Cognor Holding S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2020

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2020	31.12.2019	31.12.2018
Assets				
Property, plant and equipment	*13*	397 398	375 581	284 617
Intangible assets	*14*	18 100	22 296	17 965
Investment property	*15*	7 136	121	123
Investment in associates		1 195	1 134	2 589
Other investments		-	-	55
Other receivables	*19*	8 938	4 293	324
Perpetual usufruct of land	*16*	32 371	36 618	23 013
Deferred tax assets	*17*	49 380	47 206	50 610
Total non-current assets		**514 518**	**487 249**	**379 296**
Inventories	*18*	274 101	297 001	376 969
Other investments		121	145	12
Current income tax receivables	*12*	226	38	660
Trade and other receivables	*19*	141 678	188 342	167 982
Cash and cash equivalents	*20*	100 555	78 956	76 459
Total current assets		**516 681**	**564 482**	**622 082**
Total assets		**1 031 199**	**1 051 731**	**1 001 378**

The consolidated statement of financial position should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2020	31.12.2019	31.12.2018
Equity				
Issued share capital	*21*	185 911	185 911	180 626
Reserves		101 373	87 035	86 717
Foreign currency translation reserves		96	50	40
Accumulated losses from previous years and net result of the current year		380	(14 188)	10 781
Total equity attributable to owners of the Parent Company		**287 760**	**258 808**	**278 164**
Non-controlling interests		19 254	18 383	17 721
Total equity		**307 014**	**277 191**	**295 885**
Liabilities				
Interest-bearing loans and borrowings	*23*	207 658	249 669	229 188
Employee benefits obligation	*24*	13 011	11 071	10 677
Other liabilities	*26*	22 784	18 558	18 558
Government grants and other deferred income	*30*	984	618	-
Deferred tax liabilities	*17*	-	-	1 162
Total non-current liabilities		**244 437**	**279 916**	**259 585**
Bank overdraft	*23*	-	-	-
Interest-bearing loans and borrowings	*23*	56 882	55 170	54 161
Employee benefits obligation	*24*	1 583	2 346	7 258
Other financial liabilities		4 011	2 869	2 531
Current income tax liabilities	*12*	460	319	-
Provisions for liabilities	*25*	25	226	4 394
Trade and other liabilities	*26*	411 846	424 370	371 911
Government grants and other deferred income	*30*	4 941	9 324	5 653
Total current liabilities		**479 748**	**494 624**	**445 908**
Total liabilites		**724 185**	**774 540**	**705 493**
Total equity and liabilities		**1 031 199**	**1 051 731**	**1 001 378**

The consolidated statement of financial position should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	*Note*	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Continuing operations				
Sales revenue	*5*	1 733 221	1 901 604	2 081 841
Costs of products, goods and materials sold	*6*	(1 574 324)	(1 730 554)	(1 805 528)
Gross profit		**158 897**	**171 050**	**276 313**
Other income	*7*	41 193	13 060	10 542
Distribution expenses	*6*	(81 753)	(75 261)	(76 700)
Administrative expenses	*6*	(46 695)	(48 140)	(46 041)
Other gains - net	*8*	1 234	917	1 977
Other expenses	*9*	(6 349)	(7 034)	(9 883)
Operating profit		**66 527**	**54 592**	**156 208**
Financial income	*10*	-	927	4 460
Financial expenses	*10*	(34 317)	(31 731)	(67 230)
Net financing costs		**(34 317)**	**(30 804)**	**(62 770)**
Share of (loss)/profit of associates		60	(1 455)	(662)
Gain on bargain purchase		-	-	-
(Loss)/profit before tax		**32 270**	**22 333**	**92 776**
Income tax expense	*11*	1 276	(2 561)	(20 730)
(Loss)/profit for the period from continuing operations		**33 546**	**19 772**	**72 046**
Discontinued operations				
Loss for the period from discontinued operations, net of tax		-	-	-
(Loss)/profit for the period		**33 546**	**19 772**	**72 046**
(Loss)/profit for the period attributable to:				
Owners of the Parent Company		32 675	19 110	68 539
Non-controlling interests		871	662	3 507
(Loss)/profit for the period		**33 546**	**19 772**	**72 046**

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income - continued

in PLN thousand	*Note*	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		46	10	32
Other comprehensive income for the year, net of tax		**46**	**10**	**32**
Total comprehensive income for the period		**33 592**	**19 782**	**72 078**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		32 721	19 120	68 571
Non-controlling interests		871	662	3 507
Total comprehensive income for the period		**33 592**	**19 782**	**72 078**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*22*	**0,26**	**0,16**	**0,86**
- from continuing operations		0,26	0,16	0,86
- from discontinued operations		-	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*22*	**0,19**	**0,12**	**0,64**
- from continuing operations		0,19	0,12	0,64
- from discontinued operations		-	-	-

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019 * restated	01.01.2018 - 31.12.2018 * restated
Cash flows from operating activities				
Continuing operations				
(Loss)/profit before tax from continuing operations		32 270	22 333	92 776
Adjustments				
Depreciation	*14, 16*	46 506	45 241	42 882
Amortization	*15*	1 202	995	979
Impairment losses and valuation allowances of property, plant and equipment, intangible assets		(4)	(2 166)	(317)
Foreign exchange (gains)/losses		7 222	(861)	(297)
Net gain on investment operations		-	(143)	-
Net (gains)/losses on disposal of property, plant and equipment, intangible assets		(578)	869	(405)
Interest, transaction costs (related to loans and borrowings) and dividends, net		21 859	25 171	48 240
Change in receivables and prepayments		34 120	(14 932)	14 145
Change in inventories		22 900	75 923	(94 620)
Change in trade and other payables		41 175	204	124 057
Change in provisions		(201)	(4 168)	1 032
Change in employee benefits obligation		1 177	(4 518)	1 531
Change in government grants and other deferred income		(187)	(1 410)	2 100
Share of profit/ (loss) of associates		(61)	1 455	662
Other adjustments		(366)	(222)	-
Cash generated from continuing operations		**207 034**	**143 771**	**232 765**
Cash generated from operating activities		**207 034**	**143 771**	**232 765**
Income tax (paid)/returned, incl.		(945)	649	118
- continuing operations		*(945)*	*649*	*118*
- discontinued operations		-	-	-
Net cash from operating activities		**206 089**	**144 420**	**232 883**

The consolidated statement of cash flows should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		859	3 362	3 008
Proceeds from sale of intangible assets		20	56	37
Proceeds from sale of investment properties		-	-	-
Proceeds from sale of prepaid perpetual usufruct of land		-	49	2 378
Acquisition of subsidiaries, net of cash transferred		-	(5)	(618)
Proceeds from sale of other investments		-	171	-
Interest received		-	21	188
Dividends received		20	-	50
Repayment of loans granted		25	-	-
Acquisition of property, plant and equipment		(55 984)	(55 967)	(36 707)
Acquisition of intangible assets		(4 358)	(3 714)	(5 939)
Acquisition of investment properties		-	-	-
Acquisition of perpetual usufruct of land		(75)	-	-
Loans granted		-	(126)	-
Received grants for investing activities		2 383	5 221	3 436
Cash generated on investing activities from continuing operations		**(57 110)**	**(50 932)**	**(34 167)**
Cash generated on investing activities from discontinued operations		-	-	-
Net cash from investing activities		**(57 110)**	**(50 932)**	**(34 167)**
Cash flows from financing activities				
Emission costs paid		-	-	(1 060)
Proceeds from interest-bearing loans and borrowings		-	-	314 007
Proceeds from factoring		-	-	(1 254)
Repayment of interest-bearing loans and borrowings		(52 732)	(40 155)	(414 792)
Payment of lease liabilities		(17 062)	(19 255)	(12 400)
Dividends paid and interests on exchangeable notes in the period		(38 323)	(3 917)	(16 007)
Interest and transaction costs (related to loans and borrowings) paid		(19 263)	(17 579)	(68 190)
Fee relating to withholding tax relating to financing activities		-	(10 085)	-
Cash outflows on financing activities from continuing operations		**(127 380)**	**(90 991)**	**(199 696)**
Cash outflows from discontinued operations		-	-	-
Net cash from financing activities		**(127 380)**	**(90 991)**	**(199 696)**
Net change in cash and cash equivalents		**21 599**	**2 497**	**(980)**
Cash and cash equivalents net of bank overdraft, at 1 January	*20*	78 956	76 459	77 439
- effect of exchange rate fluctuations on cash held		-	-	-
Cash and cash equivalents net of bank overdraft, at 31 December	*20*	**100 555**	**78 956**	**76 459**
- including cash restricted for use		*4 099*	*50*	*16 508*

** data for 2018 and 2019 restated - details in note no 3*

The consolidated statement of cash flows should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of changes in equity

in PLN thousand	Note	Attributable to owners of the Parent Company						
		Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2018		**177 923**	**221 018**	**8**	**(173 600)**	**225 349**	**16 485**	**241 834**
Opening balance adjustment		-	-	-	(342)	**(342)**	-	**(342)**
Equity as at 1 January 2018		**177 923**	**221 018**	**8**	**(173 942)**	**225 007**	**16 485**	**241 492**
Total comprehensive income		-	-	32	68 539	**68 571**	3 507	**72 078**
- profit for the period		-	-	-	*68 539*	***68 539***	*3 507*	***72 046***
- foreign currency translation differences relating to foreign operations		-	-	*32*	-	***32***	-	***32***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		2 703	(3 763)	-	(16 007)	**(17 067)**	-	**(17 067)**
Dividends paid		-	-	-	(11 862)	**(11 862)**	-	**(11 862)**
Emission costs		-	*(1 060)*	-	-	***(1 060)***	-	***(1 060)***
Conversion of exchangeable notes into shares		*2 703*	*(2 703)*	-	-	**-**	-	**-**
Interests on exchangeable notes in the period		-	-	-	*(4 145)*	***(4 145)***	-	***(4 145)***
Changes in ownership interests		-	-	-	1 653	**1 653**	(2 271)	**(618)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*1 653*	***1 653***	*(2 271)*	***(618)***
Transfer of profit		-	34 734	-	(34 734)	**-**	-	**-**
Cover of losses from previous years from reserves		-	(165 272)	-	165 272	**-**	-	**-**
Equity as at 31 December 2018		**180 626**	**86 717**	**40**	**10 781**	**278 164**	**17 721**	**295 885**
Equity as at 1 January 2019		**180 626**	**86 717**	**40**	**10 781**	**278 164**	**17 721**	**295 885**
Total comprehensive income		-	-	10	19 110	**19 120**	662	**19 782**
- profit for the period		-	-	-	*19 110*	***19 110***	*662*	***19 772***
- foreign currency translation differences relating to foreign operations		-	-	*10*	-	***10***	-	***10***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		5 285	(5 285)	-	(38 471)	**(38 471)**	-	**(38 471)**
Dividends paid		-	-	-	(34 554)	**(34 554)**	-	**(34 554)**
Conversion of exchangeable notes into shares		5 285	(5 285)	-	-	**-**	-	**-**
Interests on exchangeable notes in the period		-	-	-	(3 917)	**(3 917)**	-	**(3 917)**
Changes in ownership interests		-	-	-	(5)	**(5)**	-	**(5)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	(5)	**(5)**	-	**(5)**
Transfer of profit		-	5 603	-	(5 603)	**-**	-	-
Equity as at 31 December 2019		**185 911**	**87 035**	**50**	**(14 188)**	**258 808**	**18 383**	**277 191**

The consolidated statement of changes in equity should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company						
in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2020		**185 911**	**87 035**	**50**	**(14 188)**	**258 808**	**18 383**	**277 191**
Total comprehensive income		-	-	*46*	*32 675*	***32 721***	*871*	***33 592***
- profit for the period		-	-	-	*32 675*	***32 675***	*871*	***33 546***
- foreign currency translation differences relating to foreign operations		-	-	*46*	-	***46***	-	***46***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	-	-	(3 769)	**(3 769)**	-	**(3 769)**
Interests on exchangeable notes in the period		-	-	-	*(3 769)*	***(3 769)***	-	***(3 769)***
Transfer of profit		-	14 338	-	(14 338)	**-**	-	-
Equity as at 31 December 2020		**185 911**	**101 373**	**96**	**380**	**287 760**	**19 254**	**307 014**

The consolidated statement of changes in equity should be read in conjunction with the explanatory notes constituting integral part of the consolidated financial statements

1 Group overview

a) Background

Cognor Holding S.A. - previously Cognor S.A. ("Cognor Holding", "the Company", "the Parent Company") with its seat in Poraj, Zielona 26 Street, Poland, is the Parent Company of the Group. Until 29 August 2011, the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor's shares are quoted on Warsaw Stock Exchange.

