Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Cognor Holding S.A.

Report on the audit of annual consolidated financial statements

Our opinion

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the consolidated financial position of Cognor Holding S.A. Group ("the Group"), in which Cognor Holding S.A. is the parent entity ("the Parent Company") as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union, and the adopted accounting policies;
- comply, in terms of form and content, with the laws applicable to the Group and with the Parent Company's Articles of Association;

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

What we have audited

We have audited the annual consolidated financial statements of Cognor Holding S.A. Group, which comprise:

- the consolidated statement of financial position as at 31 December 2020

and the following prepared for the financial year from 1 January to 31 December 2020:

- the consolidated statement of profit or loss and other comprehensive income,
- the consolidated statement of changes in equity,
- the consolidated statement of cash flows, and
- the explanatory notes comprising a description of the adopted accounting policies and other explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors ("NSA") and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Law on Registered Auditors" – Journal of Laws of 2020, item 1415) and the Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the "EU Regulation" – Journal of Laws EU L158). Our responsibilities under those NSA are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section of our report*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

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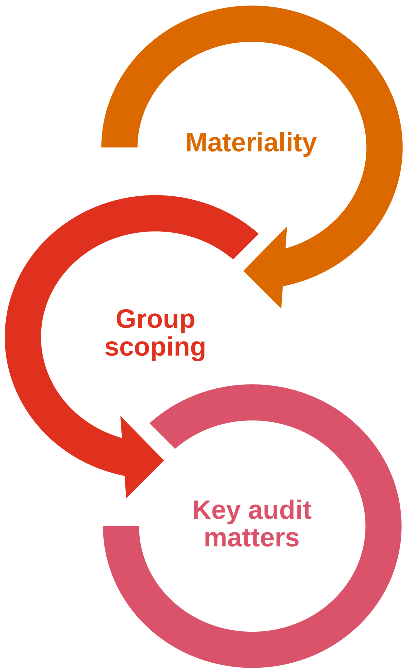
Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 14 million, which represents 0,8 % of revenue from contracts with customers.

- We have audited the annual standalone and consolidated financial statements of Cognor Holding S.A.
- We have also audited the financial statements of a subsidiary Cognor S.A. and performed some other audit procedures with respect to financial statements of selected subsidiaries.
- The scope of our procedures included 99 % of the Group's revenue and 99% of the Group's financial result before consolidation eliminations.

- The key audit matters comprised:
  - risk of fraud in revenue recognition,
  - valuation and existence of inventories.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Company's Parent Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operated.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	PLN 14 million
How we determined it	0.8% of revenue from contracts with customers
Rationale for the materiality benchmark applied	We have adopted revenue from contracts with customers as the basis for determining materiality due to the high volatility of the Group's financial results in recent years, resulting from both the restructuring process and factors beyond the Group's control, mainly including fluctuating exchange rates and steel market prices. We also considered the impact of COVID-19 on the Group's industry, as well as industries with which the Group cooperates. We assumed the materiality at the level of 0.8% because, based on our professional judgment, it is within the acceptable quantitative thresholds for materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 0,7 million PLN, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Emphasis of matter

In accordance with the regulations in force as at the date of this audit report, the consolidated financial statements should be prepared in the XHTML format and properly marked with XBRL tags. As described in note 35 to the consolidated financial statements, the Management Board of the Parent Company withdrew from meeting these requirements due to the circumstances described in this note, including the fact that the announced communication of the Ministry of Finance contains information on ongoing works on changes in the legal system that would postpone the requirement to use XHTML format and XBRL marking for the consolidated financial statements for the financial year ending 31 December 2020, which will apply retroactively, and therefore will also apply to these audited consolidated financial statements.

