	49	48	46	48	52	53
North America	**148**	**0.1**	**148**	**146**	**137**	**139**	**151**	**135**
USA	101	1.1	100	99	92	96	107	96
South America	**41**	**0.7**	**40**	**38**	**36**	**42**	**45**	**48**
Africa / Middle East	**89**	**1.0**	**88**	**89**	**91**	**93**	**92**	**89**
Asia / Oceania	**1218**	**5.8**	**1151**	**1 084**	**988**	**967**	**1 001**	**1 009**
China	877	7.0	819	755	664	656	694	717
Japan	63	-1.6	64	65	62	63	68	65
Total	**1 759**	**3.8**	**1 694**	**1 614**	**1 499**	**1 484**	**1 530**	**1 519**

Source: Wood McKenzie

Due to the outbreak of COVID-19, it is very difficult to predict even the short-term prospects for various industries. It appears that the global, regional and the local construction business could be the least hit by the expected economy downturn in the coming months. Building sites in Poland are continuing their operations and are likely to remain active throughout the whole period of the coronavirus crisis. This is certainly not the case in terms of the European automotive industry as most, if not all of the car manufacturers have come to a standstill. Since the beginning of 2020, the overall steel demand has been falling dynamically, yet the EU and Poland in particular may enjoy a period of relatively better market conditions for certain steel products as the vast majority of imports into the EU and into Poland seem to have been halted due to transportation restrictions and due to closures of numerous steel facilities. Many countries declare significant stimulus actions involving greater infrastructural spending. In our view, this should provide some relief for construction and basic grades of steel producers in the coming quarters. Nevertheless, the conditions for steel producers in the EU and Poland are expected to be very challenging in the nearest future. Further market developments are dependent on how quickly the coronavirus crisis is overcome. In any case, we hope that the European Commission will strengthen its commitment to preventing subsidised products from entering the EU market.

The overall imbalance between the supply and the demand in the steel business market persists as the average world capacity utilization ratio in 2019 was under 74%. This has led to product dumping in the past and now it is resulting in the outbreak of trade wars. The COVOD-19 crisis can only accelerate protectionism. That could temporarily be positive from the European and the Polish perspective, yet, further escalation of trade wars is likely to hamper long-term growth of the global economy.

In summary, we went through a challenging year of 2019 and now we are entering into even a more bumpy period of risk and uncertainty. We believe however, that our business model, moderate indebtedness and good liquidity will allow us to pass the upcoming test of character.

2. EAF v. BOF Cost Position

Between 2011 and 2015 we saw a steady decrease of the prices of iron ore and coking coal and a much more moderate decrease of ferrous scrap metal prices. The larger scale of iron ore and coking coal decreases resulted in the relative improvement of the cost position of non-integrated (with no mining operations) BOF producers as compared to EAF producers. In 2016, the trend reversed and for the first time in the analysed period, our competitive position improved vis-à-vis the manufacturers that use iron ore and coking coal, according to the following cost model and the following prices of basic raw materials. In 2017, the situation started deteriorating again and in 2018, the negative score for Cognor's cost divergence reached its record level of USD 71 per tonne. Last year the cost divergence saw a complete rebound and EAF producers enjoyed cheaper feedstock cost which improved their competitiveness.

Feedstock Cost Model	BOF	EAF
Tonne / Tonne of crude steel		
iron ore	1.60	
coking coal	0.60	
scrap metal	0.21	1.12

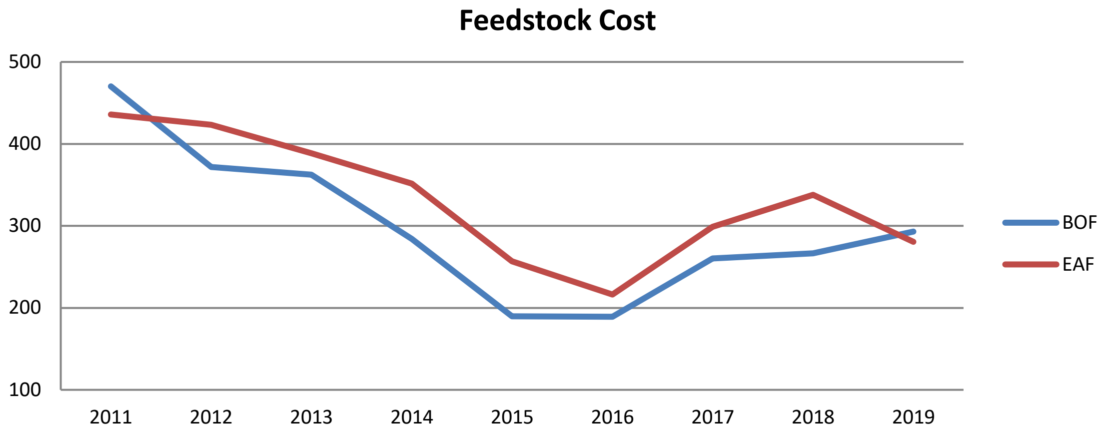
Source: OECD, Steelonthenet, Cognor

Market Prices	iron ore	coking coal	scrap metal
USD / tonne			
2011	168	200	389
2012	129	145	378
2013	135	122	347
2014	97	105	314
2015	55	89	229
2016	59	92	193
2017	72	150	267
2018	70	153	302
2019	94	151	251

Source: IMF (iron ore, 62% Fe spot, CFR Tianjin), EIA (coking coal, export USA), the Company (scrap metal, Ferrostal all qualities mix, mill delivered)

The above translates into the following feedstock costs for BOF and EAF mills.

Feedstock Cost	2011	2012	2013	2014	2015	2016	2017	2018	2019
USD / Tonne									
BOF	470	372	363	284	190	188	257	266	293
EAF	436	423	388	352	257	216	299	338	281
Difference	**34**	**-52**	**-26**	**-68**	**-67**	**-27**	**-38**	**-71**	**13**



In 2019, EAF producers gained an advantage over BOF manufacturers in terms of feedstock costs. This comparison was unfavourable for Cognor as an EAF producer in 2018 and in many previous years. Last year our feedstock cost, which is composed solely of scrap metal, proved less costly compared to a mix of iron ore, coking coal and scrap metal, which are the main input materials for BOF steelmakers. Albeit, we rarely compete with BOF producers on the finished products market due to their specialization in the production of flat products, we oftentimes participate in tenders for the sale of billets. The development of feedstock cost comparison is therefore important for us to follow; in 2019, European EAF producers became more competitive than BOF steelmakers with respect to the sales of semi-finished products.

3. Prices & Spreads

Falling demand for steel products in the EU and Poland, especially from the automotive industry, had a squeezing effect on our conversion spreads, in particular with respect to the market of semi-finished products. The decrease of scrap metal was outpaced by the reduction of prices for our billets and finished products. Our billet spread fell by PLN 240 per tonne and for our finished products it deteriorated by PLN 92 per tonne. The following table presents the average scrap metal, billet and finished product prices as well as conversion spreads for both of our steel plants. The spreads are calculated by way of subtraction of the ferrous scrap metal prices from the billet and product prices.