On November 29, 2016 the Company has changed its name into Cognor Holding S.A. In the current period, no name or other identifying information has been changed since the end of the previous reporting period.

Till May 2011, the main activity of the Parent Company was distribution of steel products. After May 2011, Cognor S.A. became a holding company. The main activities of the Group comprise: scrap collection, scrap processing into steel billets and steel products.
The Company operates in Poland.
The parent company for Cognor Holding S.A. is PS HoldCo Sp. z o.o. The ultimate parent of the Group is 4Workers Sp. z o.o.

The consolidated financial statements as at and for the year ended 31 December 2020 comprise the Parent Company and its subsidiaries and associates ("the Group"). Details of the subsidiaries and associates that comprise the Group as at 31 December 2020 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control/significant influence
COGNOR S.A.	Poland	94.38%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (previously KAPITAŁ S.A. Sp. k.)	Poland	98.0%	2008-03-25*
COGNOR BLACHY DACHOWE S.A.	Poland	100.0%	01.08.2007
COGNOR INTERNATIONAL FINANCE plc	Great Britain	94.38%	24.10.2013
4 GROUPS Sp. z o.o.	Poland	28.31% (associate in which 30% of shares are held directly by Cognor S.A.)	21.01.2013
KDPP DORADZTWO BIZNESOWE Sp. z o.o.	Poland	28.31% (associate in which 30% of shares are held directly by Cognor S.A.)	25.05.2020
MADROHUT Sp. z o.o.	Poland	23.6% (associate in which 25% of shares are held directly by Cognor S.A.)	11.04.2014

* date of obtaining control by Złomrex S.A. Group

Acquisitions in 2020

On May 25, 2020, the associate 4Groups Sp. z o.o. acquired 100% of shares in KDPP Doradztwo Biznesowe Sp. z o.o. from PS HoldCo Sp. z o.o.

b) Basis of preparation of consolidated financial statements

(i) Going concern basis of accounting

The consolidated financial statements as of and for the year ended 31 December 2019 have been prepared on the going concern basis.

(ii) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

The consolidated financial statements have been prepared on the historical cost basis with the exception of financial instruments at fair value through profit or loss, including shares in other entities, factoring receivables and liabilities due to measurement of financial instruments (IRS).

These consolidated financial statements were approved by the Board of Directors on 1 March 2021.

IFRS EU contain all International Accounting Standards, International Financial Reporting Standards as well as related Interpretations except for the below listed Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

New standards and interpretations applied in these consolidated financial statements

In these consolidated financial statements, the following standards, which came into force on January 1, 2020, were applied for the first time:

a) IFRS 3 'Business combinations'

As a result of the amendment to IFRS 3, the definition of a "business" was modified. The currently introduced definition has been narrowed down and is likely to result in more acquisitions being classified as acquisitions of assets.
The amendment to the standard does not affect these consolidated financial statements.

b) Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform

The amendments to IFRS 9, IAS 39 and IFRS 7, published in 2019, modify some of the detailed requirements for hedge accounting, mainly so that the expected reform of the reference rates (IBOR reform) does not substantially terminate hedge accounting.

The amendments to the standards do not affect these consolidated financial statements.

c) IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

The Council has published a new definition of the term "materiality". Amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards, but are not expected to have a significant impact on the preparation of financial statements.

Amendments to IAS 1 and IAS 8 do not affect these consolidated financial statements.

d) Amendments to the Conceptual Framework in IFRS

In 2019, amendments to the IFRS Framework were published, which apply as of January 1, 2020. The revised Framework is used by the Board and the Interpretation Committee in developing new standards. Nevertheless, preparers of financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not regulated under current IFRS.
Amendments to the conceptual framework in IFRS do not affect these consolidated financial statements.

Standards and interpretations adopted by the IASB, but not yet approved by the EU

IFRS as approved by the EU do not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations, which as at the date of preparing these consolidated financial statements have not yet been adopted for use.
The following (unapproved) standards and interpretations do not apply to the Group's operations and / or will not have a significant impact on the consolidated financial statements:
a) IFRS 17 'Insurance Contracts'
b) Amendments to IAS 1 'Presentation of Financial Statements'
c) Amendments to IFRS 3 'Business combinations'
d) Amendments to IAS 16 'Property, Plant and Equipment'
e) Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'
f) Annual amendments to IFRS 2018 - 2020
g) Amendments to IFRS 16 'Leases'
h) Amendment to IFRS 4: Application of IFRS 9 'Financial Instruments'
i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform
j) IFRS 14 'Regulatory Deferral Accounts'
k) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS EU requires that the Management Board of the Parent Company makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses with respect to the Group. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments and estimates made by the Management Board of the Parent Company while applying IFRS EU are discussed in the following notes:

- note 7 – estimate for revenues from CO2 compensations
- note 13 – analysis of indications regarding impairment of fixed assets
- note 14 – impairment tests for cash-generating units containing goodwill
- note 17 – deferred tax assets and liabilities and utilization of tax losses
- note 18 – inventories
- note 21 – settlements with the owner
- note 27 – financial instruments

d) Functional and presentation currency

The consolidated financial statements are presented in Polish zloty, being the functional currency of the parent Company, rounded to the nearest thousand, unless otherwise stated. The Polish zloty is the functional currency of the Parent Company.

2 Summary of significant accounting policies

The accounting principles set out below have been applied consistently to all periods presented in the consolidated financial statements.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent Company. Control exists, when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Transactions with non-controlling interests

The parent Company recognizes directly in equity, attributable to owners of the parent company, increases (or decreases) in the parent shareholders' interest, so long as the parent controls the subsidiary. Accordingly any premiums or discounts on subsequent purchases of equity instruments from (or sales of equity instruments to) non-controlling interests are recognized directly in the parent shareholders' equity.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when control is obtained by the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in the statement of profit or loss and presented as other income.

The fair value of the consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred and presented as administrative expenses.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and its settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisition under joint control

The principles set out in IFRS 3 "Business combinations" do not apply to acquisitions under joint control. Such acquisitions are accounted for using the previous value method ("predecessor value method"), which uses the book value of an entity from the consolidated financial statements at the highest level, taking into account adjustments adjusting to the accounting policy of the Cognor Holding group.

b) Foreign currencies transactions

Foreign currency translation

Transactions in foreign currencies are translated into respective functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Foreign exchange differences are recognized in the profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate ruling at the date the fair value was determined.

Foreign exchange gains and losses that relate to loans and borrowings and lease liabilities are presented in profit or loss within financial income or expenses. All other foreign exchange gains and losses are presented in profit or loss within other net gains/(losses).

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to Polish zloty (presentation currency) at the average NBP (National Bank of Poland) rate at the reporting date. The income and expenses of foreign operations are translated to Polish zloty at average NBP rates at the dates of the transactions. Foreign currency differences are recognized as part of other comprehensive income and included in equity (foreign currency translation reserve). When a foreign operation is disposed of, in part or in full, the relevant amount of foreign currency differences in the foreign currency translation reserve is transferred to profit or loss on this transaction. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

c) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price of the assets (i.e. the amount due to a seller less deductible VAT and excise tax), taxes and charges (in case of import) and costs directly related to the purchase and completion of the asset, so that it can be available for use, including transport, loading, unloading and storing costs. Rebates, discounts and other similar reductions decrease cost.

The construction cost of property, plant and equipment or assets under construction includes total cost incurred by the entity in the period of their construction, assembly, adjustment and modernization till the date of their bringing into use (or up to the reporting date, if the asset was not brought into use before this date), including non-deductible VAT and excise tax. The construction cost also includes cost, if needed, of dismantling and removing the components of tangible fixed assets and restoration cost.

In respect of borrowing costs relating to qualifying assets, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditures

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures are recognized in profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, considering residual values. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	from 10 to 40 years
• Machinery and equipment	from 2 to 28 years
• Vehicles	from 5 to 22 years
• Fixtures and fittings	from 1 to 3 years

The useful lives, depreciation methods and residual values are reassessed annually.

d) Leased assets

Pursuant to IFRS 16 "Leasing" - a contract is a lease or concludes a lease if it provides the right to control the use of the identified asset for a given period of time in exchange for (payment) remuneration.
The contract includes leasing if the following conditions are jointly met:
• the asset is identified,
• the lessee has the right to all economic benefits from the use of the asset throughout life,
• the lessee has the right to manage the use of the identified asset, i.e. it determines the manner and purpose of use of the asset or previous decisions have been made regarding the manner and purpose of use of the assets.

The leasing period is the irrevocable period during which the lessee has the right to use the underlying asset, together with:
• periods for which the lease can be extended if it can be assumed with sufficient certainty that the lessee will exercise this right; and
• periods during which leasing can be terminated if it can be assumed with sufficient certainty that the lessee will not exercise this right.
The Group recognizes the right-of-use asset and a lease liability at the commencement date. The start date of the lease period is the date on which the lessor makes the underlying asset available for use by the lessee.
The Group has the right to be exempted from applying the requirements of IFRS 16 when it recognizes:
• short-term leasing - leasing that has a leasing period of no more than 12 months at the commencement date.
Leasing in which the call option was introduced is not a short-term lease.
• leasing of low-value assets - assets whose unit initial value of the new component the subject of the lease does not exceed PLN 20 thousand, excluding the perpetual usufruct of land.

At the commencement date, the Group measures the asset due to the right-of-use at cost. The cost of an asset due to the right-of-use should, in accordance with IFRS 16, include:
a) the initial amount of the lease liability valuation,
b) all leasing payments paid on or before the start date, less any leasing incentives received,
c) any initial direct costs incurred by the lessee and
d) an estimate of the costs to be borne by the lessee in connection with the dismantling and removal of the underlying asset, renovation of the place where it was located or renovation of the underlying asset to the condition required by the terms of the lease, unless these costs are incurred in order to produce inventory. The lessee assumes the obligation to cover these costs at the commencement date or as a result of using the underlying asset for a given period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments outstanding on that date. The lease payments are discounted using the lease interest rate, if that rate can be easy determined. Otherwise, the Group uses the lessee's incremental borrowing rate.

e) Intangible assets

Goodwill

All business combinations, excluding businesses which are under common control, are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but tested annually for impairment.

In respect of acquisition where a surplus of the net identifiable assets over the acquisition cost is identified, this amount is recognized in the profit and loss.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically feasible, economically justified and the Group has sufficient resources to complete development. The capitalized expenditures include: the cost of materials, direct labour and overheads that are directly attributable to preparing the assets for its intended use. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization and impairment losses.

Other development expenditures are recognized in profit or loss as incurred.

CO2 emission rights

CO2 emission rights received from the State are measured at cost less impairment losses. The liability arising from producing pollution are measured based on the carrying amount of allowances held (emission rights), to the extent that the Group holds sufficient allowances to satisfy its current obligations.

If the Group does not hold sufficient number of CO2 emission rights to cover its obligation arising from emission, provisions for the deficit of CO2 emission allowances is recognised as the product of the number of missing rights as at the balance sheet date and the unit market price (fair value) of these rights as at the balance sheet date.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditures

Subsequent expenditures on capitalized intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortized from the date they are available for use.
The estimated useful lives are as follows:

• ERP licenses	8 years
• Capitalized development costs	5 years
• Other	2 years

f) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost or reliably estimated production cost less accumulated depreciation and impairment losses. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of investment property considering residual values. Land is not depreciated. The estimated useful lives are the same as those for property, plant and equipment presented in point c) above. In the case of the right-of- use assets presented as investment property, the principles set out in point d) above apply.

g) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable, they are immediately available for sale and Management is committed to a plan to sell the asset (or disposal group). They are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and:
- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or,
- is a subsidiary acquired exclusively with a view to resale.

The Group restates the information disclosed in the discontinued operations for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued before the balance sheet date of the latest period presented

h) Financial assets and liabilities

The classification of financial assets depends on the business model of managing financial assets and the characteristics of the contractual cash flows of a financial asset. The classification of financial assets is made upon initial recognition and can only be changed if the business model of managing financial assets changes.

Initial measurement

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At initial recognition, the Group measures trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) at their transaction price (as defined in IFRS 15).

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group discloses in this category trade receivables (without factoring receivables), loan granted and cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income (FVOCI)

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The Group discloses in this category factoring receivables and shares in other entities.

Impairment

An allowance for trade receivables and loans granted is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or loans. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payments are considered indicators that the trade receivable or loan is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. In the case of trade receivables that do not have a significant element of financing, the Group applies the simplified approach required in IFRS 9 and measures impairment losses in the amount of credit losses expected over the entire life of the receivables from the moment of its initial recognition. The Group applies a write-off matrix in which write-offs are calculated for trade receivables classified to different age ranges or overdue periods.

