March 1, 2021

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, 2020.

I. INTRODUCTION

The year 2020 was apparently not that bad for the steel industry. The world's steel output fell by just 0.9% as compared to 2019 and amounted to 1,829 million tonnes according to the World Steel Association. Based on Wood McKenzie's estimates, the demand for finished steel products is assessed at 1,706 million tonnes in 2020, which translates to a 2.6% fall year on year.

However, it must be noted that market conditions were not similar in each of the major steel producing and consuming regions. The dominant share in world production has been maintained by China – 57.6% – followed by a 7.6% share in the case of the EU(28) which actually shrank again from 8.6% in 2019, 9.4% in 2018 and 9.9% in 2017. The nominal production in China grew by 5.2% and reached 1,053.0 million tonnes while it decreased in the EU by as much as 11.8% to just 138.8 million tonnes. Poland had similarly bad results with a decrease of 11.9% down to an output of just 7.9 million tonnes. This resulted from the sharp decrease in finished steel consumption in the EU and Poland which has fallen by 19.5% for the EU and by 14.2% for Poland. In nominal terms, the consumption reached 128.7 million tonnes and 11.2 million tonnes respectively.

The divergence of the steel output figures between the EU and with the exception of the USA and Japan, the rest of the world, including China in particular, shows that the adequate trade policies are increasingly important if Europe wants to take care of its steel manufacturing and more importantly, take control of the world climate. Strict carbon dioxide policies are about to become redundant with the diminishing number of businesses bound with it and more while more steel production is being shifted to much more CO2 friendly countries. The planned introduction of the so called "carbon tax" in the middle of 2021 must not substitute the existing protectionist tools because it is clear how weak they have been so far in terms of taming unfair trade practices. The anti-dumping measures that have been introduced by the European Commission in a much braver manner since 2016 and the safeguard instrument against new import flows that was put in place in 2018, have so far been insufficient to prevent the European steel industry from shrinking. It was another year of steel manufacturing being exiled from Europe to environmentally less stringent regions, not only to the detriment of the local industry and its employees, but also bringing global ecological harm and carbon dioxide emissions increment.

Against the backdrop of the negative macroeconomic trends and the unfavourable EU policies, Cognor was able to maintain its operational activity and even improved profits. Our EBITDA and net result grew in spite of the weak market environment with a significant positive contribution of the special purpose state aid aimed at amortizing the negative impact of the COVOD-19 pandemic. Likewise, the 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 was supportive. In 2020, that relation remained positive from our point of view and the EAF producers, including Cognor, had more opportunities to succeed in competing with BOF steelmakers, particularly on the semi-finished products (billets) market.

In sum, last year we had to cope with a number of challenges being part of the European Union steel industry. In spite of the shrinking demand in Poland and Europe, as well as the decreasing prices, Cognor continued to operate its facilities at maximum melting capacities and thanks to that, our shipments of combined billets and finished products saw even a slight increase. In spite of shrinking conversion spreads our operational profits and net result improved thanks to the state anti-pandemic support.

Our results were not particularly strong but given all the circumstances, we are very much contented to have generated positive cash flow, as well as the fact that we have managed to progress with the pending investment projects into the finalization stages. We should soon capitalize on the related reduction of the consumption of energy and certain production materials, while being able to increase our production output whenever market conditions allow for that.

II. MACRO BACKGROUND

1. Market & Regulatory Drivers

   The steel business cyclicality is determined primarily by the demand from the construction and automotive sectors. Last year, most of the steel-intensive businesses suffered declines all over the world. Out of the largest steel consuming regions, only China managed to expand its manufacturing output on the back of strong fiscal stimulus. The statistics from Beijing confirm that the property and infrastructural sectors were quite vibrant following the outbreak of the pandemic, while industrial manufacturing output was just slightly down year on year. This resulted in a record breaking steel output there and the sharp increase in the prices of raw materials and the surge in the prices of finished products that spread across the whole world. In the US and the EU, the demand for steel weakened a lot due to the slowdown in industrial manufacturing and automotive production in particular. In the case of Poland, the demand picture was not very different with the property and infrastructural demand being the least hit by the crisis. Demand patterns across various industries are important for steel manufacturers, yet it appears that certain regulatory and development policies applied by particular countries or organizations of countries weigh even 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 99 million net 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 2020, capacities went down to 1,27 billion tonnes, while production stood at 1,05 billion tonnes and the consumption of finished products was noted at as many as 959 million tonnes. As a consequence, the country's net exports fell to just 37 million tonnes or even to as low as 23 million tonnes, if net imports of crude steel are included. Currently, China runs at over 82% of its output capabilities, which accounts for a much healthier utilization ratio compared to as little as 63% five years ago. The local steel producers are enjoying fair profits and are able to invest in the modernisation of their facilities.

In the recent past, the EU was following a policy aimed at discouraging the local production and promoting exports 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 reduction in the number of free 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 anti-dumping measures against numerous countries in a more serious manner. It also changed its approach and started supporting the modernization of local steel assets, financing research and development projects and permitted the introduction of some protectionist solutions for the energy intensive industries against the increase of CO2 emission costs.

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, based on the regulation called Section 232. 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 the middle of 2021. We do not know whether the instrument, which has proved to be a positive contribution in terms of market balance control, is going to be continued. The new US administration is not intending to lift the 25% import tax, so it would be crucially important that the European policymakers find a way to extend the validity of the safeguard mechanism.

Currently, the EU has been working on a new protective measure aimed at preventing the so called "carbon leakage". Europe does not want the CO2 intensive industries to be relocated elsewhere while it is striving to achieve climate neutrality by 2050 through 50%-55% of greenhouse gas reduction, compared to the year 1990. Therefore, the EU intends to introduce a carbon border adjustment mechanism (CBAM) or "carbon tax" as it is commonly called. The carbon tax should result in the levelling of cost competitiveness between the local steel producers, which are forced to enter the EU's emissions trading system (ETS) and have to purchase the rights to generate CO2, and the producers from outside of the EU where systems similar to ETS do not exist. The new legislation is expected to be proposed in Q2 2021 and we hope it will bring a fair and an effective tool for the benefit of the industry. Without making sure that steel manufacturing is able to run at sufficient profitability levels to finance the conversion into the so called "green steel", steel production will eventually leave Europe, but the related gas emissions will not disappear. On the contrary, the global greenhouse gases generation will flourish. No CBAM solution can get introduced to replace the existing support tools. It should not come as an alternative to the free CO2 allowances pool, nor should it limit the funds available for the energy intensive industries. By no means should it hamper or liberalize the approach with respect to market control. On the contrary, anti-dumping procedures should be introduced even faster and the measures should be more severe, as well as the fact that the safeguard mechanism should stay in place as long as the US continue with their Section 232 duty.