PRICES AND SPREADS	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
(pln/ tonne)							
FERROSTAL							
scrap metal price *(all qualities, delivered)*	965	1 092	1 014	755	864	989	1 096
billet price *(all qualities)*	1 850	2 138	1 834	1 455	1 660	1 858	2 015
billet spread	*884*	*1 046*	*821*	*700*	*796*	*869*	*919*
finished product price *(all categories)*	2 129	2 321	1 997	1 714	1 842	2 036	2 131
product spread	*1 164*	*1 229*	*983*	*960*	*978*	*1 047*	*1 036*
HSJ							
scrap metal price *(all qualities, delivered)*	1 079	1 206	1 076	823	902	1 041	1 109
billet price *(all qualities)*	2 224	2 692	2 235	1 769	1 968	2 472	2 450
billet spread	*1 145*	*1 486*	*1 159*	*946*	*1 066*	*1 431*	*1 341*
finished product price *(all categories)*	3 280	3 496	2 858	2 463	2 703	2 920	2 937
product spread	*2 201*	*2 290*	*1 782*	*1 640*	*1 801*	*1 879*	*1 829*

4. Market Share

Our production and shipments in 2019 enabled us to achieve the following share in certain areas of the market for steel producers in Poland. We position ourselves as a niche market participant with significant shares in high alloy steels, merchant bars and special quality bars (SQ bars). Lately, a growing share in our product mix has been the sales of rebars. We aim to operate with maximum flexibility in order to be able to interchange between several grades of crude steel and different types of finished products, depending on the current demand and the profitability for various product groups. The table presented below shows details of our market share. Poland's output data relates to various years (as marked) since not all the statistics have yet been made available as of the date of this report and some of the data is no longer collected and announced.

PODUCERS' MARKET	**POLAND** *Tonnes*	**COGNOR 2019** *Tonnes*	*%*
scrap metal procurement *(2017)*	6 174 000	297 976	5%
crude steel total *(2019)*	8 996 000	692 211	8%
carbon steel *(2016)*	8 295 442	440 672	5%
hi-alloy and stainless *(2016)*	902 586	251 539	27%
crude steel EAF *(2017)*	4 626 000	692 211	15%
crude steel BOF *(2017)*	5 320 780		
hot rolled products *(2017)*, incl:	9 039 000	475 911	5%
flat products *(2017)*	3 448 000	4 688	0%
long products *(2017)*, incl.:	5 462 000	471 223	9%
wire rod *(2017)*	1 203 000		
heavy sections *(2017)*	1 384 000		
light sections *(2015)*	36 433		
rails *(2017)*	379 000		
rebars *(2017)*	1 777 000	210 783	12%
merchant bars *(2015)*, incl.:	510 151	102 626	20%
plain bars	165 435	30 927	19%
flat bars, squares and shapes	344 716	71 700	21%
SQ bars *(2015)*	427 043	157 813	37%
seamless tubes *(2017)*	129 000		

(1) excludes direct purchases of mills
Source: CIBEH, HIPHGZ, World Steel Association

III. ACCOUNTS

1. Statements of Profit or Loss and Other Comprehensive Income

Deteriorating market conditions manifested themselves with lower demand and falling prices which resulted in lower total consolidated revenues – by 8.7%. Our crude steel production fell by just 0.5% while our sales of combined scrap metal, billets and finished products decreased just by 1.1% volume-wise and 9.7% value-wise as compared to 2018.

SALES	2019	% YoY	2018	2017	2016	2015	2014
'000 PLN							
Scrap metal	131 952	-29.1	185 997	136 902	70 275	100 051	94 186
Billets	370 012	31.7	332 800	366 629	180 764	228 178	360 524
Finished products	1 200 657	-12.1	1 366 281	1 102 463	942 670	868 672	823 098
Total	**1 702 621**	**-1.1**	**1 885 078**	**1 605 994**	**1 193 709**	**1 196 901**	**1 277 808**
Tonnes							
Scrap metal	141 847	-17.9	172 762	138 865	93 553	118 994	100 059
Billets	184 919	11.2	140 450	185 424	115 496	132 261	188 053
Finished products	475 905	-4.5	498 084	480 910	478 803	392 888	338 359
Total	**802 671**	**-9.7**	**811 296**	**805 199**	**688 791**	**644 143**	**626 471**

The combined price for our billets and finished products manufactured at Ferrostal and HSJ mills went down by 15.6% and 8.0% respectively. Cognor saw a significant deterioration of gross profit – by PLN 105.263 million and 38.1%, EBIT – by PLN 101.616 million and 65.1% and EBITDA – by PLN 99.2 million and 49.6%.

The development of steelmaking conversion spreads, which represent the key driver for our profitability, was negative and resulted in a reduction of gross profit potential to the tune of PLN 88.0 million which was further magnified by: (i) PLN 3.1 million of gross profit loss related to the decrease of total shipments of scrap metal, billets and finished products, (ii) PLN 3.4 million of gross profit loss related to the increase of fixed production costs and (iii) PLN 3.6 million of gross profit loss related to the increase of variable production costs. The contribution from the very price dynamics was strongly negative because Cognor was selling its products from stock according to the FIFO method in the decreasing price environment for the most of 2019. W estimate the total loss related to inventories at PLN 25.6 million, while in 2018 we had a slight gain of PLN 1.9 million. The following tables illustrate the numbers and the method used to estimate the FIFO contribution:

implied result raleted to change of scrap metal cost contained in inventories	**Q4 2017**	**Q1 2018**			**Q2 2018**			**Q3 2018**			**Q4 2018**			**Y 2018**
	scrap cost	opening volume	scrap cost	FIFO result	opening volume	scrap cost	FIFO result	opening volume	scrap cost	FIFO result	opening volume	scrap cost	FIFO result	FIFO result
	PLN/T	*T*	*PLN/T*	*000 PLN*	*T*	*PLN/T*	*000 PLN*	*T*	*PLN/T*	*000 PLN*	*T*	*PLN/T*	*000 PLN*	*000 PLN*
HSJ														
billets & products	1 124	31 683	1 203	2 502	27 709	1 202	-36	26 209	1 206	104	22 823	1 182	-554	2 016
FERR														
billets & products	1 035	52 991	1 092	3 052	59 077	1 081	-661	71 337	1 031	-3 533	46 374	1 053	981	-161
TOTAL				**5 554**			**-697**			**-3 428**			**426**	**1 855**

implied result raleted to change of scrap metal cost contained in inventories	**Q4 2018**	**Q1 2019**			**Q2 2019**			**Q3 2019**			**Q3 2019**			**Y 2019**
	scrap cost	opening volume	scrap cost	FIFO result	opening volume	scrap cost	FIFO result	opening volume	scrap cost	FIFO result	opening volume	scrap cost	FIFO result	FIFO result
	PLN/T	*T*	*PLN/T*	*000 PLN*	*T*	*PLN/T*	*000 PLN*	*T*	*PLN/T*	*000 PLN*	*T*	*PLN/T*	*000 PLN*	*000 PLN*
HSJ														
billets & products	1 182	36 416	1 181	-8	32 384	1 100	-2 633	28 972	1 021	-2 297	17 763	939	-1 460	-6 398
FERR														
billets & products	1 039	65 415	1 048	598	81 209	964	-6 804	86 039	912	-4 499	94 939	822	-8 517	-19 222
TOTAL				**589**			**-9 437**			**-6 796**			**-9 976**	**-25 621**

The exchange rate development of the EUR/PLN had little effect on the Company's revenues. The US Dollar did not act as a currency in our sales transactions yet, its strengthening against the Euro and Zloty provided further indirect support for our revenues.