For the above reasons, our opinion is not modified with regard to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Risk of fraud in the revenue recognition Revenue is one of the key measures of the result of the Group's operating activities during the year against the market, indicating the degree of utilization of its production capacity and ability to absorb fixed costs of operations. Due to the above, there is a risk of misstatement as a result of intentional overstatement of revenue in the financial statements by, e.g., recognizing fictitious sale transactions, recognizing transactions in incorrect amounts or in the wrong reporting period, or overstating revenue through manual postings. Given the above, we have concluded that this is a key matter for our audit. Disclosures regarding the applied accounting policies are presented in note 2 r), and details of revenue recognized in the period - in note 5 to the consolidated financial statements	Our audit procedures included in particular: • understanding and evaluation the internal control system in the revenue process; • analysis of the accounting policies for revenue recognition; • review of a selection of contracts with key customers; • testing of selected sales transactions during the year; • independently confirming selected trade receivable balances at the balance sheet date; • testing of documents adjusting revenue during the audited financial year and after the year-end; • testing all material manual journal entries affecting sales revenue during the year, meeting pre-defined criteria.
Valuation and existence of inventories Inventories constitute a significant part of the Group's assets. Inventories are stored in dozens of locations that are subject to periodic inventories. Due to the characteristics of the stock (steel scrap and steel products), it is susceptible to a number of risks, including mainly the risk of misappropriation or theft, incorrect classification (scrap), or impairment due to fluctuations in market prices. Given the said description of the inventories and a prudent valuation based on assumptions about the future net realizable values and a judgement as to the usefulness of the individual inventory items, we have concluded that the valuation and existence of inventories are a key matter for our audit. Disclosures regarding inventories are presented in notes 2 i) and 18 to the consolidated financial statements.	Our audit procedures included in particular: • understanding and evaluation of internal controls, especially in the processes of: physical control over inventories, identification of slow-moving and impaired inventories, and the principles for determining inventory valuation allowances; • attending observing stock counts performed by the Group in various stock-taking locations and an independent counts of selected inventory items, including paying attention to the identification of impaired inventories, and an independent counts of selected inventory items; • verifying the correctness of the accounting for stock count results in the books of account; • testing the valuation of selected stocks of materials, work in progress and finished goods; • a critical assessment of the assumptions and estimates made by the Parent Company's Management Board, used to determine the value of inventory valuation allowances; • verifying the mathematical accuracy and methodological consistency of the calculation of inventory valuation allowances and measuring inventories at a lower of cost and net realizable value.

Responsibility of the Management and Supervisory Board for the consolidated financial statements

The Management Board of the Parent Company is responsible for the preparation of the annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Parent Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent Company's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2021, item 217, as amended). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not cover an assurance on the Company's Group's future profitability or the efficiency and effectiveness of the Parent Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board.
- Conclude on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Report on the operation

Other information

Other information comprises a report on the Group and Parent Company's operations for the financial year ended 31 December 2020 ("the Report on the operations") with corporate governance statement, which is a separate part of the Report on the operations, and a separate report on non-financial information referred to in Article 55(2b) of the Accounting Act (together "Other Information").

Other information does not include the financial statements and our auditor's report thereon.

Responsibility of the Management and Supervisory Board

The Management Board of the Parent Company is responsible for preparing Other Information in accordance with the law.

The Parent Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the operations including its separate parts and a separate report on non-financial information complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the consolidated financial statements does not cover Other Information.

In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the information in the consolidated financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Law on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Parent Company and the Group provided the required information in its corporate governance statement and to inform whether the Group prepared a statement on non-financial information.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 para. 71 – for the Group) of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757)
- is consistent with the information in the stand alone and consolidated financial statements.

Moreover, based on the knowledge of the Parent Company and the Group and their environment obtained during our audit, we have not identified any material misstatements in the Report on the operations.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Group included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the consolidated financial statements.

Information on non-financial information

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Group has included in the Report on the operations, information on the preparation of a separate report on non-financial information referred to in Article 55(2c) of the Accounting Act and that the Group has prepared such a separate report.

We have not performed any assurance work relating to the statement separate report on non-financial information and we do not provide any assurance with regard to it.

Report on other legal and regulatory requirements

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Parent Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Parent Company and its subsidiaries in the audited period are disclosed in note 33 to the consolidated financial statements.

Appointment

We have been appointed to audit the annual consolidated financial statements of the Group by the resolution of the Supervisory Board dated 20 March 2019. We have been auditing the Group's financial statements since the financial year ended 31 December 2016, i.e. for 5 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Tomasz Reinfuss.

Dokument podpisany przez Tomasz Reinfuss
Data: 2021.03.01 23:30:08 CET

Tomasz Reinfuss
Key Registered Auditor
No. 90038

Katowice, 1 March 2021