At the time of initial recognition of assets, the impairment is recognized in the amount of expected losses over a period of 12 months (except for the receivables described above). At each reporting date, The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The Group measures expected credit losses of a financial instrument in a way that reflects:
a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution expenses in profit or loss.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
The Group discloses IRS as the financial liability measured at fair value through profit or loss. Due to the fact that this instrument is designed to limit the risk related to the volatility of interest rates on the loan received, the impact of changes in the valuation of the Group is included in financial expenses / revenues.

i) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventories is determined based on the specific identification method if possible, or first in, first out method. Cost includes expenditure incurred in acquiring the inventories. In case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

The impairment losses of inventories are recognized/reversed through profit or loss as part of costs products, merchandise or raw materials sold. Identified surpluses or shortages in inventory are recognized in profit or loss in the same position as costs of products, merchandise or raw materials sold.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
The Group determines the impairment on cash according to the expected loss model, individually for each balance related to a given credit institution based on external ratings.

k) Impairment of non financial assets

The carrying amount of the Group's assets, other than inventories and deferred tax assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and tangible and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit (or a group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of units) and then, to reduce the carrying amount of the other assets in the unit (or a group of units) on a pro rata basis.
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Equity

Issued share capital

The share capital of the Parent Company represents the share capital of the Group. Ordinary share capital is stated at the nominal value of shares issued according to the statute and registered in the National Court Register (KRS).

Reserve capital

Reserves include supplementary, other reserves, treasury shares, convertible notes and other contributions of the owner. Supplementary capital is allocated from net profit according to the Commercial Code. Other reserves are allocated from net profit for future dividends payments.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Repurchase and reissue of treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable transaction costs, net of any tax effects, is recognized as a reduction in equity. Repurchased shares are classified as treasury shares and are presented within Reserves. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in equity.

m) Interest bearing loans and borrowings

Interest–bearing loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost applying effective interest rate method. Any difference between proceeds (less transaction costs) and redemption value is recognized in profit or loss over the period of the borrowings applying effective interest rate method.

Fair value, evaluated for disclosure purposes, is calculated on the basis of current value of future cash flows from capital and returns discounted at market interest rate at the reporting day. In case of lease, the market interest rate is estimated on the basis of the percentage rate of similar lease agreements.

n) Employee benefits

Defined benefits plan – retirement awards

The Group recognizes provisions for retirement and pension benefits (employee benefits) based on the actuarial valuation as at the reporting date prepared by an independent actuary. The basis for the calculation of the provisions for the employee benefits is set by the Group's internal regulations, Collective Labour Agreement for the Group's employees or other legal regulations in force.

Provisions for employee benefits are determined with the use of actuarial techniques and assumptions, specified in IFRS EU, especially in IAS 19 'Employee Benefits'. Provisions are measured on the basis of the present value of the Group's future obligations with regard to employee benefits. Provisions are calculated using an individual projected benefit method, separately for each employee.

The basis for the calculation of the provisions for each employee is the projected amount of the benefit that the Group is obliged to pay pursuant to the regulations described above. The amount of the benefit is projected till it is vested by an employee. Employee benefits obligation is determined on the basis of projected increase in the benefit and over length of service of a given employee. The calculated amount is discounted to the reporting date.

Short-term employee benefits

Short-term employee benefits liabilities are not discounted and are expensed when service is performed.

Provisions are recognized in the amount of projected payments for employees' short-term bonuses, if the Group is legally or constructively obliged to these payments on the basis of services rendered by employees in the past, and liability could be reliably estimated.

o) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

p) Trade and other liabilities

Trade and other liabilities are recognised initially at fair value less transaction costs which can be directly attributed to these liabilities and subsequently measured at amortized cost. Current liabilities are not discounted.

q) Deferred government grants and other deferred income

Government grants are recognized initially in the statement of financial position as deferred income at fair value when it is reasonable certain that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis over the same periods as the expenses are incurred. Grants that compensate the Group for the expenditures of an asset are recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

r) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is presented net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group accounts for a contract with a customer only when all of the following criteria are met:
(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
(b) the Group can identify each party's rights regarding the goods or services to be transferred;
(c) the Group can identify the payment terms for the goods or services to be transferred;
(d) the contract has commercial substance (ie the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and

(e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession

Requirements to identify the contract with the client

The contract with the client meets its definition when all of the following criteria are met: the parties to the contract have concluded a contract and are required to perform their duties; the Group is able to identify the rights of each party regarding the goods or services to be transferred; the group is able to identify the payment terms for goods or services to be transferred; the contract has economic content and it is probable that the Group will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the client.

Identification of obligations to perform the service

At the time of concluding the contract, the Group evaluates the goods or services promised in the contract with the client and identifies as a commitment to perform any promise to transfer to the client: good or service (or a package of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the client is of the same nature.

Determining the transaction price

In order to determine the transaction price, the Group takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Group's expectations, will be due in exchange for the transfer of promised goods or services to the client, excluding amounts collected on behalf of third parties (for example, some sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.
Some contracts with counterparties the Group includes entries about qualitative adjustments that are the basis for calculating the final sale price or certain forms of customer bonus, however, the probability that there will be no reversal of a significant part of accumulated revenues in the future is low. In such cases, in accordance with IFRS 15, the amount of variable remuneration in the transaction price is not taken into account. A reassessment of variable remuneration should be made at the end of each reporting period.

Allocation of the transaction price to individual obligations to perform the service

The Group assigns a transaction price to each obligation to provide the service (or a separate good or separate service) in an amount that reflects the amount of remuneration which, according to the Group's expectations, is due in exchange for the transfer of promised goods or services to the client.

Recognition of revenue when the obligations to perform the service are fulfilled

The Group recognizes revenues when the obligation to perform the performance is met (or when fulfilling) by transferring the promised good or service (i.e. an asset) to the client (the client gains control over this asset). Revenues are recognized as amounts equal to the transaction price that has been assigned to a given obligation to perform the service.

Liabilities from contracts in the form of advances received from suppliers are presented in the trade and other payables (Prepayments for services and deliveries of goods), and assets from contracts with customers are presented as trade receivables or as other receivables in non-current assets.

s) Other income and expenses

Interest income regarding financial, trade and other receivables is recognized in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognized in profit or loss on the date the entity’s right to receive dividends is established. The interest expense on trade and other liabilities is recognized in other expenses using the effective interest rate method.

t) Current and deferred income tax

The tax expense, as presented in profit or loss, comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income when it is recognised accordingly in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The following temporary differences are not included in the calculation of deferred tax: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future. Deferred tax recognized in the statement of financial position is based on the expectation as to the realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3 Transformation of comparable data in the consolidated statement of cash flows

Due to the subsidies the Group receives (mainly from the National Center for Research and Development), the Group decided to change the presentation of the received subsidies in the statement of cash flows. Grants for capital expenditure will henceforth be reported in investing activities, while grants related to operating activities will be disclosed in operating activities. Below, restatement of comparable data in terms of changes in the presentation of individual items in the statement of cash flows.

Extract from the consolidated statement of cash flows for the period 01.01.2019-31.12.2019

in PLN thousand	**according to the approved report for 2019**	**Adjustments**	**Restated data**
Other adjustments	(2 162)	1 940	(222)
Cash generated from continuing operations	**141 831**	**1 940**	**143 771**
Net cash from operating activities	**142 480**	**1 940**	**144 420**
Received grants for investing activities	-	5 221	5 221
Cash generated on investing activities from continuing operations	**(56 153)**	**5 221**	**(50 932)**
Received grants for investing activities	5 221	(5 221)	-
Other received grants	1 940	(1 940)	-
Cash outflows on financing activities from continuing operations	**(83 830)**	**(7 161)**	**(90 991)**
Net change in cash and cash equivalents	**2 497**	**-**	**2 497**

Extract from the consolidated statement of cash flows for the period 01.01.2018-31.12.2018

in PLN thousand	**according to the approved report for 2018**	**Adjustments**	**Restated data**
Other adjustments	(688)	688	-
Cash generated from continuing operations	**232 077**	**688**	**232 765**
Net cash from operating activities	**232 195**	**688**	**232 883**
Received grants for investing activities	-	3 436	3 436
Cash generated on investing activities from continuing operations	**(37 603)**	**3 436**	**(34 167)**
Received grants for investing activities	3 436	(3 436)	-
Other received grants	688	(688)	-
Cash outflows on financing activities from continuing operations	**(195 572)**	**(4 124)**	**(199 696)**
Net change in cash and cash equivalents	**(980)**	**-**	**(980)**

4 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Management Board of the Parent Company that are used to make strategic decisions.

The Group has identified the folowing types of segments:
-scrap metal: comprising purchasing, sorting, processing, refining and subsequent shipment and sale of of scrap metal to external customers,
-billets HSJ: comprising production and purchase of steel billets (crude steel) and their subsequent sale to external customers, carried out by our melting shop HSJ in Stalowa Wola,
-billets Ferrostal (FER): comprising production and purchase of steel billets (crude steel) and their subsequent sale to external customers, carried out by our melting shop Ferrostal in Gliwice,
-finished products HSJ: comprising production and purchase of finished steel products and their subsequent sale to external customers, carried out by our rolling mill HSJ in Stalowa Wola,
-finished products FER: comprising production and purchase of finished steel products and their subsequent sale to external customers, carried out by our rolling mill Ferrostal in Gliwice,
-non-ferrous scrap metal: comprising purchasing, sorting, processing, refining and subsequent shipment and sale to external customers of non-ferrous scrap metal,
-non-ferrous finished products: comprising production (from own or from customer's material) and purchase of non-ferrous products, such as bronze shafts and sleeves as well as aluminum alloys in the form of ingots, and then their subsequent shipement and sale to
-other: including transportation services, property development and other activities.

Sales between segments are carried out at arm’s length. The revenue from external parties reported to the Management Board of the Parent Company is measured in a manner consistent with that in the statement of comprehensive income.

4 Segment reporting - continued

Business segments

in PLN thousand

31.12.2020	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	123 403	160 043	146 622	468 891	670 515	51 248	49 625	58 253	4 545		
Inter-segment revenue	151 005	57 893	13 583	9 800	76 467	18 425	1 072	5 729	10 909		
Total revenue	**274 408**	**217 936**	**160 205**	**478 691**	**746 982**	**69 673**	**50 697**	**63 982**	**15 454**	**(344 807)**	**1 733 221**
Cost of sales to external customers	(112 050)	(151 324)	(132 410)	(416 068)	(638 548)	(47 072)	(41 820)	(52 413)	(3 585)		
Inter-segment cost of sales	(144 609)	(54 492)	(12 715)	(8 897)	(73 152)	(17 297)	(988)	(3 763)	(874)		
Total cost of sales	**(256 659)**	**(205 816)**	**(145 125)**	**(424 965)**	**(711 700)**	**(64 369)**	**(42 808)**	**(56 176)**	**(4 459)**	**337 753**	**(1 574 324)**
Segment result	**17 749**	**12 120**	**15 080**	**53 726**	**35 282**	**5 304**	**7 889**	**7 806**	**10 995**	**(7 054)**	**158 897**
Other income	1 861	2 684	4 312	8 948	19 327	500	1 392	3 420	143	(1 394)	41 193
Distribution and administrative expenses	(15 836)	(12 479)	(4 261)	(33 458)	(33 057)	(4 057)	(4 323)	(5 474)	(22 566)	7 063	(128 448)
Other gain/(losses) net	(32)	60	90	208	421	(1)	259	213	1 867	(1 851)	1 234
Other expenses	(101)	(1 196)	(296)	(4 034)	(1 332)	(28)	(114)	(370)	(198)	1 320	(6 349)
Operating profit/(loss)	**3 641**	**1 189**	**14 925**	**25 390**	**20 641**	**1 718**	**5 103**	**5 595**	**(9 759)**	**(1 916)**	**66 527**
Net financing costs									(45 021)	10 704	(34 317)
Share of profit of associates, net of tax											60
Income tax expense											1 276
Profit for the period											**33 546**