YEARLY AVERAGE EXCHANGE RATES	2019	2018	2017	2016	2015	2014
PLN						
EUR/PLN	4.30	4.26	4.26	4.36	4.18	4.19
% change	1%	0%	-2%	4%	0%	0%
USD/PLN	3.84	3.61	3.38	3.94	3.77	3.18
% change	6%	7%	-4%	5%	19%	1%

Source: National Bank of Poland

In connection with the strengthening Zloty against the Euro as of the end of 2019 compared to the end of 2018, the Group generated gains related to its indebtedness to the amount of PLN 0.9 million.

END OF PERIOD EXCHANGE RATES	2019	2018	2017	2016	2015	2014
PLN						
EUR/PLN	4.26	4.30	4.17	4.42	4.26	4.26
% change	-1%	3%	-6%	4%	0%	3%
USD/PLN	3.80	3.76	3.48	4.18	3.90	3.51
% change	1%	8%	-17%	7%	11%	17%

Source: National Bank of Poland

Our financial costs were further increased by an amount of PLN 5.0 million which corresponds to 50% of an expense amounting to PLN 10.1 million which we decided to effect in 2019 following the amendment of the Polish corporate income tax (CIT) law. The CIT act, which took effect from January 1, 2019 could potentially result in an additional 20% withholding tax (WT) charge in respect of the past coupon payments effected by Cognor for the benefit of its noteholders under: (i) the senior secured notes which were fully repaid in Q3 2018 and (ii) the 5% exchangeable notes due in 2021 which remain outstanding to the amount of EUR 17.4 million. While we believe that the Group should not be subject to any incremental WT charge resulting from the amended CIT, we nevertheless decided to take advantage of the 3% flat rate option provided for by the new CIT act and have paid the said amount in order to remain free from any risk of being charged with as much as 20% of WT in the future. After having paid the 3% flat rate charge, Cognor has approached the tax office with a demand that the amounts be returned as inapplicable. Unfortunately, we expect the necessity to continue with the legal actions against the tax authorities as their initial response to our demand has been negative. Based on our assessment of our chances to win the court proceedings, we decided to recognize half of the amount of PLN 10.1 million as a financial expense in our income statement in the current period and the other half as an account receivable in our balance sheet as of December 31, 2019.

In 2019, Cognor benefited from the electricity compensation act adopted by the Polish Parliament at the end of 2018 which brought PLN 21.9 million of inflows. Those inflows were meant to partially compensate electricity intensive companies for the strong hike in electricity costs that occurred at the beginning of 2019, which was the result of the increase of CO_2 emission rights prices.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2019	2018	2017	2016	2015
'000 PLN				*restated*	*restated*
Sales revenue	1 901 604	2 081 841	1 789 280	1 377 352	1 365 761
Cost of sales	-1 730 554	-1 805 528	-1 573 044	-1 228 812	-1 266 013
Gross profit	**171 050**	**276 313**	**216 236**	**148 540**	**99 748**
Other income	13 060	10 542	10 126	5 558	4 545
Distribution expenses	-75 261	-76 700	-65 792	-51 231	-48 725
Administrative expenses	-48 140	-46 041	-50 528	-39 343	-35 899
Other gains/(losses) – net	917	1 977	-2 644	2 822	2 901
Other expenses	-7 034	-9 883	-8 188	-6 951	-8 060
EBIT	**54 592**	**156 208**	**99 210**	**59 395**	**14 510**
Financial income	927	4 460	22 131	5 216	26 676
Financial expenses	-31 731	-67 230	-53 339	-68 412	-57 107
Net financing costs	**-30 804**	**-62 770**	**-31 208**	**-63 196**	**-30 431**
Share of profits of associates	-1 455	-662	51	103	-85
Excess in fair value of acquired assets	0	0	0	0	0
Profit before tax	**22 333**	**92 776**	**68 053**	**-3 698**	**-16 006**
Income tax expense	-319	-20 730	-18 148	7 770	3 331
Result from discontinued operations	-2 242	0	0	0	0
Profit for the period	**19 772**	**72 046**	**49 905**	**4 072**	**-12 675**
Depreciation and amortization	-46 236	-43 861	-41 328	-39 022	-36 370
EBITDA	**100 828**	**200 069**	**140 538**	**98 417**	**50 880**

When discussing our profitability, it needs to be noted that certain book entries affecting the overall level of EBITDA and net profit can be of a one-off nature. Last year they diverted the results in positive way as follows:

	Q1	Q2	Q3	Q4	2019
'000 PLN					
Reported EBITDA	**26 814**	**42 943**	**16 902**	**14 169**	**100 828**
Non-recurring items including:	-3 538	6 932	4 033	462	7 889
- costs of sales	*-5 212*	*5 212*	*0*	*-1 751*	-1 751
- other income	*2 298*	*4 426*	*3 420*	*2 601*	12 745
- distribution expenses	*76*	*33*	*-9*	*11*	111
- other gains/losses	*115*	*-35*	*394*	*1 080*	1 554
- operational FX result	*-179*	*-555*	*1 021*	*-1 067*	-780
- other impairments	*-636*	*-1 572*	*-793*	*-412*	-3 413
- other expenses	*0*	*-577*	*0*	*0*	-577
Adjusted EBITDA	**30 352**	**36 011**	**12 869**	**13 707**	**92 939**
Reported net result	**9 128**	**17 132**	**-956**	**-5 532**	**19 772**
Non-recurring items including:	-2 005	3 212	-924	1 157	1 440
- EBITDA adjustments	*-3 538*	*6 932*	*4 033*	*462*	7 889
- FX result on debt	*-81*	*1 331*	*-3 425*	*3 102*	927
- WHT - additional bonds interests	*0*	*-3 305*	*0*	*-1 737*	-5 042
IRS result	*-548*	*-498*	*-282*	*990*	-338
- share of profits of associates	*38*	*-102*	*7*	*-1398*	-1 455
- result of changes in liability to PSH	*1 452*	*-457*	*-491*	*-504*	*0*
- pro-forma income tax adjustment	*672*	*-689*	*-766*	*242*	-541
Adjusted net result	**11 133**	**13 920**	**-32**	**-6 689**	**18 332**

In 2019, non-recurring items increased EBITDA significantly but had a negligible effect on net profit. Our adjusted EBITDA amounted to PLN 92.9 million and the adjusted net profit to PLN 18.3 million.

2. Statement of financial position

The level of non-current assets increased by PLN 108.0 million and 28.5% primarily due to the recognition of the International Financial Reporting Standard 16 (IFRS 16), which was introduced on January 1, 2019 and which has standardized the treatment of leasing arrangements and has resulted in the inclusion into our balance sheet of the assets and liabilities under operational leases, formerly qualified in an off-balance manner. This increased the value of non-current assets by PLN 50.0 million. Capital expenditures increased the value of non-current assets by PLN 102.5 million which was partially offset by the following: (i) depreciation and amortization charges to the tune of PLN 46.2 million, (ii) the dispositions at the amount of PLN 4.3 million and (iii) reduction of deferred tax assets by PLN 3.4 million as a result of the utilization of our tax shield.