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 to achieve better margins and fair results in the following year. In 2019, a common split payment mechanism was introduced which replaced the reverse charges. While it has resulted in greater working capital requirements, it has sealed up the Polish fiscal system further which we perceive as a very supportive factor for our business.

CRUDE STEEL PRODUCTION	2020	% YoY	2019	2018	2017	2016	2015	2014
m tonnes								
Europe	**297**	**-5.3**	**295**	**309**	**310**	**303**	**304**	**311**
Poland	7.9	-11.9	9.0	10.2	10.3	9.0	9.2	8.6
EU (28)	139	-11.8	157	168	169	162	166	169
CIS	102	1.5	100	101	101	102	102	109
North America	**121**	**-15.5**	**120**	**121**	**116**	**111**	**111**	**121**
USA	73	-17.2	88	87	82	79	79	88
South America	**38**	**-8.4**	**42**	**45**	**44**	**39**	**44**	**45**
Africa / Middle East	**53**	**-0.7**	**54**	**50**	**46**	**41**	**43**	**44**
Asia	**1 351**	**1.6**	**1 330**	**1 255**	**1 191**	**1 090**	**1 108**	**1 111**
China	1 052	5.2	1 001	920	871	787	799	823
Japan	83	-16.2	99	104	105	105	105	111
Oceania	**6**	**-1.4**	**6**	**6**	**6**	**6**	**6**	**5**
Total	**1 829**	**-0.9**	**1 846**	**1 786**	**1 712**	**1 587**	**1 615**	**1 647**

Source: World Steel Association

The demand for steel decreased, in particular in mature economies. Poland's production output was among the worst hit despite the relatively better 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 steel demand, Poland did not do better compared to the rest of the EU in spite of the better, though negative, GDP dynamics: –2.8% in Poland compared to -6.4% in the EU.

FINISHED STEEL USE	2020	% YoY	2019	2018	2017	2016	2015	2014
m tonnes								
Europe	**213**	**-14.6**	**257**	**261**	**258**	**249**	**245**	**242**
UE (28), incl:	129	-18.3	160	170	163	158	154	149
Poland	11	-12.0	14	16	14	13	13	12
CIS	49	-9.7	51	49	48	46	48	52
North America	**122**	**-14.6**	**148**	**148**	**146**	**137**	**139**	**151**
USA	86	-14.8	101	100	99	92	96	107
South America	**31**	**-16.4**	**41**	**40**	**38**	**36**	**42**	**45**
Africa / Middle East	**83**	**-4.2**	**89**	**88**	**89**	**91**	**93**	**92**
Asia / Oceania	**1253**	**2.1**	**1218**	**1151**	**1 084**	**988**	**967**	**1 001**
China	960	8.7	877	819	755	664	656	694
Japan	50	-22.0	63	64	65	62	63	68
Total	**1 707**	**-2.7**	**1 759**	**1 694**	**1 614**	**1 499**	**1 484**	**1 530**

Source: Wood McKenzie

In spite of the persistence of the COVID-19 pandemic, one can be cautiously positive in terms of the short-term prospects for various steel intensive industries. The global, regional and the local construction businesses proved the most resilient to the economic downturn in 2020. Building sites have been continuing with just a slight drop in their construction activities in Poland, Europe and the US, while it has actually been booming in China. Manufacturing, including automotive output is expected to gradually rebound across the whole world. This has created a positive momentum for the steelmakers, while also for the ones operating in mature economies. How fast and how far the recovery will progress in 2021 is heavily dependent on the pace and the scope of vaccination programmes and on whether the vaccines prove effective in combating the mutating virus.

For Cognor, the regulatory aspect has to be factored in as well. We are looking forward to the introduction of carbon tax and we hope that the current market control measures will not become loosened. The commitment to preventing subsidized products from entering the EU market must now be even strengthened, not only for the sake of steel producers, but primarily for the sake of climate policy.

2. EAF v. BOF Cost Position

Between 2013 and 2016, we saw a steady decrease of the prices of iron ore, coking coal and scrap metal prices. The cost position of BOF producers as compared to EAF producers remained advantageous. Since 2016, the price trends have reversed, but in 2019 scrap metal prices suddenly plummeted, which resulted in the reversal of our competitive position 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. This has continued into 2020 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

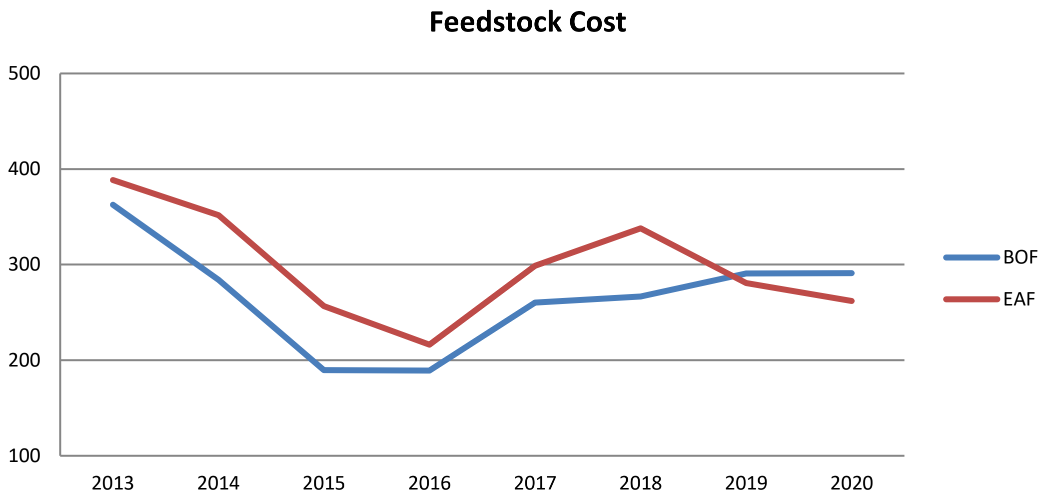
Source: OECD, Steelonthenet, Cognor

Market Prices	iron ore	coking coal	scrap metal
USD / tonne			
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
2020	108	115	234

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	2013	2014	2015	2016	2017	2018	2019	2020
USD / Tonne								
BOF	363	284	190	189	260	267	291	291
EAF	388	352	257	216	299	338	281	262
Difference	**-26**	**-68**	**-67**	**-27**	**-38**	**-71**	**10**	**29**



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. Over the last two years, 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. If rising prices for CO2 emission rights are added to the picture, it creates even harder conditions for BOF producers in Europe. One may expect that the UE steel production structure will evolve towards the pattern in the USA with the 73% share of EAFs (in 2020) while in the EU it was just 41.6% (in 2018).