in PLN thousand

31.12.2019	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	131 952	166 079	203 933	532 148	668 509	59 805	70 344	64 221	4 530		
Inter-segment revenue	156 039	45 045	11 781	5 128	47 765	20 685	2 692	6 045	9 020		
Total revenue	**287 991**	**211 124**	**215 714**	**537 276**	**716 274**	**80 490**	**73 036**	**70 266**	**13 550**	**(304 117)**	**1 901 604**
Cost of sales to external customers	(122 821)	(166 889)	(179 718)	(471 042)	(629 101)	(56 344)	(63 096)	(53 619)	(3 795)		
Inter-segment cost of sales	(149 254)	(44 702)	(10 701)	(4 720)	(45 632)	(19 846)	(2 579)	(3 437)	(1 134)		
Total cost of sales	**(272 075)**	**(211 591)**	**(190 419)**	**(475 762)**	**(674 733)**	**(76 190)**	**(65 675)**	**(57 056)**	**(4 929)**	**297 876**	**(1 730 554)**
Segment result	**15 916**	**(467)**	**25 295**	**61 514**	**41 541**	**4 300**	**7 361**	**13 210**	**8 621**	**(6 241)**	**171 050**
Other income	2 271	1 093	1 293	3 843	4 230	641	979	877	1 286	(3 453)	13 060
Distribution and administrative expenses	(14 916)	(11 369)	(4 091)	(30 929)	(30 902)	(4 188)	(4 714)	(6 535)	(22 291)	6 534	(123 401)
Other gain/(losses) net	401	(124)	(167)	(437)	(545)	110	(17)	602	(2 541)	3 635	917
Other expenses	(813)	(772)	(731)	(2 714)	(2 392)	(226)	(161)	(463)	(5 235)	6 473	(7 034)
Operating profit	**2 859**	**(11 639)**	**21 599**	**31 277**	**11 932**	**637**	**3 448**	**7 691**	**(20 160)**	**6 948**	**54 592**
Net financing costs									(29 504)	(1 300)	(30 804)
Share of profit of associates, net of tax											(1 455)
Income tax expense											(2 561)
Profit for the period											**19 772**

in PLN thousand 31.12.2018	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	186 000	117 369	215 431	682 160	683 191	65 591	67 804	64 232	63		
Inter-segment revenue	192 878	40 500	-	188	58 406	26 207	11 787	21 235	19 494		
Total revenue	**378 878**	**157 869**	**215 431**	**682 348**	**741 597**	**91 798**	**79 591**	**85 467**	**19 557**	**(370 695)**	**2 081 841**
Cost of sales to external customers	(170 682)	(104 853)	(188 978)	(579 231)	(606 920)	(62 205)	(62 208)	(53 790)	375		
Inter-segment cost of sales	(185 476)	(35 756)	-	(136)	(52 849)	(25 052)	(10 151)	(19 421)	(1 253)		
Total cost of sales	**(356 158)**	**(140 609)**	**(188 978)**	**(579 367)**	**(659 769)**	**(87 257)**	**(72 359)**	**(73 211)**	**(878)**	**353 058**	**(1 805 528)**
Segment result	**22 720**	**17 260**	**26 453**	**102 981**	**81 828**	**4 541**	**7 232**	**12 256**	**18 679**	**(17 637)**	**276 313**
Other income	689	383	831	2 360	3 418	183	779	978	1 211	(290)	10 542
Distribution and administrative expenses	(16 353)	(9 582)	(3 194)	(31 583)	(28 911)	(4 002)	(5 007)	(8 638)	(34 238)	18 767	(122 741)
Other gain/(losses) net	1 094	31	124	194	511	266	236	214	352	(1 045)	1 977
Other expenses	(333)	(393)	(720)	(2 420)	(2 958)	(82)	(98)	(832)	(88)	(1 959)	(9 883)
Operating profit/(loss)	**7 817**	**7 699**	**23 494**	**71 532**	**53 888**	**906**	**3 142**	**3 978**	**(14 084)**	**(2 164)**	**156 208**
Net financing costs									(69 768)	6 998	(62 770)
Share of profit of associates, net of tax											(662)
Income tax expense											(20 730)
Profit for the period											**72 046**

in PLN thousand

31.12.2020	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	64 418	81 577	43 665	230 341	334 549	16 636	22 568	42 932	237 686	(43 173)	**1 031 199**
Segment liabilities	32 629	40 864	34 485	118 001	168 851	8 263	5 196	23 907	343 449	(51 460)	**724 185**

in PLN thousand

31.12.2019	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	75 666	74 140	54 410	239 334	338 426	21 305	27 117	43 665	216 490	(38 822)	**1 051 731**
Segment liabilities	22 107	38 590	41 383	124 567	146 600	6 191	6 216	19 585	406 289	(36 988)	**774 540**

in PLN thousand

31.12.2018	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	79 721	48 060	56 506	272 089	302 238	19 606	28 424	59 308	194 944	(59 518)	**1 001 378**
Segment liabilities	27 128	22 909	34 548	129 688	149 797	6 658	8 273	23 235	350 766	(47 509)	**705 493**

Unallocated assets *in PLN thousand*	**31.12.2020**	**31.12.2019**	**31.12.2018**
Long-term and short-term investments	1 316	1 279	2 656
Deferred tax assets	49 380	47 206	50 610
Investment property	7 136	121	123
Income tax receivable	226	38	660
Cash and cash equivalents	100 555	78 956	76 459
Assets held for sale	-	-	-
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	57 760	62 467	51 321
Assets of central office	21 313	26 423	13 115
	237 686	**216 490**	**194 944**

Unallocated liabilities *in PLN thousand*	**31.12.2020**	**31.12.2019**	**2018.12.31**
Interest-bearing loans and borrowings	264 540	304 839	283 349
Bank overdraft	-	-	-
Deferred tax liabilities	-	-	1 162
Provisions	25	226	4 394
Government grants and other deferred income	5 925	9 942	5 653
Current income tax payables	460	319	-
Other liabilities	47 158	80 456	43 089
Other financial liabilities	4 011	2 869	2 531
Liabilities of central office	21 330	7 638	10 588
	343 449	**406 289**	**350 766**

4 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Revenue from external customers	1 216 529	1 381 073	1 475 009	231 696	297 513	297 984	284 996	223 018	308 848	1 733 221	1 901 604	2 081 841
Capital expenditures	66 567	102 495	54 372	-	-	-	-	-	-	66 567	102 495	54 372

The above capital expenditure relates to increases resulting from the following items:

-property, plant and equipment (note no. 13)	*61377*	*93735*	*48433*
-intangibles (note no. 14)	*5115*	*5352*	*5939*
-perpetual usufruct of land (note no. 16)	*75*	*3408*	*-*

The Group's non-current assets other than financial instruments and deferred tax assets are located in Poland.
The Group generates its revenues to a large extent in Poland, however, a significant part of revenues is generated from sales to foreign customers. Thus, the risk of geographical concentration and potential problems with the economic and geopolitical situation is limited.

Major customer

In 2020, none of the Group’s customers exceeded 10% of consolidated revenues (in 2019 and 2018 none of the Group's customers exceeded 10% of consolidated revenues).

5 Revenues from contracts with customers

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Revenues from sale of products	1 500 571	1 635 353	1 766 010
Revenues form sale of services	31 842	35 827	36 145
Revenues from sale of goods	182 610	208 779	256 519
Revenues from sale of raw materials and energy	18 198	21 645	23 167
	1 733 221	**1 901 604**	**2 081 841**
including:			
- revenue from sale of goods or services transferred to customers at a point in time	1 680 186	1 844 387	2 045 696
- revenue from sale of goods or services and energy transferred to customers over time	53 035	57 217	36 145

The Group has one long-term contract settled on the basis of "cost plus margin". As a result of this contract, the Group recognized revenues of PLN 4 355 thousand PLN on this contract (31.12.2019: PLN 4 293 thousand, 31.12.2018: PLN 0 thousand). It remains PLN 8 352 thousand of revenue to be recognized in future under this contract.
Apart from the above contract, the Group does not have sales contracts over 12 months, hence the Group uses the exclusion specified in IFRS 15 without disclosing the transaction price assigned to the obligations of services not fulfilled under these contracts.

The group acts as the principal in the sales process. No return obligations and no warranty claims.
The costs of servicing the sale and transport process related to the sale of finished products are recognized as distribution costs, regardless of the type of sale conditions.

6 Expenses by type

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Depreciation and amortisation (note 13 and 14)	(47 162)	(45 637)	(43 447)
Energy and materials consumption	(1 098 881)	(1 229 523)	(1 364 485)
External services	(167 692)	(176 989)	(170 583)
Taxes and charges	(9 600)	(9 967)	(11 869)
Wages and salaries	(139 999)	(146 354)	(148 736)
Social security contributions and other benefits	(34 046)	(35 259)	(34 857)
Other expenses	(6 295)	(6 473)	(6 153)
Amortisation of prepaid perpetual usufruct of land	(546)	(599)	(414)
Total expenses by type	**(1 504 221)**	**(1 650 801)**	**(1 780 544)**
Cost of goods for resale and materials	(161 944)	(192 949)	(227 195)
Changes in inventories, prepayments, accruals and costs settled	(36 607)	(10 205)	79 470
Costs of products, goods and materials sold, administrative and distribution expenses	**(1 702 772)**	**(1 853 955)**	**(1 928 269)**

7 Other income

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Compensations and penalties received	464	315	915
Insurance compensations	985	1 271	264
Forgiven liabilities	2 551	236	373
Reimbursed costs of court proceedings	316	151	211
Reversal of impairment for non financial non-current assets	-	-	-
Donations and grants	7 791	1 393	1 631
CO2 compensations*	12 033	-	-
Aid for maintaining jobs (anti-COVID shield)**	11 800	-	-
Interest income relating to trade receivables	506	3 441	2 068
Fees and commissions	-	-	-
Reversal of allowance for interest and other receivables	683	719	1 105
Revenues from readiness to reduce power of energy	3 681	3 683	1 786
Other	383	1 851	2 189
	41 193	**13 060**	**10 542**

* In 2020, the Group's Management Board decided to include PLN 12,033 thousand in other operating income, which the Group expects to obtain for this period in 2021 as compensation for the increase in quotations of CO2 emission rights, which was regulated in the act adopted by the Polish parliament last year. On the basis of it, some carbon dioxide emitters will be able to claim partial compensation for its higher prices. The final amount will be determined in the second half of 2021 depending on: (i) the prices of CO2 emission rights throughout 2020 and (ii) the degree of reduction of the compensation granted if the total value of compensation claims exceeds PLN 0.9 billion. When calculating the amount of PLN 12,033 thousand The Management Board adopted the following: (i) the average price of CO2 emission rights in 2020 announced by the President of the ERO in the amount of PLN 108.3 per tonne, and (ii) the degree of reduction by approximately 40%. In the opinion of the Management Board, this is a conservative estimate. Last year, the Group did not recognize this type of compensation.

** Aid received by the Group from the Voivodship Labor Office in Katowice pursuant to Art. 15 g of the Act of March 2, 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them, in respect of assistance including protection of jobs, salaries of employees subject to economic downtime and reduction of working time for the months May - July 2020

8 Other gains/(losses) - net

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Net gain/ (loss) on disposal of property, plant and equipment	478	1 267	651
Net gain/(loss) on disposal of intangible assets	7	30	37
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	-	-	34
Net gain/(loss) on disposal of assets held for sale	-	-	-
Net gain/(loss) on disposal of right-of-use assets	97	-	-
Net gain/(loss) on sales of other investments	-	143	-
Net gain/(loss) on the sale of energy certificates	-	257	-
Net foreign exchange gain relating to operating activities	690	(741)	1 084
Net foreign exchange (loss)/gain relating to financial assets	(38)	(39)	171
	1 234	**917**	**1 977**

9 Other expenses

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Interest expenses relating to non-financial liabilities	(2 448)	(2 114)	(879)
Uncollectible receivables	(484)	(1 285)	(3 593)
Impairment of tangible and intangible assets	-	-	-
Costs of court proceedings	(128)	(74)	(143)
Contractual penalties	(1 248)	(937)	(1 211)
Receivables written off	(192)	(3)	(1 382)
Donations	(13)	(122)	(6)
Unused production capacities	-	-	-
Other	(1 836)	(2 499)	(2 669)
	(6 349)	**(7 034)**	**(9 883)**

10 Net financing costs

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Financial income			
Net gain on the purchase of own bonds	-	-	4 460
Net foreign exchange gain	-	927	-
Financial income, total	**-**	**927**	**4 460**
Financial costs			
Interest expense relating to financial liabilities	(19 094)	(20 868)	(38 312)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(4 784)	(5 265)	(13 114)
Net foreign exchange loss	(8 072)	-	(12 030)
Valuation of derivatives	(1 142)	(338)	(2 531)
Fee relating to withholding tax relating to financial activity	-	(5 042)	-
Other	(1 225)	(218)	(1 243)
Financial expenses, total	**(34 317)**	**(31 731)**	**(67 230)**
Net financing costs	**(34 317)**	**(30 804)**	**(62 770)**

11 Income tax expense

Recognised in the statement of the profit or loss and other comprehensive income

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Current tax expense			
Current year			
- continuing operations	(898)	(319)	-
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	2 174	(2 242)	(20 730)
- discontinued operations	-	-	-
	2 174	**(2 242)**	**(20 730)**
Total income tax expense in the profit or loss and other comprehensive income	**1 276**	**(2 561)**	**(20 730)**

Reconciliation of effective tax rate

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.12.2018
(Loss)/profit before tax	**100,0%**	**32 270**	**100,0%**	**22 333**	**100,0%**	**92 776**
Income tax using the domestic corporation tax rate	(19,0%)	(6 131)	(19,0%)	(4 243)	(19,0%)	(17 627)
Effect of tax rates in foreign jurisdictions	(0,1%)	(24)	(0,0%)	(11)	-	-
Non-deductible costs	(8,9%)	(2 856)	(4,6%)	(1 030)	(1,7%)	(1 610)
Tax exempt income	13,2%	4 254	6,2%	1 385	2,6%	2 419
Utilisation of tax losses not recognised in previous years	-	-	0,2%	40	-	-
Tax losses for which no deferred tax asset was recognised	3,8%	1 236	(0,7%)	(146)	(6,0%)	(5 592)
R&D tax credit	8,9%	2 874	-	-	-	-
Adjustment to prior years' income tax	-	-	1,3%	280	1,6%	1 475
Recognition of deferred tax assets previously not recognised	5,2%	1 694	5,7%	1 270	(0,2%)	(145)
Other	0,7%	229	(0,5%)	(107)	0,4%	350
	4,0%	**1 276**	**(11,5%)**	**(2 561)**	**(22,3%)**	**(20 730)**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

12 Current tax assets and liabilities

The current tax receivables as at 31.12.2020 amounted to PLN 226 thousand (31.12.2019: PLN 38 thousand, 31.12.2018: PLN 660 thousand).