The current assets decreased by PLN 57.6 million and 9.3% as a result of PLN 80.0 million and 21.2% of inventories decrease. This was partially offset by PLN 19.9 million and an 11.8% increase of receivables and PLN 2.5 million and 3.3% increase of cash balance.

ASSETS	2019	2018	2017	2016	2015
'000 PLN				*restated*	*restated*
A. TOTAL NON-CURRENT ASSETS	**487 249**	**379 296**	**398 470**	**433 965**	**414 452**
I. Intangible assets	22 296	17 965	13 005	11 938	10 834
II. Property, plant and equipment	375 581	284 617	285 862	300 250	282 266
III. Other receivables	4 293	324	223	126	49
IV. Investment property and other	1 255	2 767	3 431	8 055	16 725
V. Prepaid perpetual usufruct of land	36 618	23 013	25 771	20 220	21 111
VI. Deferred tax assets	47 206	50 610	70 178	93 376	83 467
B. TOTAL CURRENT ASSETS	**564 482**	**622 082**	**552 219**	**474 444**	**438 736**
I. Inventories	297 001	376 969	277 494	303 938	269 735
II. Receivables	188 525	168 654	172 679	139 440	126 192
1. Trade receivables	*188 342*	*167 982*	*171 889*	*137 394*	*125 775*
2. Current income tax receivable	*38*	*660*	*778*	*1 908*	*290*
3. Other investments	*145*	*12*	*12*	*138*	*127*
III. Cash and cash equivalents	78 956	76 459	102 046	25 054	37 303
IV. Prepayments	0	0	0	6 012	5 506
V. Assets classified as held for sale	0	0	0	0	0
Total	**1 051 731**	**1 001 378**	**950 689**	**908 409**	**853 188**

Equity decreased by PLN 18.7 million and 6.3% primarily due to the decision to pay a dividend for the year 2018 at the amount of PLN 34.6 million. That was partially offset by the positive net result at the amount of PLN 19.8 million. Interest bearing loans and borrowings went up by PLN 21.5 million and 7.6% which resulted primarily from the implementation of IFRS 16 which added as much as PLN 52.2 million to our indebtedness. That was partially offset by the repayment of our debt obligations at the amount of PLN 36.9 million which was counterbalanced by an increase of financial lease obligations *(other than resulting from IFRS 16)* at the amount of PLN 10.8 million. The repayment of indebtedness involved cash generated from operations including the following sources: (i) inflows from working capital to the tune of PLN 61.2 million primarily due to the decrease of inventories, (ii) the net profit and (iii) utilisation of the tax shield. The FX result at PLN 0.9 million had a negligible effect on our indebtedness.

EQUITY AND LIABILITIES	2019	2018	2017	2016	2015
'000 PLN				*restated*	*restated*
A. EQUITY	**277 191**	**295 885**	**241 834**	**160 300**	**170 542**
I. Issued share capital	185 911	180 626	177 923	150 532	139 702
II. Reserves and retained earnings	72 897	97 538	47 426	-4 007	9 271
III. Minority interest	18 383	17 721	16 485	13 775	21 569
B. LIABILITIES	**774 540**	**705 493**	**708 855**	**748 109**	**682 646**
I. Non-current liabilities	279 916	259 585	388 800	418 937	440 152
1. Employee benefits obligation	*11 071*	*10 677*	*11 282*	*9 202*	*9 230*
2. Interest-bearing loans and borrowings	*249 669*	*229 188*	*358 003*	*378 383*	*387 034*
3. Other	*19 176*	*19 720*	*19 515*	*31 352*	*43 888*
II. Current liabilities	494 624	445 908	320 055	329 172	242 494
1. Interest-bearing loans and borrowings	*55 170*	*54 161*	*44 523*	*74 656*	*48 882*
2. Bank overdraft	*0*	*0*	*24 607*	*25 274*	*18 767*
3. Other financial liabilities	*2 869*	*2 531*	*0*	*0*	*0*
4. Trade payables	*424 370*	*371 911*	*242 324*	*221 051*	*166 067*
5. Deferred government grants	*9 324*	*5 653*	*117*	*117*	*117*
6. Employee benefits obligation	*2 346*	*7 258*	*5 122*	*4 939*	*4 884*
7. Current income tax payable	*319*	*0*	*0*	*0*	*5*
8. Provisions for payables	*226*	*4 394*	*3 362*	*3 135*	*3 772*
Total	**1 051 731**	**1 001 378**	**950 689**	**908 409**	**853 188**

3. Cash Flow Statement

The Company generated a positive cash flow from its operating activities primarily due to the positive EBITDA and to the flow from working capital at the amount of PLN 61.2 million.

Investment cash flow was negative with expenditures related to the acquisition of tangible and intangible assets at the amount of PLN 59.7 million. This was partially offset by inflows from the dispositions at PLN 3.6 million.

Financing cash flow was negative due to: the repayment of the principal of our indebtedness at the amount of PLN 59.4 million, which includes payments related to IFRS 16 at the amount of PLN 2.7 million, (ii) payment of coupons accrued on Exchangeable Notes at the total amount of PLN 3.9 million, (iii) interest and other costs at the amount of PLN 17.6 million, which includes payments related to IFRS 16 at the amount of PLN 2.3 million and (iv) payment at the amount of PLN 10.1 million regarding the WT 3% flat rate – please refer to the explanation in the second last paragraph on page 9. That was partially offset by the amount of PLN 7.2 million under subsidies related to capital expenditure and research and development undertakings.

CASH FLOW	2019	2018	2017	2016	2015
'000 PLN				*restated*	*restated*
A. OPERATING ACTIVITIES	142 380	232 195	145 440	94 097	98 260
B. INVESTING ACTIVITIES	-56 153	-37 603	-15 402	-32 679	-3 427
C. FINANCING ACTIVITIES	-83 830	-195 572	-52 379	-80 174	-106 423
Net increase in cash	**2 497**	**-980**	**77 659**	**-18 756**	**-11 190**