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 finished products. The decrease of scrap metal was outpaced by the reduction of prices for most finished products, while semi-finished products prices behaved relatively stronger. Our product spread fell by PLN 198 per tonne and for our billets it actually improved slightly by PLN 7 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	2020	2019	2018	2017	2016	2015	2014
(pln/ tonne)							
FERROSTAL							
scrap metal price *(all qualities, delivered)*	907	965	1 092	1 014	755	864	989
billet price *(all qualities)*	1 760	1 850	2 138	1 834	1 455	1 660	1 858
billet spread	*852*	*884*	*1 046*	*821*	*700*	*796*	*869*
finished product price *(all categories)*	1 971	2 129	2 321	1 997	1 714	1 842	2 036
product spread	*1 063*	*1 164*	*1 229*	*983*	*960*	*978*	*1 047*
HSJ							
scrap metal price *(all qualities, delivered)*	1 006	1 079	1 206	1 076	823	902	1 041
billet price *(all qualities)*	2 160	2 224	2 692	2 235	1 769	1 968	2 472
billet spread	*1 154*	*1 145*	*1 486*	*1 159*	*946*	*1 066*	*1 431*
finished product price *(all categories)*	2 861	3 280	3 496	2 858	2 463	2 703	2 920
product spread	*1 855*	*2 201*	*2 290*	*1 782*	*1 640*	*1 801*	*1 879*

4. Market Share

Our main market is Poland where we placed 70.2% of our sales in 2020. Germany had 13.4% share and other countries accounted for 16.4% of revenues, of which the majority is composed of European Union bordering states.

We position ourselves as a niche market participant with particularly significant production of high alloy steels and special quality bars (SQ bars) with the respective shares reaching 31% and 87%. There are other areas of the steel market where our contribution ranges between 10% and 30%. A growing share in our product mix has been the sales of rebars which reached 12%.

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 following table contains a market insight prepared by Hutnicza Izba Przemysłowo Hanldlowa (HIPH) based on data collected from: GUS, ESTA, Eurofer, Eurostat, Worldsteel and HIPH. Is has been published herein for the purpose of Cognor's annual report information package with the consent of HIPH provided neither the whole, nor part of it can be processed or used by any party for commercial purposes.

MARKET	EU TOTAL		EU NEIGHBOURS [1)]		POLAND		COGNOR 2020	
	production	*consumption[2)]*	*production*	*consumption[2)]*	*production*	*consumption[2)]*	*tonne[3)]*	*%[4)]*
tonnes								
scrap metal *(2019)*	106 589 000	87 683 000	38 065 000	26 823 000	7 765 000	6 427 000	293 383	4%
crude steel total *(2020)*	138 785 000	144 846 000	47 840 000	47 340 000	7 851 000	7 967 000	674 724	9%
carbon steel	109 903 000	115 955 000	36 580 000	36 200 000	7 021 000	7 166 000	414 710	6%
hi-alloy and stainless	28 903 000	28 891 000	11 260 000	11 140 000	830 000	801 000	260 014	31%
crude steel EAF	57 327 000	58 994 000	12 440 000	12 350 000	3 915 000	3 859 000	674 724	17%
crude steel BOF	81 479 000	85 852 000	35 400 000	34 990 000	3 936 000	4 108 000		
hot rolled products *(2020)*, incl:	134 256 000	135 623 000	45 100 000	47 850 000	7 321 300	12 160 000	502 735	7%
flat products	78 891 000	82 748 000	28 170 000	30 250 000	2 343 000	7 490 000	2 525	0%
long products, incl.:	52 555 000	51 246 000	15 280 000	16 960 000	4 879 000	4 500 000	500 210	10%
wire rod excl deformed	14 255 000	15 264 000	3 380 000	5 380 000	913 000	1 005 000		
heavy sections	8 848 000	7 180 000	2 220 000	1 940 000	960 000	618 000		
rails	1 982 000	1 603 000	240 000	400 000	324 000	169 000		
rebars incl deformed rod	17 132 000	16 394 000	4 000 000	4 920 000	1 865 000	1 882 000	231 466	12%
bars, flats & light sections, incl.:	10 337 000	10 805 000	3 440 000	4 320 000	817 000	555 000	268 744	33%
plain & square bars (non-alloy)	2 434 000	2 590 000	830 000	1 090 000	284 000	148 000	37 949	13%
flat bars	1 790 000	1 783 000	145 000	480 000	233 000	114 000	45 079	19%
light sections	2 306 000	2 280 000	660 000	800 000	117 000	83 000	25 770	22%
SQ bars (stainless & other alloy)	3 806 000	4 152 000	1 805 000	1 950 000	183 000	220 000	159 946	87%
seamless tubes	2 810 000	1 629 000	1 650 000	640 000	99 300	170 000		

Sources: Hutnicza Izba Przemysłowo-Handlowa (based on data: GUS, ESTA, Eurofer, Eurostat, HIPH, Worldsteel), Cognor

1) *EU neighbours: Czechia, Estonia, Germany, Hungary, Lithuania, Latvia, Slovakia, Romania*
2) *consumption: production – exports + imports*
3) *Data relating to Cognor contains:*
    - *scrap procurement exclusive of direct purchases by mills*
    - *production with respect to crude steel*
    - *shipments of production with respect to hot rolled products*
4) *of Poland's production*

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 8.9%. Our crude steel production fell by just 2.5%, while our sales of combined scrap metal, billets and finished products decreased just by 0.2% volume-wise and 7.6% value-wise as compared to 2019.

SALES	2020	% YoY	2019	2018	2017	2016	2015
'000 PLN							
Scrap metal	123 403	-6.5	131 952	185 997	136 902	70 275	100 051
Billets	310 750	-16.0	370 012	332 800	366 629	180 764	228 178
Finished products	1 139 137	-5.1	1 200 657	1 366 281	1 102 463	942 670	868 672
Total	**1 573 290**	**-7.6**	**1 702 621**	**1 885 078**	**1 605 994**	**1 193 709**	**1 196 901**
Tonnes							
Scrap metal	137 421	-0.6	141 847	172 762	138 865	93 553	118 994
Billets	159 292	-13.9	184 919	140 450	185 424	115 496	132 261
Finished products	504 504	6.0	475 905	498 084	480 910	478 803	392 888
Total	**801 217**	**-0.2**	**802 671**	**811 296**	**805 199**	**688 791**	**644 143**

The combined prices for our billets and finished products manufactured at Ferrostal and HSJ mills went down by 2.5% and 10.4% respectively. Cognor saw a deterioration of gross profit – by PLN 12.2 million and 7.1%, while EBIT and EBITDA both grew – by PLN 11.9 million and 21.9% and by PLN 13.4 million and 13.3% respectively.