As at 31.12.2020 the current tax liabilities amounted to PLN 460 thousand (31.12.2019: PLN 319 thousand, 31.12.2018: PLN 0 thousand).

13 Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2018	1 001	175 684	508 816	41 449	10 131	8 652	745 733
Additions	-	993	5 539	11 153	155	30 593	**48 433**
Reclassification	-	-	-	6	(6)	-	**-**
Transfer to inventories	-	-	-	-	-	(4 855)	**(4 855)**
Transfer from fixed assets under construction	-	399	8 442	697	583	(10 121)	**-**
Disposals	-	(292)	(4 562)	(10 086)	(318)	-	**(15 258)**
Balance at 31.12.2018	**1 001**	**176 784**	**518 235**	**43 219**	**10 545**	**24 269**	**774 053**
Balance at 01.01.2019	1 001	176 784	518 235	43 219	10 545	24 269	**774 053**
Recognition acc. to IFRS 16	7 665	29 145	6 648	-	-	-	**43 458**
Additions	-	-	10 770	6 506	880	75 579	**93 735**
Reclassification	-	-	-	(7)	7	-	**-**
Transfer from perpetual usufruct of land	-	-	-	-	-	506	**506**
Transfer from fixed assets under construction	-	9 888	14 597	455	287	(25 227)	**-**
Disposals	-	(76)	(8 006)	(7 042)	(97)	(896)	**(16 117)**
Balance at 31.12.2019	**8 666**	**215 741**	**542 244**	**43 131**	**11 622**	**74 231**	**895 635**
Balance at 01.01.2020	8 666	215 741	542 244	43 131	11 622	74 231	**895 635**
Recognition acc. to IFRS 16	1 965	931	941	-	-	-	**3 837**
Additions	-	-	10 124	731	424	50 098	**61 377**
Transfer from intangible assets	-	-	-	-	-	1 470	**1 470**
Transfer to investment properties	-	-	-	-	-	-	**-**
Transfer from perpetual usufruct of land	-	-	-	-	-	3 408	**3 408**
Transfer from fixed assets under construction	3 408	5 788	31 508	376	175	(41 255)	**-**
Disposals	-	(1 156)	(5 039)	(2 032)	(199)	-	**(8 426)**
Derecognition acc. To IFRS 16	(348)	(1 740)	(232)	-	-	-	**(2 320)**
Balance at 31.12.2020	**13 691**	**219 564**	**579 546**	**42 206**	**12 022**	**87 952**	**954 981**
Depreciation and impairment losses							
Balance at 01.01.2018	(11)	(77 769)	(346 116)	(28 939)	(7 113)	77	**(459 871)**
Depreciation charge for the year	-	(5 847)	(32 194)	(3 700)	(727)	-	**(42 468)**
Reversal of impairment loss	-	-	317	-	-	-	**317**
Disposals	-	123	2 866	9 449	148	-	**12 586**
Balance at 31.12.2018	**(11)**	**(83 493)**	**(375 127)**	**(23 190)**	**(7 692)**	**77**	**(489 436)**
Balance at 01.01.2019	(11)	(83 493)	(375 127)	(23 190)	(7 692)	77	**(489 436)**
Depreciation charge for the year	(702)	(7 937)	(30 719)	(4 364)	(918)	-	**(44 640)**
Reversal of impairment loss	-	-	884	-	-	242	**1 126**
Disposals	-	52	6 122	6 625	97	-	**12 896**
Balance at 31.12.2019	**(713)**	**(91 378)**	**(398 840)**	**(20 931)**	**(8 511)**	**319**	**(520 054)**
Balance at 01.01.2020	(713)	(91 378)	(398 840)	(20 931)	(8 511)	319	**(520 054)**
Depreciation charge for the year	(712)	(7 815)	(32 117)	(4 413)	(881)	-	**(45 938)**
Reversal of impairment loss	-	-	4	-	-	-	**4**
Disposals	-	1 017	4 844	1 986	197	(3)	**8 041**
Derecognition acc. To IFRS 16	55	273	36	-	-	-	**364**
Balance at 31.12.2020	**(1 370)**	**(97 903)**	**(426 073)**	**(23 358)**	**(9 195)**	**316**	**(557 583)**

Carrying amounts							
Balance at 01.01.2018	990	97 915	162 700	12 510	3 018	8 729	285 862
Balance at 31.12.2018	**990**	**93 291**	**143 108**	**20 029**	**2 853**	**24 346**	**284 617**
Balance at 01.01.2019	990	93 291	143 108	20 029	2 853	24 346	284 617
Balance at 31.12.2019	**7 953**	**124 363**	**143 404**	**22 200**	**3 111**	**74 550**	**375 581**
Balance at 01.01.2020	7 953	124 363	143 404	22 200	3 111	74 550	375 581
Balance at 31.12.2020	**12 321**	**121 661**	**153 473**	**18 848**	**2 827**	**88 268**	**397 398**
including right-of-use assets							
Cost							
Balance at 01.01.2019	-	1 561	33 965	25 422	1 143	-	**62 091**
Recognition acc. to IFRS 16 as at 1 January 2019	7 665	29 145	6 648	-	-	-	**43 458**
Additions	-	-	10 771	7 294	879	-	**18 944**
Disposals	-	(572)	(8 705)	(3 796)	-	-	**(13 073)**
Balance at 31.12.2019	**7 665**	**30 134**	**42 679**	**28 920**	**2 022**	**-**	**111 420**
Balance at 01.01.2020	7 665	30 134	42 679	28 920	2 022	-	**111 420**
Recognition acc. to IFRS 16	1 965	931	941	-	-	-	**3 837**
Additions	-	-	10 124	731	424	-	**11 279**
Derecognition acc. to IFRS 16	(348)	(1 740)	(232)	-	-	-	**(2 320)**
Disposals	-	-	(6 610)	(1 702)	-	-	**(8 312)**
Balance at 31.12.2020	**9 282**	**29 325**	**46 902**	**27 949**	**2 446**	**-**	**115 904**
Depreciation							
Balance at 01.01.2019	-	(638)	(16 590)	(6 239)	(364)	-	**(23 831)**
Depreciation charge for the year - right-of use assets	(702)	(2 950)	(6 930)	(3 649)	(294)	-	**(14 525)**
Disposals	-	565	8 212	2 408	-	-	**11 185**
Balance at 31.12.2019	**(702)**	**(3 023)**	**(15 308)**	**(7 480)**	**(658)**	**-**	**(27 171)**
Balance at 01.01.2020	(702)	(3 023)	(15 308)	(7 480)	(658)	-	**(27 171)**
Depreciation charge for the year - right-of use assets	(712)	(2 906)	(7 044)	(3 503)	(383)	-	**(14 548)**
Derecognition acc. to IFRS 16	55	273	36	-	-	-	**364**
Disposals	-	-	5 623	1 467	-	-	**7 090**
Balance at 31.12.2020	**(1 359)**	**(5 656)**	**(16 693)**	**(9 516)**	**(1 041)**	**-**	**(34 265)**
Carrying amounts							
Balance at 01.01.2019	7 665	30 068	24 023	19 183	779	-	81 718
Balance at 31.12.2019	**6 963**	**27 111**	**27 371**	**21 440**	**1 364**	**-**	**84 249**
Balance at 01.01.2020	6 963	27 111	27 371	21 440	1 364	-	84 249
Balance at 31.12.2020	**7 923**	**23 669**	**30 209**	**18 433**	**1 405**	**-**	**81 639**

Property, plant and equipment

	31.12.2020	31.12.2019	31.12.2018
Land	12 321	7 953	990
Buildings	121 661	124 363	93 291
Plant and equipment	153 473	143 404	143 108
Vehicles	18 848	22 200	20 029
Fixtures and fittings	2 827	3 111	2 853
Under construction	88 268	74 550	24 346
Total	**397 398**	**375 581**	**284 617**

	31.12.2020	31.12.2019	31.12.2018
Property, plant and equipment pledged as security for liabilities	225 146	157 988	158 032

Collateral

As at 31.12.2020 property, plant and equipment with a carrying amount of PLN 225 146 thousand (31.12.2019: PLN 157 988 thousand, 31.12.2018: PLN 158 032 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 23).
The leased assets secure lease obligations (see note 23).

Impairment loss

	31.12.2020	31.12.2019	31.12.2018
Buildings	-	-	(242)
Plant and equipment	(1 010)	(1 014)	(1 898)
Under construction	-	-	-
Total	**(1 010)**	**(1 014)**	**(2 140)**

As at 31.12.2020, the Group recognized an impairment losses of PLN 1 010 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2019: PLN 1 014 thousand and 31.12.2018: PLN 2 140 thousand).
The analyzes carried out in the previous year, based on financial forecasts, did not show any indications of impairment despite low market capitalization. In the opinion of the Management Board of the parent company, despite the negative economic situation caused by COVID 19, the long-term forecasts of the Group's financial results have not changed significantly compared to the previous year, and therefore it is justified to uphold the judgment that there are no premises for impairment of property, plant and equipment. There were also no other new factors that could affect the judgment made by the Management Board. Disclosure regarding the impact of COVID 19 on the Group's operations is presented in note 34.

14 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2018	15 159	15 047	847	25 542	**56 595**
Additions	-	5 348	269	322	**5 939**
Disposals	-	-	-	-	**-**
Balance at 31.12.2018	**15 159**	**20 395**	**1 116**	**25 864**	**62 534**
Balance at 01.01.2019	15 159	20 395	1 116	25 864	**62 534**
Additions	-	3 888	33	1 431	**5 352**
Disposals	-	-	-	(1 348)	**(1 348)**
Balance at 31.12.2019	**15 159**	**24 283**	**1 149**	**25 947**	**66 538**
Balance at 01.01.2020	15 159	24 283	1 149	25 947	**66 538**
Additions	-	3 653	-	1 462	**5 115**
Disposals	-	(6 626)	-	(15)	**(6 641)**
Transfer to property, plant and equipment	-	(1 476)	-	6	**(1 470)**
Balance at 31.12.2020	**15 159**	**19 834**	**1 149**	**27 400**	**63 542**
Amortisation and impairment losses					
Balance at 01.01.2018	(6 230)	(13 640)	(841)	(22 879)	**(43 590)**
Amortisation for the year	-	(302)	(275)	(402)	**(979)**
Disposals	-	-	-	-	**-**
Balance at 31.12.2018	**(6 230)**	**(13 942)**	**(1 116)**	**(23 281)**	**(44 569)**

Balance at 01.01.2019	(6 230)	(13 942)	(1 116)	(23 281)	**(44 569)**
Amortisation for the year	-	(300)	(33)	(662)	**(995)**
Reversal of impairment loss	-	-	-	1 040	**1 040**
Disposals	-	-	-	282	**282**
Balance at 31.12.2019	**(6 230)**	**(14 242)**	**(1 149)**	**(22 621)**	**(44 242)**
Balance at 01.01.2020	(6 230)	(14 242)	(1 149)	(22 621)	**(44 242)**
Amortisation for the year	-	(441)	-	(761)	**(1 202)**
Disposals	-	-	-	2	**2**
Balance at 31.12.2020	**(6 230)**	**(14 683)**	**(1 149)**	**(23 380)**	**(45 442)**
Carrying amounts					
Balance at 01.01.2018	8 929	1 407	6	2 663	13 005
Balance at 31.12.2018	**8 929**	**6 453**	**-**	**2 583**	**17 965**
Balance at 01.01.2019	8 929	6 453	-	2 583	17 965
Balance at 31.12.2019	**8 929**	**10 041**	**-**	**3 326**	**22 296**
Balance at 01.01.2020	8 929	10 041	-	3 326	22 296
Balance at 31.12.2020	**8 929**	**5 151**	**-**	**4 020**	**18 100**

Intangible assets

	31.12.2020	31.12.2019	31.12.2018
Goodwill	8 929	8 929	8 929
Development costs	5 151	10 041	6 453
CO2 emission rights	-	-	-
Software and other	4 020	3 326	2 583
Total	**18 100**	**22 296**	**17 965**

Impairment losses

As at 31.12.2020, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 0 thousand (31.12.2019: PLN 0 thousand; 31.12.2018: PLN 1 040 thousand). Recognized impairment losses are related to software.