4. Main Metrics

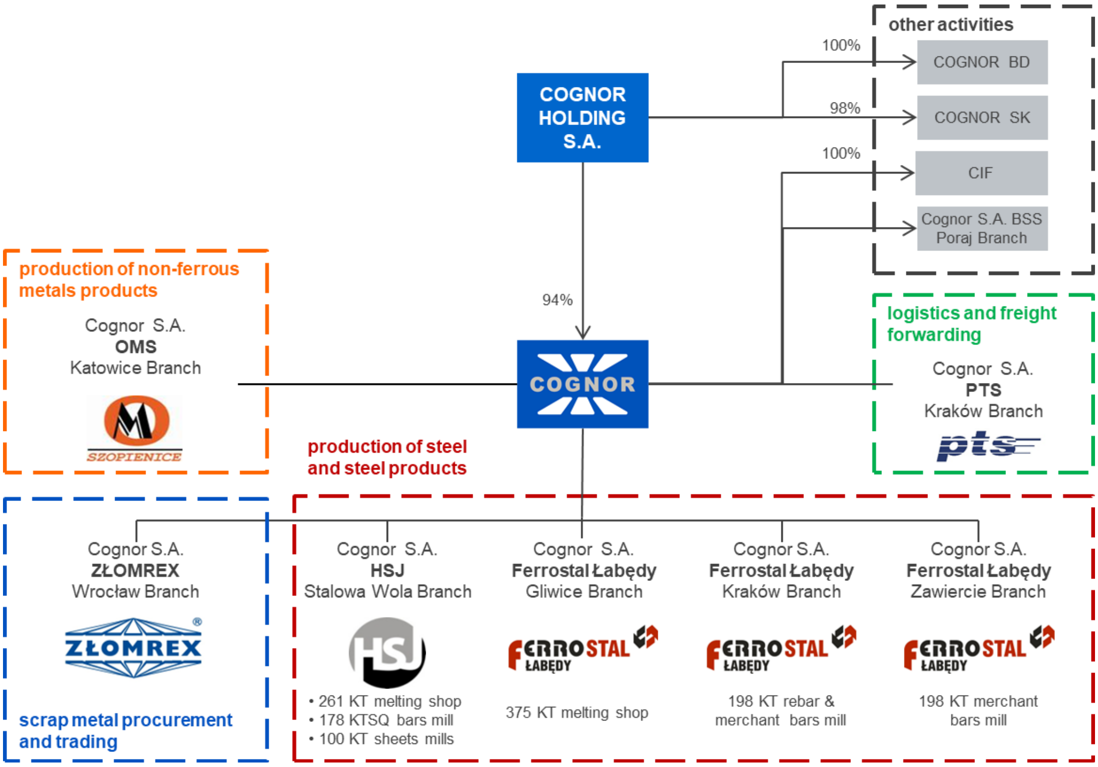
Following the refinancing of the Senior Notes in 2018 and incurrence of the new amortized bank financing, our liquidity metrics fell, though they remain at reasonable levels. The turnover of inventories improved by 13 days and the receivables cycle worsened by 7 days and they also maintain positive levels. The profitability metrics deteriorated significantly as a consequence of weaker results. The Company's leverage went up to 1.7 times as a consequence of lower EBITDA. Our net indebtedness, adjusted in 2019 for the effect of IRS 16, went further down to 173.705 million.

MAIN METRICS		2019	2018	2017	2016	2015
Liquidity ratio		1.28	1.40	1.73	1.44	1.81
Quick ratio		0.60	0.55	0.86	0.52	0.7
Inventories turnover	*days*	63	76	64	90	78
Receivables turnover	*days*	36	29	35	36	34
EBITDA margin		5.3%	9.6%	7.9%	7.1%	3.7%
Net profit margin		1.0%	3.5%	2.8%	0.3%	-0.9%
Equity	*'000 PLN*	277 191	295 885	241 834	160 300	170 542
Net debt*	*'000 PLN*	173 705	209 421	325 087	453 259	417 380
Net debt* / EBITDA		1.7	1.0	2.3	4.6	8.2

* net debt amount in 2019 adjusted (reduced) for IFRS 16 at the amount of PLN 52.2 million

IV. COGNOR GROUP STRUCTURE

1. Cognor Group Organisational Chart



Description of Abbreviations

FULL COMPANY NAME	ABBREVIATION
Cognor S.A.	COGNOR
Cognor Blachy Dachowe S.A.	COGNOR BD
Cognor Holding S.A. Spółka komandytowa	COGNOR SK
Cognor International Finance PLC	CIF

2. Share Capital

Cognor's shares are listed on the Warsaw Stock Exchange. In addition to the existing shares, Cognor has issued 66,220,000 warrants series B of which majority was subscribed by PS HoldCo Sp. z o.o. (PSH), a majority shareholder in the Company both currently and at the time. Subject to minor exemptions, all of the holders of warrants series B are allowed to subscribe for one share per warrant during the period of the next 6 years at the current strike price of PLN 1.61.

In February 4, 2014 Cognor has issued senior notes (the Senior Notes) at the amount of EUR 100.348.109,00 and exchangeable notes at the amount of EUR 25,087,003.00 (the Exchangeable Notes) both in exchange for the previously outstanding notes. In August and September of 2018 all of the Senior Notes then outstanding, were prematurely redeemed. For that purpose, Cognor entered into the new long-term bank financing at the amount of EUR 60.0 million which is subject to amortization and matures in December 31, 2022. The Exchangeable Notes have not been subject to any refinancing and they remain outstanding at the amount which has been decreasing following each conversion demand being filed by Exchangeable Notes holders from time to time and the resultant delivery of the new capital shares.

In order to structure the Exchangeable Notes' issue, all of the warrants of series B held initially by PSH were transferred to Cognor International Finance PLC (CIF), a 100% London based subsidiary of the Group and a special purpose financial entity which acted as an issuer of both the Senior and the Exchangeable Notes programmes. CIF is holding warrants received from PSH on behalf of the Exchangeable Notes' holders who have the right to convert into Cognor's capital shares by presenting the warrants and converting their claim under the Exchangeable Notes at a fixed EUR/PLN rate of 4.3. Demands to exchange could be filed with CIF from April 1, 2015 until the Exchangeable Notes' maturity in 2021. At maturity the conversion becomes mandatory for all holders.

Concurrently with the closing of the bond exchange transaction in 2014, Cognor issued 200 warrants series C, all offered to PSH. PSH is allowed to subscribe for one share per warrant during the period of the next 8 years at the strike price of PLN 1,000,000.00.

Since 2015, a number of the Exchangeable Notes' holders have demanded conversion into Cognor's shares. As a consequence, at the year end the nominal of the Exchangeable Notes outstanding accounted for EUR 17,356,604. Within that amount PSH held EUR 5,438,906. Due to the mandatorily exchangeable nature of that instrument the Exchangeable Notes are not accounted for as debt in Cognor's balance sheet, but as part of equity. The following table illustrates the holding structure of capital shares and warrants as of December 31, 2018:

HOLDERS	SHARES	%	WARRANTS B & C	%
PSH	92 430 239	74.6	200	0.0
CIF	0	0.0	45 670 246	89.5
Free-float	31 510 178	25.4	5 360 000	10.5
Total	123 940 417	100.0	51 030 446	100.0

As of the date of this report, the outstanding amount of the Exchangeable Notes has not changed. In any case, the ultimate share capital remains constant and comprises the existing capital shares and new ones to be ever subscribed through the warrants B and C, which accounts to 174,970,863 shares in total.

V. BUSINESS

According to our organizational chart, our business structure has been divided into four main divisions and other activities:

1. *scrap metal procurement and trading division* – includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. *production of steel and steel products division* – includes activities of processing scrap metal into steel billets, steel billets into finished products, and their sale;
3. *production of non-ferrous metals products division* – includes production of brass bars and aluminium alloys from non-ferrous scrap metal;
4. *logistics and freight forwarding division* – includes transportation and freight forwarding services;
5. *other* – this segment includes other activities such as: production of roofing sheets, financial activities and real property management and development.

However, in order to present our primary activities clearly and consistently, we are also analyzing our operations across the following segments:

a) *scrap metal segment* which includes sourcing and processing of ferrous scrap metal which is then used internally or sold to external clients,
b) *semi-finished products segment* including the production of steel billets which are partly used internally and partly sold to external clients,
c) *finished products segment* which includes the production of finished steel products and sales of bulk products to external clients,
d) *other segments* primarily consist of non-ferrous activities of the Group including sourcing and trading in non-ferrous scrap metal, the production and sales of non-ferrous products, the production of roofing sheets and distribution of steel products, financial activities and real property management and development.