The development of steelmaking conversion spreads, which represent the key driver for our profitability, was negative and resulted in the reduction of gross profit potential to the tune of PLN 98.6 million which was further magnified by PLN 2.2 million of gross profit loss related to the decrease of total shipments of scrap metal, billets and finished products. A counterbalancing effect had the decrease of both variable and fixed production costs. The contribution from the price dynamics was positive because Cognor was selling its products from stock according to the FIFO method in the increasing price environment for the most of 2020. We estimate the total gain related to inventories at PLN 8.5 million, while in 2019 we suffered a significant loss of PLN 25.6 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 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**

implied result raleted to change of scrap metal cost contained in inventories	**Q4 2019**	**Q1 2020**			**Q2 2020**			**Q3 2020**			**Q4 2020**			**Y 2020**
	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	939	27 259	1 026	2 373	26 685	995	-808	24 996	980	-386	19 557	1 052	1 412	2 590
FERR														
billets & products	822	66 876	918	6 421	63 471	872	-2 890	43 722	851	-916	40 110	933	3 297	5 913
TOTAL				**8 794**			**-3 698**			**-1 302**			**4 709**	**8 502**

Due to the damage suffered from coronavirus, we became entitled to apply for special governmental aid intended to sustain the level of employment during the crisis and to compensate for revenue losses in connection with the pandemic. For the period of 2020, we accounted an amount of PLN 11.8 million, which has partially helped us to offset the negative influence of SARS-cov-2.

We also accounted an amount of PLN 12.0 million, which we expect to receive in 2021 as state aid dedicated for the largest carbon dioxide emitting companies and intended to partially amortize the increase of prices of CO2 emission rights. We expect to be eligible to receive at least a total of PLN 12.0 million of compensation for the full financial year, however the final amount may differ from PLN 12.0 million depending on the degree of a pro-rata reduction applied should the total value of compensation demands exceed the limit of PLN 0.9 billion. When calculating the expected compensation for Cognor at the amount of PLN 12.0 million, we assumed the pro-rata reduction of ca 40%. In our opinion, these assumptions form a conservative approach to estimating the actual compensation amount. It is worth noting that last year Cognor was not eligible to receive such compensation. Instead, the Group's results were supported in 2019 by the amount of PLN 21.9 million resulting from a one-off state subsidy under the so called "electricity act", which resulted in the appropriate reduction of our costs of goods sold.

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	2020	2019	2018	2017	2016	2015
PLN						
EUR/PLN	4.44	4.30	4.26	4.26	4.36	4.18
% change	3%	1%	0%	-2%	4%	0%
USD/PLN	3.90	3.84	3.61	3.38	3.94	3.77
% change	2%	6%	7%	-4%	5%	19%

Source: National Bank of Poland

In connection with the weakening Zloty against the Euro as of the end of 2020 compared to the end of 2019, the Group suffered losses related to its indebtedness to the amount of PLN 8.1 million.

END OF PERIOD EXCHANGE RATES	2020	2019	2018	2017	2016	2015
PLN						
EUR/PLN	4.61	4.26	4.30	4.17	4.42	4.26
% change	8%	-1%	3%	-6%	4%	0%
USD/PLN	3.76	3.80	3.76	3.48	4.18	3.90
% change	-1%	1%	8%	-17%	7%	11%

Source: National Bank of Poland

Another element that had a negative impact on our financial costs was a PLN 1.1 million loss related to hedging instruments.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2020	2019	2018	2017	2016
'000 PLN					*restated*
Sales revenue	1 733 221	1 901 604	2 081 841	1 789 280	1 377 352
Cost of sales	-1 574 324	-1 730 554	-1 805 528	-1 573 044	-1 228 812
Gross profit	**158 897**	**171 050**	**276 313**	**216 236**	**148 540**
Other income	41 193	13 060	10 542	10 126	5 558
Distribution expenses	-81 753	-75 261	-76 700	-65 792	-51 231
Administrative expenses	-46 695	-48 140	-46 041	-50 528	-39 343
Other gains/(losses) – net	1 234	917	1 977	-2 644	2 822
Other expenses	-6 349	-7 034	-9 883	-8 188	-6 951
EBIT	**66 527**	**54 592**	**156 208**	**99 210**	**59 395**
Financial income	0	927	4 460	22 131	5 216
Financial expenses	-34 317	-31 731	-67 230	-53 339	-68 412
Net financing costs	**-34 317**	**-30 804**	**-62 770**	**-31 208**	**-63 196**
Share of profits of associates	60	-1 455	-662	51	103
Excess in fair value of acquired assets	0	0	0	0	0
Profit before tax	**32 270**	**22 333**	**92 776**	**68 053**	**-3 698**
Income tax expense	1 276	-319	-20 730	-18 148	7 770
Result from discontinued operations	0	-2 242	0	0	0
Profit for the period	**33 546**	**19 772**	**72 046**	**49 905**	**4 072**
Depreciation and amortization	-47 708	-46 236	-43 861	-41 328	-39 022
EBITDA	**114 235**	**100 828**	**200 069**	**140 538**	**98 417**

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 a positive way as follows:

	Q1	Q2	Q3	Q4	2020
'000 PLN					
Reported EBITDA	**30 506**	**38 965**	**21 239**	**23 522**	**114 235**
Non-recurring items including:	2 269	8 623	8 135	351	19 378
- costs of sales	*-689*	*742*	*1 591*	*-63*	*1 581*
- other income	*1 019*	*10 299*	*5 888*	*1 296*	*18 502*
- distribution expenses	*118*	*-459*	*1 124*	*-33*	*714*
- other gains/losses	*287*	*198*	*101*	*-4*	*582*
- operational FX result	*2 179*	*- 1 392*	*233*	*-368*	*652*
- other impairments	*-645*	*-729*	*-802*	*-477*	*-2 653*
- other expenses	*0*	*0*	*0*	*0*	*0*
Adjusted EBITDA	**28 237**	**30 342**	**13 104**	**23 174**	**94 857**
Reported net result	**2 756**	**21 874**	**1 540**	**7 376**	**33 546**
Non-recurring items including:	-7 841	8 394	3 386	493	4 432
- EBITDA adjustments	*2 269*	*8 623*	*8 135*	*351*	*19 378*
- FX result on debt	*-7 322*	*2 200*	*-1 294*	*-1 656*	*-8 072*
hedging (IRS) result	*-1 877*	*-281*	*-1 407*	*2 424*	*-1 142*
- share of profits of associates	*17*	*0*	*43*	*0*	*60*
- result of changes in liability to PSH	*-497*	*-509*	*-545*	*-559*	*-2 110*
- pro-forma income tax adjustment	*-431*	*-1 638*	*-1 546*	*-67*	*-3 682*
Adjusted net result	**10 597**	**13 480**	**-1 846**	**6 883**	**29 114**

In 2020, non-recurring items increased EBITDA and net profit. Our adjusted EBITDA amounted to PLN 94.9 million and the adjusted net profit to PLN 29.1 million. In 2019, it was PLN 96.6 million and PLN 21.3 million.

2. Statement of financial position

The level of non-current assets increased by PLN 27.3 million and 5.6% primarily due to capital expenditures at the amount of PLN 66.6 million which was partially offset by the depreciation and amortization charges to the tune of PLN 47.7 million.

The current assets decreased by PLN 47.8 million and 8.5% as a result of PLN 46.5 million and 24.7% of receivables and PLN 22.9 million and 7.7% of inventory decreases. This was partially offset by PLN 21.6 million and an 27.4% increase of cash balance.

ASSETS	2020	2019	2018	2017	2016
'000 PLN					*restated*
A. TOTAL NON-CURRENT ASSETS	**514 518**	**487 249**	**379 296**	**398 470**	**433 965**
I. Intangible assets	18 100	22 296	17 965	13 005	11 938
II. Property, plant and equipment	397 398	375 581	284 617	285 862	300 250
III. Other receivables	8 938	4 293	324	223	126
IV. Investment property and other	8 331	1 255	2 767	3 431	8 055
V. Prepaid perpetual usufruct of land	32 371	36 618	23 013	25 771	20 220
VI. Deferred tax assets	49 380	47 206	50 610	70 178	93 376
B. TOTAL CURRENT ASSETS	**516 681**	**564 482**	**622 082**	**552 219**	**474 444**
I. Inventories	274 101	297 001	376 969	277 494	303 938
II. Receivables	142 025	188 525	168 654	172 679	139 440
1. Trade receivables	*141 678*	*188 342*	*167 982*	*171 889*	*137 394*
2. Current income tax receivable	*226*	*38*	*660*	*778*	*1 908*
3. Other investments	*121*	*145*	*12*	*12*	*138*
III. Cash and cash equivalents	100 555	78 956	76 459	102 046	25 054
IV. Prepayments	0	0	0	0	6 012
V. Assets classified as held for sale	0	0	0	0	0
Total	**1 031 199**	**1 051 731**	**1 001 378**	**950 689**	**908 409**

Equity increased by PLN 29.8 million and 10.8% primarily due to the positive net result at the amount of PLN 33.5 million. Interest bearing loans and borrowings went down by PLN 40.3 million and 13.2%, which resulted primarily from the repayment of our debt obligations at the amount of PLN 69.8 million which was partially counterbalanced by the negative FX result at PLN 8.1 million and the incurrence of leasing obligations. The repayment of indebtedness involved cash generated from operations including the following sources: (i) inflows from working capital to the tune of PLN 98.2 million primarily due to the decrease of receivables and inventories and the net profit and (ii) the profit before taxes at the amount of PLN 32.3 million.

EQUITY AND LIABILITIES	2020	2019	2018	2017	2016
'000 PLN					restated
A. EQUITY	**307 014**	**277 191**	**295 885**	**241 834**	**160 300**
I. Issued share capital	185 911	185 911	180 626	177 923	150 532
II. Reserves and retained earnings	101 849	72 897	97 538	47 426	-4 007
III. Minority interest	19 254	18 383	17 721	16 485	13 775
B. LIABILITIES	**724 185**	**774 540**	**705 493**	**708 855**	**748 109**
I. Non-current liabilities	244 437	279 916	259 585	388 800	418 937
1. Employee benefits obligation	*13 011*	*11 071*	*10 677*	*11 282*	*9 202*
2. Interest-bearing loans and borrowings	*207 658*	*249 669*	*229 188*	*358 003*	*378 383*
3. Other	*23 768*	*19 176*	*19 720*	*19 515*	*31 352*
II. Current liabilities	479 748	494 624	445 908	320 055	329 172
1. Interest-bearing loans and borrowings	*56 882*	*55 170*	*54 161*	*44 523*	*74 656*
2. Bank overdraft	*0*	*0*	*0*	*24 607*	*25 274*
3. Other financial liabilities	*4 011*	*2 869*	*2 531*	*0*	*0*
4. Trade payables	*411 846*	*424 370*	*371 911*	*242 324*	*221 051*
5. Deferred government grants	*4 941*	*9 324*	*5 653*	*117*	*117*
6. Employee benefits obligation	*1 583*	*2 346*	*7 258*	*5 122*	*4 939*
7. Current income tax payable	*460*	*319*	*0*	*0*	*0*
8. Provisions for payables	*25*	*226*	*4 394*	*3 362*	*3 135*
Total	**1 031 199**	**1 051 731**	**1 001 378**	**950 689**	**908 409**

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 98.2 million.

Investment cash flow was negative with expenditures related to the acquisition of tangible and intangible assets at the amount of PLN 60.4 million. This was partially offset by inflows from grants at the amount of PLN 2.4 million and the dispositions at the amount of PLN 0.9 million.

Financing cash flow was negative due to: (i) the repayment of the principal of our indebtedness at the amount of PLN 69.8 million, which includes payments related to IFRS 16 at the amount of PLN 4.3 million, (ii) interest and other costs at the amount of PLN 23.3 million, which includes payments related to IFRS 16 at the amount of PLN 3.2 million plus payments of coupons accrued on Exchangeable Notes at the total amount of PLN 3.8 million and (iii) payment of dividend at the amount of PLN 34.6 million.