Amortisation and impairment loss charge

The amortisation and impairment losses are recognised in the following captions:

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Cost of sales	(536)	(521)	(556)
Administration expenses	(666)	(474)	(3)
Other expenses	-	-	(420)
	(1 202)	**(995)**	**(979)**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the following Group's cash-generating units (CGUs):

	31.12.2020	31.12.2019	31.12.2018
Scrap metal and non-ferrous scrap metal division	5 029	5 029	5 029
Billets and finished products FER division	3 900	3 900	3 900
	8 929	**8 929**	**8 929**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Management Board covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the steel business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2020 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	7.0%	7.0%
Growth rate	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2019 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	8.3%	8.3%
Growth rate	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2018 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	8.5%	8.5%
Growth rate	2.0%	2.0%

The Management Board determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

As the result of the impairment test as at 31.12.2020, 31.12.2019 and 31.12.2018 there was no need to recognize an additional impairment write down on goodwill relating to the scrap metal and non-ferrous scrap metal division and the billets and finished products FER division

15 Investment property

in PLN thousand	2020	2019	2018
Balance at 1 January	121	123	125
Transfer from perpetual usufruct of land	7 037	-	-
Amortization for the period	(22)	(2)	(2)
Balance at 31 December	**7 136**	**121**	**123**

Management's assessed that the carrying value of investment property approximates its fair value.

In 2020, the Group recognized PLN 198 thousand income from the rental of investment real estate and incurred PLN 236 thousand operating costs related to these properties.

16 Perpetual usufruct of land

in PLN thousand	2020	2019	2018
Balance at 1 January	36 618	23 013	25 771
Acquisition/recognition acc. to IFRS 16	6 683	14 759	-
Additions	75		
Transfer to investment property	(7 037)	-	-
Transfer to property, plant and equipment	(3 408)	(506)	
Disposals	-	(49)	(2 344)
Derecognition acc. To IFRS 16	(14)		
Amortization for the period	(546)	(599)	(414)
Impairment loss	-	-	-
Balance at 31 December	**32 371**	**36 618**	**23 013**

Collateral

As at 31.12.2020 perpetual usufruct of land with a carrying amount of PLN 32 371 thousand (31.12.2019: PLN 36 618 thousand, 31.12.2018: PLN 23 013 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 23).

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in PLN thousand	Assets			Liabilities			Net		
	31.12.2020	**31.12.2019**	**31.12.2018**	**31.12.2020**	**31.12.2019**	**31.12.2018**	**31.12.2020**	**31.12.2019**	**31.12.2018**
Property, plant and equipment	10 982	14 741	17 621	(11 310)	(14 451)	(7 600)	(328)	290	10 021
Intangible assets	1 354	5 262	7 945	(45)	-	(1)	1 309	5 262	7 944
Investment property	645	-	-	-	-	-	645	-	-
Other investments	879	672	779	(1)	(1)	(286)	878	671	493
Prepaid perpetual usufruct of land	154	795	310	(3 106)	(2 009)	(1 128)	(2 952)	(1 214)	(818)
Inventories	3 818	2 475	2 094	-	-	-	3 818	2 475	2 094
Trade and other receivables	-	1 261	1 574	(3 507)	(50)	(277)	(3 507)	1 211	1 297
Interest bearing loans and borrowings	29 074	23 163	9 308	-	-	-	29 074	23 163	9 308
Other financial liabilities	762	-	-	-	-	-	762	-	-
Employee benefits	2 771	2 486	3 934	-	-	-	2 771	2 486	3 934
Provisions	181	43	835	-	-	(461)	181	43	374
Trade and other payables	7 129	4 152	2 241	(688)	(60)	(91)	6 441	4 092	2 150
Other items	5 213	6 427	3 210	-	-	693	5 213	6 427	3 903
Tax value of loss carry-forward expected to be utilised	3 244	2 300	9 006	-	-	(258)	3 244	2 300	8 748
R&D tax credit	1 831	-	-	-	-	-	1 831	-	-
Tax assets/(liabilities)	**68 037**	**63 777**	**58 857**	**(18 657)**	**(16 571)**	**(9 409)**	**49 380**	**47 206**	**49 448**
-to be used after 12 months	35 830	50 803	45 699	(13 790)	(9 674)	(8 728)	22 040	41 129	36 971
-for use within 12 months	32 207	12 974	13 158	(4 867)	(6 897)	(681)	27 340	6 077	12 477
Set off of tax assets/ liabilities	(18 657)	(16 571)	(8 247)	18 657	16 571	8 247			
Net deferred tax assets/ liabilities	**49 380**	**47 206**	**50 610**	**-**	**-**	**(1 162)**			

Movement in temporary differences during the year

in PLN thousand	01.01.2020	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2020
Property, plant and equipment	290	(618)	-	(328)
Intangible assets	5 262	(3 953)	-	1 309
Investment property	-	645	-	645
Other investments	671	207	-	878
Prepaid perpetual usufruct of land	(1 214)	(1 738)	-	(2 952)
Inventories	2 475	1 343	-	3 818
Trade and other receivables	1 211	(4 718)	-	(3 507)
Interest bearing loans and borrowings	23 163	5 911	-	29 074
Other financial liabilities	-	762	-	762
Employee benefits	2 486	285	-	2 771
Provisions	43	138	-	181
Trade and other payables	4 092	2 349	-	6 441
Other items	6 427	(1 214)	-	5 213
Tax value of loss carry-forwards expected to be utilised	2 300	944	-	3 244
R&D tax credit	-	1 831	-	1 831
	47 206	**2 174**	**-**	**49 380**

in PLN thousand	01.01.2019	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2019
Property, plant and equipment	10 021	(9 731)	-	290
Intangible assets	7 944	(2 682)	-	5 262
Investment property	-	-	-	-
Other investments	493	178	-	671
Prepaid perpetual usufruct of land	(818)	(396)	-	(1 214)
Inventories	2 094	381	-	2 475
Trade and other receivables	1 297	(86)	-	1 211
Interest bearing loans and	9 308	13 855	-	23 163
Employee benefits	3 934	(1 448)	-	2 486
Provisions	374	(331)	-	43
Trade and other payables	2 150	1 942	-	4 092
Other items	3 903	2 524	-	6 427
Tax value of loss carry-forward expected to be utilised	8 748	(6 448)	-	2 300
	49 448	**(2 242)**	**-**	**47 206**

in PLN thousand	01.01.2018	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2018
Property, plant and equipment	11 706	(1 685)	-	10 021
Intangible assets	4 324	3 620	-	7 944
Other investments	(564)	1 057	-	493
Prepaid perpetual usufruct of land	211	(1 029)	-	(818)
Inventories	1 500	594	-	2 094
Trade and other receivables	1 492	(195)	-	1 297
Interest bearing loans and	15 821	(6 513)	-	9 308
Employee benefits	3 824	110	-	3 934
Provisions	647	(273)	-	374
Trade and other payables	4 108	(1 958)	-	2 150
Other items	272	3 631	-	3 903
Tax value of loss carry-forward expected to be utilised	26 837	(18 089)	-	8 748
	70 178	**(20 730)**	**-**	**49 448**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

in PLN thousand	2020	2019	2018
Intangible assets	9 098	9 098	6 398
Tax losses	595	1 877	5 592
Total	**9 693**	**10 975**	**11 990**

18 Inventories

in PLN thousand	31.12.2020	31.12.2019	31.12.2018
Raw materials	87 566	65 174	102 797
Semi-finished goods and work in progress	101 988	95 267	140 900
Finished products	66 434	117 651	113 258
Goods for resale	18 113	18 909	20 014
	274 101	**297 001**	**376 969**

Movements in allowances for inventories

in PLN thousand	2020	2019	2018
Balance at 1 January	(17 799)	(15 432)	(11 199)
Recognition	(889)	(2 378)	(4 261)
Utilization	-	11	27
Reversal	1 929	-	1
Balance at 31 December	**(16 759)**	**(17 799)**	**(15 432)**

As at 31.12.2020, inventories are presented net of allowances of PLN 16 759 thousand (31.12.2019: PLN 17 799 thousand; 31.12.2018: PLN 15 432 thousand). Allowances relate mainly to goods for resale and finished goods with a net realisable value below cost. Recognition and reversal of inventory allowance are recognized as costs of sales.

As at 31.12.2020, inventories with a carrying value of PLN 5 400 thousand (31.12.2019: PLN 15 309 thousand; 31.12.2018: PLN 20 709 thousand) were subject to pledges as collateral for bank loans and overdrafts.

19 Trade and other receivables

Short-term receivables

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Trade receivables	71 666	101 740	101 544
Statutory receivables excluding income tax	37 253	18 404	27 034
Prepayments for services and inventories	1 890	5 781	12 458
Prepayments for fixed assets	8 444	15 032	-
Factoring receivables	19 639	42 217	20 995
Other receivables	2 786	5 168	5 951
	141 678	**188 342**	**167 982**

Long-term receivables

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Trade receivables	8 648	-	-
Other receivables	290	4 293	324
	8 938	**4 293**	**324**

As at 31.12.2020, receivables with a carrying value of PLN 0 thousand (31.12.2019: 0 PLN thousand; 31.12.2018: PLN 0 thousand) were provided as collateral for bank loans and overdrafts.

Factoring receivables

As at 31 December 2020 subsidiaries Cognor S.A. and Cognor Blachy Dachowe S.A. were parties to factoring agreements. Existing agreements concern non-recourse and recourse factoring of trade receivables financed up to set limits.

Types of factoring and limits as at 31 December 2020 were as follows:

Factoree	Effective date	Factor:	Limit:	Type of factoring
Cognor S.A. (branch HSJ)	indefinite	mFaktoring S.A.	PLN 20 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 25 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Santander S.A.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	mFaktoring S.A.	PLN 37 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 15 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	KUKE S.A.	PLN 65 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	PS HoldCo Sp. z o.o.	PLN 14 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	mFaktoring S.A.	PLN 26 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	KUKE S.A.	PLN 3 000 thousand (sublimit within PLN 65 000 thousand)	non-recourse
Cognor S.A. (branch OM)	indefinite	mFaktoring S.A.	PLN 3 000 thousand	non-recourse
Cognor Blachy Dachowe S.A.	indefinite	mFaktoring S.A.	PLN 1 000 thousand	non-recourse

Under the factoring agreement, the factor finances 90% of the nominal value of trade receivables, while costs of financing representing WIBOR (EURIBOR) + margin, is incurred by the Group. In case of non-recourse factoring, if debtors fail to repay their liabilities, the factor has right to claim the insurer to repay 90% trade receivables and the remaining 10% of the receivables is covered by the Group.

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2020 PLN 19 639 thousand). The remaining receivables (90%) were derecognised from the statement of financial position.