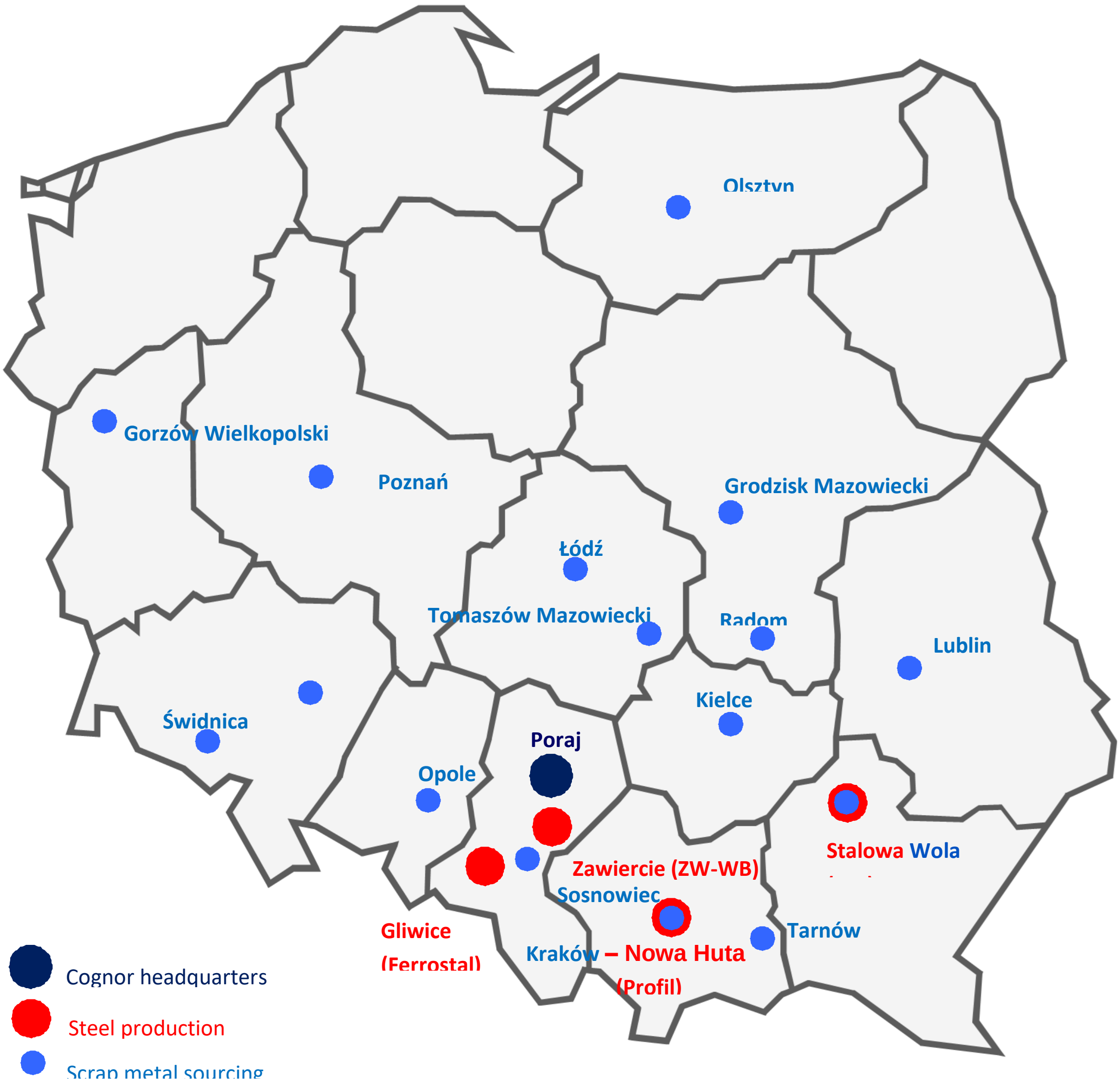
1. Scrap Metal Segment

We are one of the leaders in scrap procurement and trading in Poland with our market share in scrap purchases (excluding the direct purchases by Ferrostal and HSJ) at approximately 5%. Scrap operations are conducted by Złomrex business unit (branch). Scrap sourcing activities are also conducted individually by Ferrostal and HSJ entirely for the purpose of their own steel melting.

We own a wide network of 16 scrap branches located close to sources of scrap metal in Poland. They are equipped with all the facilities necessary to collect, process and ship scrap metal.

In 2019, we purchased 856,929 tonnes of scrap metal, out of which 141,847 tonnes were sold to external clients in Poland and abroad.

The map provided below shows all the main scrap locations, together with our production sites and the headquarters of Cognor.



SCRAP METAL	2019	2018	2017	2016	2015
PURCHASES FROM EXTERNAL SUPPLIERS *Tonnes*					
FERROSTAL	378 144	380 904	329 931	358 383	269 155
ZŁOMREX	297 976	345 308	331 912	306 145	321 631
HSJ	180 809	191 072	161 244	138 704	131 897
INTERNAL USE *Tonnes*					
FERROSTAL	493 125	481 737	483 225	453 611	409 709
HSJ	286 514	302 974	281 624	258 680	252 364
SALES TO EXTERNAL CLIENTS *Tonnes*					
ZŁOMREX	141 847	172 762	130 883	95 553	118 994
FERROSTAL	0	0	7 982	0	0
SALES *'000 PLN*					
CONSOLIDATED	131 952	185 997	136 902	70 275	100 051
TOTAL PURCHASES in TONNES	**856 929**	**917 284**	**823 087**	**803 232**	**722 683**
TOTAL INTERNAL USE in TONNES	**779 639**	**784 711**	**764 849**	**712 291**	**662 073**
TOTAL SALES in TONNES	**141 847**	**172 762**	**138 865**	**93 553**	**118 994**
TOTAL SALES in '000 PLN	**131 952**	**185 997**	**136 902**	**70 275**	**100 051**

2. Semi-Finished Products Segment

With 692,211 tonnes of crude steel produced by the Group in 2019, we had a 8% share in the overall Polish steel production, which amounted to 9.0 million tonnes last year[1]. Our market share in high-alloy steel grades is much greater – with a total of 241,055 of high-alloy crude steel, we had approximately 27% of this market segment in Poland[2]. Approximately four fifths of our production of semi-finished products is further rolled by our rolling mills. However, a considerable portion of our billets is sold to external clients in Poland and abroad, namely, 184,919 tonnes.

[1] Source: World Steel Association
[2] Source: CIBEH

We own two steel melting shops, both of which are located in Poland: in Gliwice (Ferrostal) and in Stalowa Wola (HSJ). In 2019, our combined capacities were utilized by up to 108.8%.