CASH FLOW	2020	2019	2018	2017	2016
'000 PLN					restated
A. OPERATING ACTIVITIES	206 089	144 420	232 883	145 440	94 097
B. INVESTING ACTIVITIES	-57 110	-50 932	-34 167	-15 402	-32 679
C. FINANCING ACTIVITIES	-127 380	-90 991	-199 696	-52 379	-80 174
Net increase in cash	**21 599**	**2 497**	**-980**	**77 659**	**-18 756**

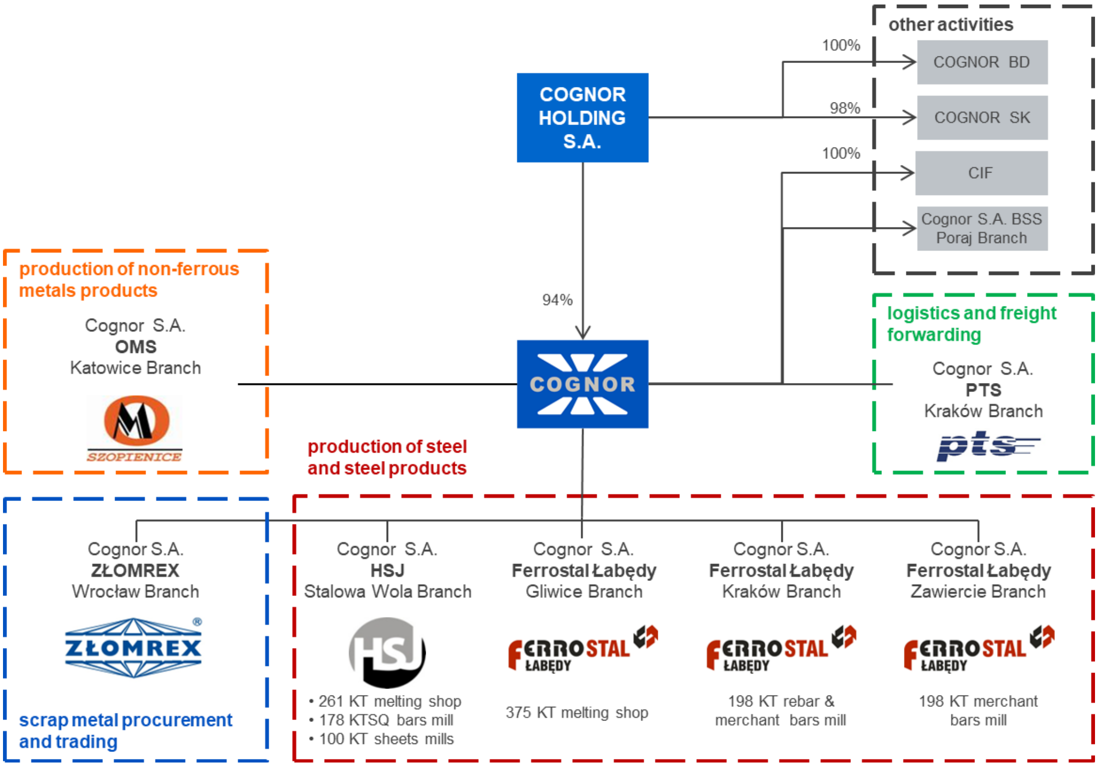
4. Main Metrics

Following the refinancing of the Senior Notes in 2018 and incurrence of the new amortized bank debt, as well as due to significant capital expenditures since then, our liquidity metrics fell, though they remain at reasonable levels. The turnover of inventories deteriorated by 1 day, while the receivables cycle improved by 6 days. These ratios have maintained very good levels. The profitability metrics improved as a consequence of better results. The Company's leverage went down by 1.4 times as a consequence of lower net debt and higher EBITDA.

MAIN METRICS		2020	2019	2018	2017	2016
Liquidity ratio		1.08	1.14	1.40	1.73	1.44
Quick ratio		0.51	0.54	0.55	0.86	0.52
Inventory turnover	*days*	64	63	76	64	90
Receivables turnover	*days*	30	36	29	35	36
EBITDA margin		6.6%	5.3%	9.6%	7.9%	7.1%
Net profit margin		1.9%	1.0%	3.5%	2.8%	0.3%
Equity	*'000 PLN*	307 014	277 191	295 885	241 834	160 300
Net debt	*'000 PLN*	163 985	225 883	206 890	325 087	453 259
Net debt / EBITDA		1.4	2.2	1.0	2.3	4.6

IV. COGNOR GROUP STRUCTURE

1. Cognor Group Organizational 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 2011, Cognor issued 66,220,000 warrants series B. Subject to minor exemptions, all of the holders of warrants series B were allowed to subscribe for one share per warrant at a strike price which now equals PLN 1.61 during the period of ca 10 years from the issue date. The deadline for filing of subscriptions therefore elapsed on February 22, 2021. To date, we have received subscriptions for 62,670,000 of shares and 60,860,000 were already delivered by the date of this report. During the next few weeks we will be providing the remaining 1,810,000 of shares to these warrant holders who had subscribed shortly before the program expiry. In 2014, Cognor also issued 200 warrants series C, all offered to PSH, which entitle to one share per warrant during the period of 10 years at the price of PLN 1,000,000.00.

In 2014, Cognor 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 at the same total amount. In 2018, all of the Senior Notes, then outstanding, were prematurely repaid. The Exchangeable Notes are outstanding at the amount which has decreased following each conversion demand being filed by Exchangeable Notes holders from time to time and the resultant delivery of Cognor capital shares. According to the issue terms on February 1, 2021, a mandatory conversion date occurred, which means that the Exchangeable Notes no longer bear any coupon and all the holders should collect the underlying shares as a payment of the principal. The claims can be filed during the period of 6 months following February 1, 2021. After that, the Exchangeable Notes become null and void and Cognor has no obligation to either provide shares or to settle in terms of money.

At the year end, the nominal outstanding accounted for EUR 17,356,604. In 2021, the holders of EUR 14,769,809 of Exchangeable Notes which entitle them to receive 39,447,312 shares, filed their claims by the mandatory conversion date. They received their shares on February 16, 2021. By the date of this report, a further EUR 1,992,023 of Exchangeable Notes have been presented and the provision of the underlying 5,320,307 shares of Cognor is scheduled by the end of March 2021. As of the date of this report, EUR 600,772 of Exchangeable Notes remain outstanding.

The following table illustrates the number of Cognor's capital shares issued and the number of outstanding warrants as of December 31, 2021.