The carrying value of trade receivables subject to factoring agreements, including the carrying value of factoring receivables and related liabilities that are continue to be recognized in the statement of financial position is shown below:

	31.12.2020	31.12.2019	31.12.2018
Trade receivables in total	240 751	301 679	261 585
Factoring receivables derecognised from statement of financial position	(149 446)	(157 722)	(139 046)
Factoring receivables	(19 639)	(42 217)	(20 995)
Trade receivables net	**71 666**	**101 740**	**101 544**

20 Cash and cash equivalents

in PLN thousand	31.12.2020	31.12.2019	31.12.2018
Cash in bank	96 270	78 703	58 446
Cash in bank restricted in use	4 099	50	16 508
Cash in hand	186	181	235
Short-term bank deposits	-	-	500
Other	-	22	770
Cash and cash equivalents in statement of financial position	**100 555**	**78 956**	**76 459**
Bank overdrafts	-	-	-
Cash and cash equivalents in the statement of cash flows	**100 555**	**78 956**	**76 459**

As at 31.12.2020, 31.12.2019 and 31.12.2018, cash and cash equivalents were not pledged as security for liabilities.

Detailed information regarding bank overdrafts is presented in note 23.

21 Equity

Issued share capital

	31.12.2020	31.12.2019	31.12.2018
Registered shares number at reporting date	123 940 417	123 940 417	120 417 142
Number of issued warrants	51 030 446	51 030 446	54 553 721
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN

On 31 December 2020 the Parent Company's share capital comprised of 123 940 417 ordinary shares (2019: 123 940 417; 2018: 120 417 142).

On 29 August 2011 Cognor S.A. purchased from PS Holdco Sp. z o.o. 20 957 400 shares of Złomrex S.A. On the same day Cognor Holding S.A. and PS Holdco Sp. z o.o. entered into the agreement on settlement of the liability arising from the said purchase (Settlement Agreement). In the Settlement Agreement the price for the shares in Złomrex S.A. was fixed at PLN 145 995 116.10 and its payment was made conditional on the concurrent increase of share capital of Cognor Holding S.A. by PS Holdco Sp. z o.o. by way of subscribing to Cognor's warrants series B owned by PS Holdco Sp. z o.o. at the amount at least equal to the price for shares. The parties also agreed that the price for the shares in Złomrex S.A. shall be appropriately reduced in case of the lack of the ability to repay the receivable of Złomrex S.A. (currently Cognor S.A.) owned from the Republic of Croatia at the amount of PLN 39 215 thousand. It was also decided that until the payment of the liability of Cognor Holding S.A. resulting from the purchase of shares in Złomrex S.A. (also until the final price for Złomrex S.A. shares is determined), this liability shall be bearing the interest at the level of 7% p.a. and that the payments of the liability or related interest shall not fall below the price for the shares in Złomrex S.A.

Following the restructuring of Cognor Holding's indebtedness on 4 February 2014 PS Holdco Sp. z o.o. agreed to transfer all of its warrants series B for the purpose of the restructuring process. Consequently, on 31 March 2014 PS Holdco Sp. z o.o. and Cognor Holding S.A., concluded the amendment no. 3 to the Settlement Agreement in order to reflect the arrangement of the restructuring in its terms. In particular it was decided that the payment of Cognor Holding's liability shall occur following subscription for warrants series B and series C by PS Holdco Sp. z o.o. and that the total amount of the subscription shall at least equal the price of Złomrex S.A. shares. The deadlines for the PS Holdco's undertaking to increase Cognor Holding's equity and for the payment of the price for shares in Złomrex S.A. by Cognor Holding S.A. were postponed to 31 December 2021 when the remaining number of warrants series B surviving the conversion of Cognor Holding's convertible notes, will have become known.

On 13 March 2015, based on the amendment no. 4 to the Settlement Agreement, resulting from the lack of payment of receivable at the amount of EUR 10 million owned from the Republic of Croatia and in connection with impairment loss recognised for the total amount of that receivable in Cognor Holding's consolidated financial statements in 2014, the parties decided to appropriately reduce the price for shares in Złomrex S.A. by the amount of PLN 39 215 thousand and to adjust the interests for previous years on the reduced price for the shares in Złomrex S.A. Due to direct connection between the price for the shares in Złomrex S.A. with the value of the subscription for warrants series B and series C described in previous paragraph, the reduction of the price for the shares in Złomrex S.A. due to impairment loss recognized on receivables from Republic of Croatia was included in Group's equity in 2014 as an adjustment of transactions with the Owner of the Parent Company.

The reduction of the price for shares in Złomrex S.A. following amendment no. 4 resulted in reduction of reserve equity in consolidated financial statements in 2014 by PLN 39 215 thousand.

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand. In connection with the subordination of the abovementioned liability, it will be repaid no earlier than the repayment of dual term loan (the value as at 31.12.2020: PLN 20 668 thousand, 31.12.2019: PLN 18 558 thousand, 31.12.2018 PLN 18 558 thousand).

In connection with the request of the holders of Exchangeable Notes (EN) to Cognor International Finance plc (the subsidiary) for a conversion of Notes held by them into shares of Cognor Holding S.A., there have been series of conversions of Exchangeable Notes into shares. Till December 31, 2020 the National Securities Depositary admitted to trading 15 189 754 of shares Cognor Holding S.A. In 2020, no conversion of Exchangeable Notes (EN) into shares of Cognor Holding S.A. was carried out.

Altogether 9 864 997 shares of Cognor Holding S.A. were admitted to trading in years 2015-2017 as a result of conversions of 5 385 340 EUR of Exchangeable Notes (convertion price 2.35 PLN per share), 1 801 482 shares were admitted to trading in 2018 as a result of conversions of 804 384 (convertion price 1.92 PLN per share).

The conversion price of Exchangeable Notes was reduced to PLN 2.05 per share according to resolution of the Management Board of Cognor Holding S.A. of 9 January 2018 in connection with the reduction of the nominal price of the shares. Due to the payment of dividend the conversion price was reduced to PLN 1.92 per share according to resolution of the Management Board of 12 July 2018. In connection with determining the dividend day the Management Board at 23 October 2019 resolved the decrease of convertion price to PLN 1.61.

Altogether 3 523 275 shares of Cognor Holding S.A. were admitted to trading in 2019 as a result of conversions of 1 534 675 EUR of Exchangeable Notes (including 1 334 675 EUR converted at PLN 1.92 per share and 200 000 EUR converted at PLN 1.61). There were no conversions in 2020.

The Shareholders' structure as at 31 December 2020 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting
PS Holdco Sp. z o.o.*	92 430 239	74.58%	92 430 239	74.58%
Other shareholders	31 510 178	25.42%	31 510 178	25.42%
Total	**123 940 417**	**100.00%**	**123 940 417**	**100.00%**

* Przemysław Sztuczkowski owns indirectly 100% of shares in PS Holdco Sp. z o.o. through 4Workers Sp. Z o.o. and therefore the shares owned by PS Holdco Sp. z o.o. represent the indirect participation of Przemysław Sztuczkowski in Cognor Holding S.A.

All of the above shares have been paid up.

Treasury shares

The Group holds no treasury shares (directly or indirectly).

PS HoldCo Sp. z o.o. as at December 31, 2020, it held Exchangeable Notes with a nominal value of EUR 5 438 906, which in the future will result in the acquisition of 14 526 269 shares of Cognor Holding S.A. as a result of conversion.

In addition, on January 29, 2021, PS HoldCo Sp. z o.o. repurchased from the bondholder Exchangeable Notes into shares with a nominal value of EUR 378 620, which will allow for the acquisition of additional 1 011 221 shares of Cognor Holding S.A. after conversion.

PS HoldCo Sp. z .o.o. in January, applied for the conversion of the above-mentioned shares acquired on February 16, 2021.

22 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2020 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 32 675 thousand (2019: profit of PLN 19 110 thousand; 2018: profit of PLN 68 539 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2019 of 123 940 thousand (2019: 122 236 thousand, 2018: 118 940 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2020 was 171 649 thousand (2019: 165 861 thousand, 2018: 152 372 thousand).

The calculation of diluted earnings per share at 31 December 2020 was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in 2020 excluding interest paid in this period. The above mentioned potential shares obtained as a result of conversion of Exchangeable Notes into shares are included in the calculation of diluted results due to the obligatory conversion on the maturity date of Exchangeable Notes.

As at 31 December 2020, issued warrants, which will remain after the mandatory conversion of Exchangeable Notes on their maturity date, were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Company’s shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share warrants was based on quoted average market prices for the period during which the warrants were outstanding.

23 Interest-bearing loans and borrowings and bank overdrafts

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

in PLN thousand

	31.12.2020	31.12.2019	31.12.2018
Non-current liabilities			
Secured bank loans	123 139	168 725	205 602
Lease liabilities	32 598	32 532	21 770
Lease liabilities (other rent and lease agreements not previously recognized)	51 742	47 299	-
Other borrowings	179	1 113	1 816
	207 658	**249 669**	**229 188**
Current liabilities			
Current portion of secured bank loans	38 650	36 907	36 933
Current portion of secured fixed interest rate debt	-	-	-
Current portion of lease liabilities	13 269	12 505	14 521
Current portion of lease liabilities (other rent and lease agreements not previously recognized)	4 697	4 879	-
Factoring liabilities	-	166	-
Other borrowings	266	713	2 707
	56 882	**55 170**	**54 161**
Bank overdrafts	-	-	-
	56 882	**55 170**	**54 161**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2020 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Secured bank loans	161 789	38 650	123 139	-	-
Other borrowings	445	266	179	-	-
	162 234	**38 916**	**123 318**	**-**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2019 (excl. lease liabilities)

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5	Over 5 years
Secured bank loans	205 632	36 907	168 725	-	-
Other borrowings	1 826	713	443	670	-
	207 458	**37 620**	**169 168**	**670**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2018 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Secured bank loans	242 535	36 933	81 185	124 417	-
Other borrowings	4 523	2 707	1 637	130	49
	247 058	**39 640**	**82 822**	**124 547**	**49**

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2020			31.12.2019			31.12.2018	
Less than one year	22 099	4 133	17 966	21 578	4 194	17 384	15 612	1 091	14 521
Between 1 and 5 years	57 416	13 411	44 005	55 557	11 888	43 669	23 616	1 846	21 770
More than 5 years	92 536	52 201	40 335	70 696	34 534	36 162	-	-	-
	172 051	**69 745**	**102 306**	**147 831**	**50 616**	**97 215**	**39 228**	**2 937**	**36 291**

There are no contingent rental payables under the terms of the lease agreements.

In 2020, the Group incurred costs in the amount of PLN 3 062 thousand for the lease of fixed assets not recognised in accordance with IFRS16 (short-term contracts and low-value fixed assets).

Changes in debt

The table below presents balance sheet changes of individual debt titles of the Cognor Holding Capital Group.

	Total	Secured bank loans	Lease liabilities	Other borrowings
Balance as at 1 January 2020	304 673	205 632	97 215	1 826
Liability paid	(69 810)	(52 138)	(17 078)	(594)
Forgiven liabilities	(780)	-	-	(780)
Increase of liability	13 244	-	13 244	-
Recognition of liability acc. To IFRS 16	10 612	-	10 612	-
Derecognition of liability acc. To IFRS 16	(2 051)	-	(2 051)	-
Interests paid	(14 221)	(9 750)	(4 419)	(52)
Interests accrued	13 771	9 307	4 419	45
Settlement of provision costs	1 925	1 925	-	-
Foreign currency differences	7 177	6 813	364	-
Balance as at 31 December 2020	**264 540**	**161 789**	**102 306**	**445**

As at 31 December 2020
Analysis of loan agreements and other loans:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mBank S.A., European Bank for Reconstruction and Development, Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego	123 139	38 650	dual currency term and revolving facilities	12.07.2018	31.12.2022	WIBOR 3M+margin, EURIBOR 3M + margin	- a combined contractual mortgage on real estate with a value of PLN 111 285 423, - registered pledge on shares in Cognor S.A., Cognor International Finance plc, - financial and registered pledge on bank accounts, - registered pledge on fixed assets.
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	179	266	loan	2014.07.31	2024.09.15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum / 0.48 rediscount rate at least 3.5 per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company, - bank guarantee
Total	**123 318**	**38 916**					

Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mLeasing S.A.	23 403	6 705	lease	2015.09.25	2026.12.30	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	3 265	2 826	lease	2017.04.24	2025.10.01	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp. z o.o.	1 758	922	lease	2015.01.25	2025.11.30	WIBOR 1M+margin	- blank bill of exchange, - leased equipment
Alior Leasing Sp. z o.o.	1 096	870	lease	2017.03.22	2025.02.28	WIBOR 1M+margin WIBOR 3M+margin EURIBOR 3M+margin	- blank bill of exchange, - leased equipment,
Santander Leasing S.A.	2 652	681	lease	2017.12.14	2025.12.31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment,
Other lessors	424	1 265	lease	2016.05.10	2024.09.18	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Perpetual usufruct of land	17 995	2	lease	n/a	2096	5,66%	no collateral
ArcelorMittal Poland S.A	30 360	3 130	lease	1997.04.03	2030.06.30	5,66%	no collateral
Other lessors	3 387	1 565	lease	2006.05.11	2028.05.31	5,66%	no collateral
Total	**84 340**	**17 966**					

Interest-bearing loans and borrowings

The aforementioned margins relating to interest bearing loans and borrowings are classified depending on the floating rates they relate to. The analysis of the margins is presented below:

- WIBOR 3M – margin between 2.3% and 3.7%,
- EURIBOR 3M – margin between 2.8% and 4.2%,
- WIBOR 1M – margin between 1.8% and 4.0%,
- EURIBOR 1M – margin between 3.2% and 4.0%,

Dual currency term and revolving facilities

On July 12, 2018 the facility agreement has been signed between subsidiary Cognor S.A. and consortium of four banks (mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego and European Bank for Reconstruction and Development) under which banks commited to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The long-term facility was intended for the full repayment of Senior Secured Notes. The companies from the capital group i.e.: Cognor Holding S.A., Cognor International Finance plc, Odlewnia Metali Szopienice Sp. z o.o. (currently branch of Cognor S.A.), Cognor Blachy Dachowe S.A., Business Support Services Sp. z o.o. (currently branch of Cognor S.A.), Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A. (currently branch of Cognor S.A.) joined the facility agreement as guarantors.