2015	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERROSTAL	375 000	363 492	96.9%
HSJ	261 000	219 962	84.3%
Total	**636 000**	**583 453**	**91.7%**

2016	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERROSTAL	375 000	402 676	107.4%
HSJ	261 000	226 090	86.6%
Total	**636 000**	**628 766**	**98.9%**

2017	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERROSTAL	375 000	431 731	115.1%
HSJ	261 000	246 189	94.3%
Total	**636 000**	**677 920**	**106.6%**

2018	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERROSTAL	375 000	429 687	114.6%
HSJ	261 000	265 693	101.8%
Total	**636 000**	**695 380**	**109.3%**

2019	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERROSTAL	375 000	440 672	117,5%
HSJ	261 000	251 539	96,4%
Total	**636 000**	**692 211**	**108,8%**

BILLETS	2019	2018	2017	2016	2015
PRODUCTION *Tonnes*					
FERROSTAL	440 672	429 687	431 731	402 676	363 492
HSJ	251 539	265 693	246 189	226 090	219 962
INTERNAL USE *Tonnes*					
FERROSTAL	333 017	348 404	320 796	311 048	259 379
HSJ	197 548	222 250	202 091	185 611	191 840
SALES TO EXTERNAL CLIENTS *Tonnes*					
FERROSTAL	130 928	97 007	141 326	85 337	104 113
HSJ	53 991	43 443	44 098	40 479	28 148
SALES *'000 PLN*					
CONSOLIDATED	370 012	332 800	366 629	198 790	228 178
TOTAL PURCHASES in TONNES	**0**	**0**	**0**	**0**	**26**
TOTAL PRODUCTION in TONNES	**692 211**	**695 380**	**677 920**	**628 766**	**583 454**
TOTAL INTERNAL USE in TONNES	**530 565**	**570 654**	**522 887**	**496 659**	**451 219**
TOTAL SALES in TONNES	**184 919**	**140 450**	**185 424**	**125 816**	**132 261**
TOTAL SALES in '000 PLN	**370 012**	**332 800**	**366 629**	**198 790**	**228 178**

3. Finished Products Segment

The finished products segment consists of the production, purchasing and wholesale distribution of finished products. Currently the Group operates five rolling mills in three locations in Poland: Zawiercie (ZW-WB), Kraków (Profil) and Stalowa Wola (HSJ).

2015	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	78 441	39.6%
PROFIL - plain bars, flat bars, squares	240 000	150 402	62.7%
HSJ - bars	178 000	153 712	86.4%
HSJ - sheets	100 800	19 225	19.1%

2016	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	80 480	40.6%
PROFIL - plain bars, flat bars, squares	240 000	223 029	92.9%
HSJ - bars	178 000	151 160	84.9%
HSJ - sheets	100 800	5 698	5.7%

2017	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	78 729	39.8%
PROFIL - plain bars, flat bars, squares	240 000	226 647	94.4%
HSJ - bars	178 000	161 905	91.0%
HSJ - sheets	100 800	5 698	9.7%

2018	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	79 835	40.3%
PROFIL - plain bars, flat bars, squares	240 000	252 415	105.2%
HSJ - bars	178 000	184 253	103.5%
HSJ - sheets	100 800	4 713	4.7%

2019	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	76 665	38.7%
PROFIL - plain bars, flat bars, squares	240 000	240 909	100.4%
HSJ - bars	178 000	161 368	90.7%
HSJ - sheets	100 800	5 763	5.7%

FINISHED PRODUCTS	2019	2018	2017	2016	2015
PRODUCTION *Tonnes*					
ZW-WB	76 655	79 985	78 729	80 480	78 441
HSJ	167 131	188 966	171 697	156 858	172 937
PROFIL	240 909	252 415	226 647	223 029	150 402
SALES TO EXTERNAL CLIENTS *Tonnes*					
FERROSTAL	291 267	293 564	307 607	318 095	224 491
HSJ	184 638	204 520	165 082	160 708	168 397
SALES *'000 PLN*					
CONSOLIDATED	1 200 657	1 366 981	1 085 773	941 127	868 672
TOTAL PURCHASES in TONNES	**0**	**0**	**19**	**132**	**582**
TOTAL PRODUCTION in TONNES	**484 695**	**521 216**	**477 073**	**460 367**	**401 780**
TOTAL BULK PRODUCT SALES in TONNES	**475 905**	**498 084**	**472 689**	**478 803**	**392 888**
TOTAL SALES in '000 PLN	**1 200 657**	**1 366 281**	**1 085 773**	**941 127**	**868 672**

In 2019, the apparent use of finished products in Poland is estimated at 14.0 million tonnes[1]. The production of finished products in 2017 reached 9.0 million tonnes, of which 5.5 million tonnes consisted of long products, including seamless tubes[2]. Within long products, merchant bar production accounted for 0.5 million tonnes[3] in 2015. Our market share in the production of merchant bars is therefore approximately 20%. The production of SQ bars reached 0.4 million tonnes[3] and according to those figures, we have reached approximately 37% of market share. An increasingly important product line of ours has become rebar manufacturing. Our market share in the production of rebars reached approximately 12% with the Poland's total production in 2017 of 1.8 million tonnes[2].

[1] *Source: Wood McKenzie*
[2] *Source: World Steel Association*
[3] *Source: CIBEH*

4. Other Segments

This segment consists of sourcing and trading in non-ferrous scrap metal, production and sales of non-ferrous products, freight forwarding and logistics, management and development of real properties and others. We view the segment as peripheral, so we do not concentrate on its activities.

VI. BUSINESS DEVELOPMENT

The steel industry is a very competitive, cyclical and changeable business. The keys to success are: (i) cost efficiency, (ii) production flexibility, which stands for the capability of shifting across various steel grades, as well as types of semi-finished and finished products, (iii) product quality and (iv) industry and customer diversification. In order to address the aforesaid principles, a steel manufacturer should be able to define and apply adequate maintenance and capital expenditures policy and be active in research and development.

In 2019, Cognor managed to finalize investment processes with respect to a number of projects in particular: (i) closure of water circuit at Kraków rolling mill (Profil), (ii) new rotary furnace plus ancillary facilities at Stalowa Wola SQ bar rolling mill (HSJ); modernization of EAF and CCM at Stalowa Wola melting shop (HSJ). The following items still remain pending at certain stages of advancement including (object; expected cost; planned commissioning):

1. Gliwice melting shop (Ferrostal):
   a) modernization of the EAF furnace; PLN 30.0 million; Q4 2020,
   b) new transformer; PLN 5.0 million; Q4 2020,
   c) new SVC station; PLN 12.0 million; Q4 2020

2. Kraków rolling mill (Profil):
   a) modernisation of the roughing stands; PLN 7.0 million; Q3 2020
   b) modernisation of the reheating furnace; PLN 12.0 million; Q4 2020
   c) modernisation of the rolling stands and the finishing line; PLN 62.0 million; Q1 2021

The afore-mentioned development projects are expected to result in the following operational improvements:

1. Gliwice melting shop (Ferrostal):
   a) increase of production capacity to approximately 550 thousand tonnes,
   b) reduction of variable costs by approximately PLN 4.0 per tonne of crude steel.

2. Kraków rolling mill (Profil):
   a) reduction of variable costs by PLN 20.0 per tonne of finished product,
   b) reduction of fixed costs by approximately PLN 6.0 million per annum,
   c) broadening of product portfolio.