HOLDERS	SHARES	%	WARRANTS B & C	%
PSH	92 430 239	74.6	200	0.0
CIF	0	0.0	45 670 246	89.5
others	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 numbers are as follows:

HOLDERS	SHARES	%	WARRANTS B & C	%
PSH	113 179 443	66.7	200	0.0
others	56 441 220	33.7	1 810 000	100.0
Total	**169 620 663**	**100.0**	**1 810 200**	**100.0**

After the provision of shares under the currently pending subscription of 1,810,000 warrants series B, the number of shares of Cognor Holding S.A. will account to 171,430,663.

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* – which 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 the 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: the 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.

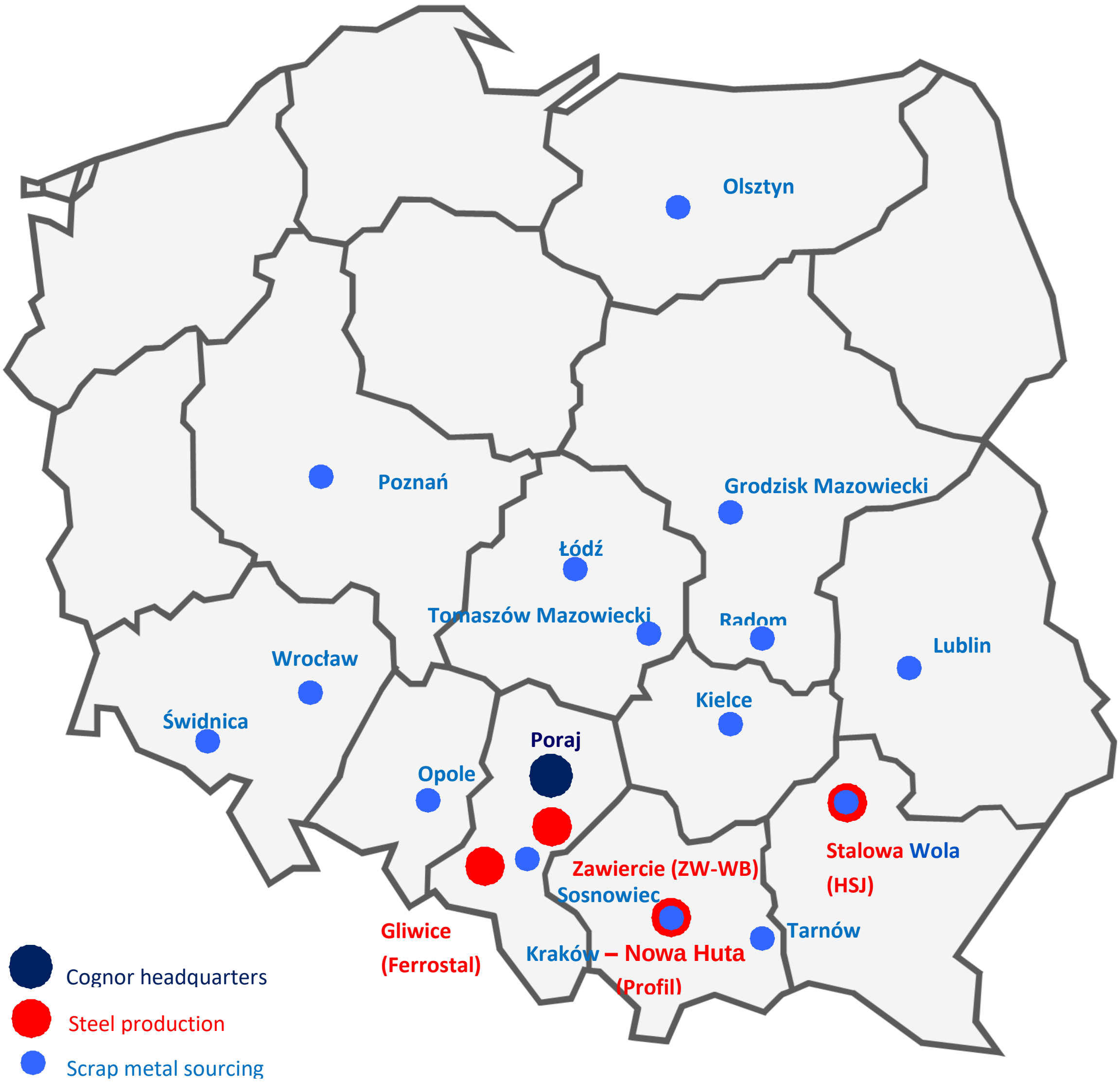
1. Scrap Metal Segment

   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 4%. 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 15 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 2020, we purchased 868,005 tonnes of scrap metal, out of which 137,421 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	2020	2019	2018	2017	2016
PURCHASES FROM EXTERNAL SUPPLIERS *Tonnes*					
FERROSTAL	381 082	378 144	380 904	329 931	358 383
ZŁOMREX	293 383	297 976	345 308	331 912	306 145
HSJ	193 540	180 809	191 072	161 244	138 704
INTERNAL USE *Tonnes*					
FERROSTAL	465 947	493 125	481 737	483 225	453 611
HSJ	294 671	286 514	302 974	281 624	258 680
SALES TO EXTERNAL CLIENTS *Tonnes*					
ZŁOMREX	137 421	141 847	172 762	130 883	95 553
FERROSTAL	0	0	0	7 982	0
SALES *'000 PLN*					
CONSOLIDATED	123 403	131 952	185 997	136 902	70 275
TOTAL PURCHASES in TONNES	868 005	856 929	917 284	823 087	803 232
TOTAL INTERNAL USE in TONNES	760 618	779 639	784 711	764 849	712 291
TOTAL SALES in TONNES	137 421	141 847	172 762	138 865	93 553
TOTAL SALES in '000 PLN	123 403	131 952	185 997	136 902	70 275

2. Semi-Finished Products Segment

With 674,724 tonnes of crude steel produced by the Group in 2020, we had a 9% share in the overall Polish steel production, which amounted to 7.9 million tonnes last year[1]. Our market share in high-alloy steel grades is much greater – with a total of 260,014 of high-alloy crude steel, in which we had approximately 31% 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 proportion of our billets is sold to external clients in Poland and abroad, namely, 159,292 tonnes.

[1] *Source: World Steel Association*
[2] *Source: HIPH*

We own two steel melting shops, both of which are located in Poland: in Gliwice (Ferrostal) and in Stalowa Wola (HSJ). In 2020, our combined capacities were utilized by up to 106.1%.