Cognor is engaged in a couple of research and development projects that are not related to maintenance and capital investments. They are being conducted at our melting shop in Gliwice (Ferrostal) and both of them are supported by EU funds. They are expected to finalize in 2020. The subject matters of these research and development projects are as follows: (i) recycling of scale in an electric arc furnace leading to lower waste generation and (ii) development of deep steel refining in a ladle furnace and in a tundish.

VII. LIQUIDITY

Cognor is primarily financed by long-term bank and leasing facilities, as well as its own cash resources. We have also access to a number of short-term liquidity lines including: overdrafts and factoring arrangements on a non-recourse basis. The existing diversification of the short-term facilities allows us to assume the ongoing access to financing means that are necessary to continue and develop our operations. We view the total amount of the facilities to be sufficient for the current needs of the Company, as well as providing a comfortable cushion for any incremental cash needs.

VIII. CORPORATE GOVERNANCE

There were no changes in the Supervisory Board, nor the Management Board of the Company. No significant changes occurred at Cognor's subsidiaries either.

IX. 2019 SUMMARY AND OUTLOOK ON 2020

In 2019, European steelmakers suffered from weak demand for their products and from unfair trade practices. Conversion margins (spreads) contracted significantly for all producers, in particular for BOF mills which were hurt by the increasing cost of feedstock material relative to EAF manufacturers. The EU anti-dumping and safeguarding measures have remained inadequate, while the price for CO2 emission rights stayed at very high level and resulted in an increase of production costs.

Irrespective of that, we attained most of our business goals, including the finalization of a number of capital investment projects, primarily at Stalowa Wola location, which have resulted in the reduction of our costs and in an increase of our production capacities there. We will continue CAPEX programmes into 2020 and 2021 to achieve even greater effects at our facilities in Gliwice and Kraków. Finally, irrespective of the difficult market circumstances, we achieved a positive net result and made further progress in the reduction of our net indebtedness.

The upcoming trends in our business have always been difficult to predict. Forecasting now has become an even harder task due to the pandemic of COVID-19. It may negatively impact Cognor's business in various ways. The dynamics of events during this crisis makes it very difficult to identify and properly evaluate all of them.

Main short-term risk factors include the following: increased sick-leave rate, shortages in deliveries of production input materials, administrative decisions on closures of our production facilities and temporary closures or bankruptcies of our clients. All of those factors may result in the reduction or even halting of the entire production output. Such impacts, subject to their duration, could negatively affect our profits or may result in our Company suffering losses. It is impossible to judge their extent if those risks materialize. Other than temporary closures of our clients, the factors discussed have not materialized so far, which does not mean that the likelihood of their occurrence is very remote. On the contrary, the longer the situation persists, the higher the probability becomes. Nevertheless, if the pandemic crisis repeats its pattern that has been known from Asia, we are of the opinion that its consequences are not likely to significantly threaten the ongoing operations of our company.

So far, the COVID-19 pandemics has had little impact on our production and sales. A number of our clients, in particular within our automotive business, have informed us of the temporary closures of their facilities therefore making it impossible for us to deliver our products as per the agreed delivery terms. However, this has not prevented us from the continuation of work at full capacities since we managed to supplement the withheld sales with new orders from other clients. Our overall activity is to a certain extent secured with the broad diversification of our product portfolio and client base. We do not rely on a single industry, nor on a single type of product. On top of the automotive sector, we sell to the construction industry and other industries where the market conditions during the coronavirus crisis have been much more stable so far. Therefore, if the pandemics was to last longer according to the existing scope of regulatory and business restrictions, it would not have vastly damaging effects on our liquidity, nor on the continuation of everyday business. In spite of that, we have decided to build our liquidity position as much as possible in order to become better prepared for a further deterioration of market circumstances in the coming quarters, if that happens.

Given the above uncertainties, we will not be providing any guidance for 2020 in terms of results. Our main goal for 2020 is to secure the ongoing operations and to continue all investment projects while making sure that all health and safety rules are secured for our employees. On top of that, we will be striving to build an additional liquidity cushion by applying a more disciplined approach to our working capital management. As part of that, we are not recommending to pay any dividend from 2019 net profit.

X. EARNINGS CALL

The conference call on our 2019 results will be held in English language on Wednesday, April 1, 2020, at 14:00 CET (13:00 London). On that day, a presentation discussing the operational and financial details will also be made available on the Company's website at: www.cognor.eu.

All participants are invited to review the presentation and are kindly asked to:
- call the appropriate dial-in number listed below 10 minutes prior to the call start time and
- provide the operator with the conference ID: **2735178**.

You will find the dial-in numbers in the appendix.

………………………………	………………………………
Przemysław Sztuczkowski	*Przemysław Grzesiak*
Chairman of the Executive Board	*Vice-chairman of the Executive Board*
………………………………	………………………………
Krzysztof Zoła	*Dominik Barszcz*
Member of the Executive Board	*Member of the Executive Board*

Poraj, March 30, 2020

APPENDIX – the conference call dial-in numbers:

Participant Std International Dial-In:	+44 (0) 2071 928000

United Kingdom

Participant UK FreeCall Dial-In Number:	08003767922
Participant UK LocalCall Dial-In Number:	08445718892

Participant FreeCall Dial in numbers:	
Argentina	08004446755
Australia	1800092439
Austria	0800111950
Belgium	080048740
Brazil	08008914643
Bulgaria	0080013795
Canada	18669926802
China	8008703576
Colombia	018009157416
Cyprus	80094491
Czech Republic	800700917
Denmark	80718097
Egypt	08000000798
Estonia	8000111690
Finland	0800773496
France	0805103028
Germany	08007234866
Greece	8008481044
Hong Kong	800966027
Hungary	0680015520
India	180030104023
Indonesia	00180304411381
Ireland	1800936148
Israel	1809203624
Italy	800682772
Japan	006633812274
Latvia	80004605
Luxembourg	80024782
Mexico	0018669664109
Norway	80051874
Poland	008001214106
Romania	0800896138
Russian Federation	81080023575011
Singapore	8008526250
Slovak Republic	0800001436
Slovenia	080080368
South Africa	0800014553
Spain	800098826
Sweden	0200125581
Switzerland	0800740377
Taiwan	0809090322
Thailand	001800442166
Turkey	0080044631146

United Arab Emirates	800035703493
United States	18669661396

Participant Local Call Dial-In Numbers:

Australia, Sydney	0286078541
Austria, Vienna	019286559
Belgium, Brussels	024009874
Bulgaria, Sofia	024917756
China, All Cities	4006225517
Czech Republic, Prague	228881424
Denmark, Copenhagen	32728042
Finland, Helsinki	0942450806
France, Paris	0176700794
Germany, Berlin	030221531802
Germany, Frankfurt	06924437351
Hungary, Budapest	0614088064
India, Bangalore	08033572625
Ireland, Dublin	014319615
Italy, Rome	0687502026
Latvia, Riga	66163046
Luxembourg, Luxembourg	27860515
Netherlands, Amsterdam	0207143545
Norway, Oslo	23960264
Poland, Warsaw	222120152
Slovak Republic, Bratislava	0233456582
Slovenia, Ljubljana	016009397
Spain, Madrid	914146280
Sweden, Stockholm	0850692180
Switzerland, Bern	0315800059
United States, New York	16315107495