2020	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERROSTAL	375 000	414 710	110,6%
HSJ	261 000	260 014	99,6%
Total	**636 000**	**674 724**	**106,1%**

BILLETS	2020	2019	2018	2017	2016
PRODUCTION *Tonnes*					
FERROSTAL	414 710	440 672	429 687	431 731	402 676
HSJ	260 014	251 539	265 693	246 189	226 090
INTERNAL USE *Tonnes*					
FERROSTAL	329 169	333 017	348 404	320 796	311 048
HSJ	212 548	197 548	222 250	202 091	185 611
SALES TO EXTERNAL CLIENTS *Tonnes*					
FERROSTAL	111 826	130 928	97 007	141 326	85 337
HSJ	47 466	53 991	43 443	44 098	40 479
SALES *'000 PLN*					
CONSOLIDATED	310 750	370 012	332 800	366 629	198 790
TOTAL PURCHASES in TONNES	**0**	**0**	**0**	**0**	**0**
TOTAL PRODUCTION in TONNES	**674 724**	**692 211**	**695 380**	**677 920**	**628 766**
TOTAL INTERNAL USE in TONNES	**541 717**	**530 565**	**570 654**	**522 887**	**496 659**
TOTAL SALES in TONNES	**159 292**	**184 919**	**140 450**	**185 424**	**125 816**
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).

2020	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	69 087	34.9%
PROFIL - plain bars, flat bars, squares	240 000	245 823	102.4%
HSJ - bars	178 000	169 045	95.0%
HSJ - sheets	100 800	3 120	3.1%

FINISHED PRODUCTS		2020	2019	2018	2017	2016
PURCHASES	*Tonnes*					
EXTERNAL SOURCES		1 769	0	0	0	0
PRODUCTION	*Tonnes*					
ZW-WB		769 087	76 655	79 985	78 729	80 480
HSJ		172 165	167 131	188 966	171 697	156 858
PROFIL		245 823	240 909	252 415	226 647	223 029
SALES TO EXTERNAL CLIENTS	*Tonnes*					
FERROSTAL		300 795	291 267	293 564	307 607	318 095
HSJ		198 882	184 638	204 520	165 082	160 708
ZLOMREX		4 827	0	0	0	0
SALES	*'000 PLN*					
CONSOLIDATED		1 139 137	1 200 657	1 366 981	1 085 773	941 127
TOTAL PURCHASES in TONNES		**1 769**	**0**	**0**	**19**	**132**
TOTAL PRODUCTION in TONNES		**487 075**	**484 695**	**521 216**	**477 073**	**460 367**
TOTAL BULK PRODUCT SALES in TONNES		**504 504**	**475 905**	**498 084**	**472 689**	**478 803**
TOTAL SALES in '000 PLN		**1 139 137**	**1 200 657**	**1 366 281**	**1 085 773**	**941 127**

In 2020, the apparent use of finished products in Poland is estimated at 12.2 million tonnes[1]. The production of finished products reached 7.3 million tonnes, of which 4.9 million tonnes consisted of long products. Within long products, merchant bar production accounted for 0.6 million tonnes[1]. Our market share in the production of merchant bars is therefore approximately 17%. The production of SQ bars reached 0.2 million tonnes[1] and according to those figures, we have reached approximately 87% 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 of 1.9 million tonnes[1].

[1] *Source: HIPH*

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 particularly focus 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 2020, we continued with two large investment projects: in Gliwice (Ferrostal) and in Kraków (Profil).

The Gliwice melting shop upgrade has entered into the finalization stage; all the machinery has been delivered and all permits obtained. In January 2021, we signed an agreement with a general contractor and the civil works have already started. We expect commissioning for Q3 2021. After that, Ferrostal should be able to increase its nominal melting volume by 155,000 tonnes. In practice, we expect to be able to produce between 600 to 650 thousand tonnes of crude steel following the completion of the project. There is also a minor efficiency contribution which should allow us to slightly reduce variable production costs.

In Cracow, we are working on the general modernization of the mill. Here, we received the environmental decision and are waiting to obtain the building permit. A significant proportion of the machinery has already been delivered and the remaining element should be completed by the end of March. We should be ready with all the permits and documentation by the middle of 2021. We expect to sign the general contractor agreement in Q3 2021 to complete the project by the yearend. Following that, Profil should be capable of recurrently reaching its maximum rolling capacities, introducing new products and achieving substantial savings with respect to both the fixed and variable costs. It will also result in the reduction of CO_2 emissions per tonne of product.

Our development plans in the near future will concentrate on our rolling mill in Zawiercie. We would like to replace the existing line with a state-of-the-art facility to become able to produce a much wider scope of products, achieve much higher production output and significant costs savings. It will also come with a significant environmental benefit. Currently, we are finalizing discussions with the technology supplier and working to conclude the long-term debt financing framework for that idea.

Cognor is engaged in a couple of research and development projects that are not related to maintenance and capital investments. They were conducted at our melting shop in Gliwice (Ferrostal) and both of them were supported by EU funds. 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, albeit we may seek some increase given the upcoming enlargement of scale of our operations and the increase of prices for our products that has been observed lately.

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. 2020 SUMMARY AND OUTLOOK ON 2021

In 2020, 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 were continuously increasing, thus pushing up their all-time high prices. The COVID-19 pandemic fuelled all these problems.

Irrespective of that, we attained most of our business goals, including progress with respect to the main investment projects, primarily at the Gliwice and Kraków locations. This year, we want to complete all the civil and assembly normal operations to increase product output and bring down the costs, while achieving positive environmental effects. Finally, irrespective of all the troubles, we even outperformed our previous results 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 COVID-19. Although it has not disappeared yet, we may be cautiously positive in terms of the upcoming quarters. One can expect that vaccinations will foster positive demand dynamics as many people and companies will want to make up for the lost time during the pandemic. So far, we have had a good start in 2021 and we will be striving to provide better results as compared to 2020. We would like to come back to dividend payments according to our policy adopted in 2017, however we would like to propose the details in respect of its amount later after we have concluded the discussion on potentially new debt financing structure.

X. EARNINGS CALL

The conference call on our 2020 results will be held in English language on Wednesday, March 3, 2021, at 16:00 CET (15:00 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: **2090387**.

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

………………………………

Przemysław Sztuczkowski

Chairman of the Executive Board

………………………………

Przemysław Grzesiak

Vice-chairman of the Executive Board

………………………………

Krzysztof Zoła

Member of the Executive Board

………………………………

Dominik Barszcz

Member of the Executive Board

Poraj, March 1, 2021

APPENDIX – the conference call dial-in numbers:

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

United Kingdom

Participant UK Free Call Dial-In Number:	08003767922
Participant UK Local Call Dial-In Number:	08445718892

Participant Free Call 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