The long-term facility was disbursed in 2 currencies: EUR 30 million, PLN 129,1 million. Part of the loan will be repaid on the loan maturity date as a balloon installment (EUR 10 million, PLN 43 million), the remaining part will be repaid in quarterly installments (EUR 20 million - quarterly installment EUR 1.1 million, PLN 86.1 million - quarterly installment PLN 4.8 million). The final repayment of the loan will take place on December 31, 2022. The above loan was granted on a variable rate (margin + EURIBOR3M, WIBOR3M), however the Group concluded an IRS agreement, which allowed to guarantee a fixed interest rate of the above-mentioned rate loan.

By Annex No. 2 of July 30, 2020 to the loan agreement, the prepayment amount was agreed by half compared to the value resulting from the results achieved in 2019. In December 2020, the Group made a prepayment in the amount of PLN 13 441 thousand, which was the fulfillment of obligations under the loan agreement in terms of prepayments and the above mentioned annex.

The revolving facility in the amount of PLN 40 million is due on October 31, 2021 (the repayment date for revolving facility was extended by the annex of 8 January 2020). The interest rate for this loan is variable and amounted to margin + WIBOR1M. In the reporting period, the revolving limit was used as an overdraft facility. As at December 31, 2020 the liability resulting from revolving facility amounted to PLN 0 thousand.

Liability from Senior Secured Notes and Exchangeable Notes

In 2018 the Group has repaid totally Senior Secured Notes. More details in the Cognor Holidng consolidated report for 2018.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on 1 February 2021, interest will be payable semi-annually in arrears on 1st February and 1st August and the fixed interest rate is 5%. In addition, Cognor International Finance plc has right not to pay a cash but capitalize the interest on exchangeable notes (using higher, i.e. 10% coupon). The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor S.A. new and/or existing shares, credited as fully paid, in the period from 1 March 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to:
(i) deliver (or procure the issue or transfer and delivery of) Cognor Holding S.A. shares,
(ii) pay a cash settlement amount, or
(iii) a combination thereof.
Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 1.61.

In connection with the determining of dividend day, the the Management Board of Cognor Holding S.A. adopted resolution on 23 October 2019 which reduced the convertion price of Exchangeable Notes to PLN 1.61 per share.

In these consolidated financial statements the Exchangeable Notes are presented within Reserves.

In 2015, bondholders of Exchangeable Notes converted 1 983 422 EUR nominal value of notes into 3 629 239 shares of Cognor Holding S.A. worth PLN 7 258 thousand. In 2016, bondholders of Exchangeable Notes converted 2 953 024 EUR nominal value of notes into 5 414 381 shares of Cognor Holding S.A. worth PLN 10 830 thousand. In 2017 bondholders of Exchangeable Notes converted 448 894 EUR nominal value of notes into 821 377 shares of Cognor Holding S.A. worth PLN 1 643 thousand. In 2018 bondholders of Exchangeable Notes converted 804 384 Eur nominal value of notes into 1 801 482 shares of Cognor Holding S.A. worth PLN 2 703 thousand. In 2019 bondholders of Exchangeable Notes converted 1 534 675 Eur nominal value of notes into 3 523 275 shares of Cognor Holding S.A. worth PLN 5 285 thousand. The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 31 December 2020 was 17 362 604 EUR.

Within the debt restructuring process described above, on 3 February 2014 PS Holdco Sp. z o.o. transferred to Cognor International Finance plc (CIF) an ownership of 60 860 000 of subscription warrants of series B that are convertible into 60 860 000 shares of Cognor Holding S.A. for a remuneration in the amount of PLN 304 thousand and also entered into an option agreement for delivery of additional 30 082 812 shares of Cognor Holding S.A. free of charge in order to secure the holders of the Exchangeable Notes with the possibility of conversion bonds into shares. The transfer of warrants was a key element enabling the structuring of terms of Exchangeable Notes in a manner acceptable to investors and thus the successful finalization of the issue.

Pursuant to the terms of the issue, the Bondholders should report their participation in the obligatory exchange (conversion) of Exchangeable Notes into Cognor Holding S.A. shares by December 30, 2020, which falls on February 1, 2021, which is also the final maturity date of the Exchangeable Notes. On December 30, 2020, out of the total amount of EUR 17 362 604, conversion declarations were submitted by the bondholders with a value of EUR 14 769 809. Bonds with a value of EUR 2 592 795 were not submitted for conversion. Therefore, the warrants in the indicated number of 6 222 934, which after carrying out all the previous conversions (including the above-mentioned one, worth EUR 14 769 809), were not used, were at the request of PS HoldCo Sp. z o.o., in accordance with the previously concluded agreement, sold back by CIF to PS HoldCo Sp. z o.o .

Bondholders who have not submitted a conversion request and who have Exchangeable Notes with a value of EUR 2 592 795 as at the date of this report may, despite the expiry of the deadline for participation in the mandatory conversion, request conversion into shares of Cognor Holding S.A. (in a total amount of about 6 924 856 shares), but no later than August 1, 2021. After this date, all CIF obligations in respect of the issue of the Exchangeable Notes will expire, and bondholders applying later will not have the right to demand neither shares in the Company nor satisfaction in cash.

The terms of the Exchangeable Notes issue and the agreement between CIF and PS HoldCo Sp. z o.o. stipulate that in the event that CIF did not have a sufficient number of B series warrants to fulfill the bondholders' conversion requests, PS HoldCo Sp. z o.o. will be required to remit the missing amount of shares to CIF to satisfy such claims. After CIF transferred back to PS HoldCo Sp. z o.o. 6 222 934 series B warrants entitling to take up the same number of shares at the price of PLN 1.61, CIF no longer holds any series B warrants.

24 Employee benefits obligations

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Long-term provisions for retirement and jubilee awards	13 011	11 071	10 677
Short-term provisions for retirement and jubilee awards	1 583	2 346	7 258
	14 594	**13 417**	**17 935**

Employee benefits

Liabilities for retirement payments were calculated by an independent actuary based on following assumptions:

	31.12.2020	**31.12.2019**	**31.12.2018**
Discount rate	1,5%	2,0%	3,0%
Future Salary Increase	2,0% - 3,5%	2,0% - 3,5%	2,0% - 3,5%

The movements in the defined benefits obligation programs over the year are as follows:

in PLN thousand	**Provisions for employee benefits**	**Jubilee awards**	**Other**	**Total**
At 1 January 2018	2 563	9 011	4 830	**16 404**
Current service cost	889	324	1 890	**3 103**
Interest cost	96	63	-	**159**
Actuarial (gain)/loss due to changes in assumptions	148	(106)	-	**42**
Actual benefits paid	(249)	(1 524)	-	**(1 773)**
At 31 December 2018	**3 447**	**7 768**	**6 720**	**17 935**

At 1 January 2019	3 447	7 768	6 720	**17 935**
Current service cost	313	805	-	**1 118**
Interest cost	93	207	-	**300**
Actuarial (gain)/loss due to changes in assumptions	334	1 111	-	**1 445**
Actual benefits paid	(358)	(1 499)	-	**(1 857)**
Reclassification	590	606	(1 196)	**-**
Reclassification on accrued expenses relating to employees	-	-	(5 524)	**(5 524)**
At 31 December 2019	**4 419**	**8 998**	**-**	**13 417**
At 1 January 2020	4 419	8 998	-	**13 417**
Current service cost	270	711	-	**981**
Interest cost	69	138	-	**207**
Actuarial (gain)/loss due to changes in assumptions	430	1 911	-	**2 341**
Actual benefits paid	(647)	(1 705)	-	**(2 352)**
At 31 December 2020	**4 541**	**10 053**	**-**	**14 594**

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2020	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.25%	0.25%	1.5%	(1.5%)
Future Salary Increase	0.25%	0.25%	(1.4%)	1.5%
Probability of resignation	0.25%	0.25%	1.6%	(1.6%)

The expense relating to the movement in employee benefits obligations is recognised as administrative expenses and other costs in profit or loss.
As part of employee benefits, jubilee bonuses as well as retirement, disability and death benefits are included.

25 Short-term provisions

in PLN thousand	**2020**	**2019**	**2018**
Balance at 1 January	226	4 394	3 362
Provisions raised during the year	-	-	4 338
Provisions utilised during the year	(201)	-	(3 179)
Provisions released during the year	-	-	(127)
Reclassifications to accrued expenses	-	(4 168)	-
Balance at 31 December	**25**	**226**	**4 394**

26 Trade and other payables

Short term

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Trade payables	345 586	324 561	332 339
Statutory payables	12 655	19 868	15 468
Bills of exchange payables	-	-	-
Dividend payables	-	34 556	-
Investment payables	7 590	22 845	6 616
Prepayments for services and deliveries of goods	10 142	770	4 916
Liabilities due to Shareholder*	-	26	-
Payroll liabilities	8 318	7 118	8 154
Accrued expenses relating to employees	6 654	5 064	-
Accrued expenses	15 384	9 232	3 509
Other payables	5 517	330	909
	411 846	**424 370**	**371 911**

Long term

in PLN thousand	31.12.2020	31.12.2019	31.12.2018
Liabilities due to Shareholder*	20 668	18 558	18 558
Other payables	2 116	-	-
	22 784	**18 558**	**18 558**

* see note 21 for details relating to the transactions with PS Holdco Sp. z o.o.

27 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2020

in PLN thousand	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other investments (shares)	-	-	**-**
b) Current assets			
Receivables excluding prepayments and tax receivables	71 666	-	**71 666**
Factoring receivables	-	19 639	**19 639**
Other investments	121	-	**121**
Cash and cash equivalents	100 555	-	**100 555**
Total	**172 342**	**19 639**	**191 981**

As at 31.12.2019

in PLN thousand	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other investments (shares)	-	-	**-**
b) Current assets			
Receivables excluding prepayments and tax receivables	101 740	-	**101 740**
Factoring receivables	-	42 217	**42 217**
Other investments (excl.shares)	145	-	**145**
Cash and cash equivalents	78 956	-	**78 956**
Total	**180 841**	**42 217**	**223 058**

As at 31.12.2018

in PLN thousand	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other receivables	-	55	**55**
b) Current assets			
Receivables excluding prepayments and tax receivables	101 544	-	**101 544**
Factoring receivables		20 995	
Other investments (excl.shares)	12	-	**12**
Cash and cash equivalents	76 459	-	**76 459**
Total	**178 015**	**21 050**	**178 070**

Liabilities

As at 31.12.2020

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding lease liabilities)	123 318	-	**123 318**
Other liabilities	22 784	-	**22 784**
b) Short-term liabilities		-	
Interest-bearing loans and borrowings (excluding lease liabilities)	38 916	-	**38 916**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	353 176	-	**353 176**
Liability resulting from derivative instruments (IRS)	-	4 011	**4 011**
Total	**538 194**	**4 011**	**542 205**

As at 31.12.2019

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	169 838	-	**169 838**
Trade and other payables	18 558	-	**18 558**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	42 665	-	**42 665**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	347 406	-	**347 406**
Liability resulting from derivative instruments (IRS)	-	2 869	**2 869**
Total	**578 467**	**2 869**	**581 336**

As at 31.12.2018

in PLN thousand	**Financial liabilities at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Total**
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	207 418	-	**207 418**
Trade and other payables	18 558	-	**18 558**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	39 640	-	**39 640**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	338 955	-	**338 955**
Liability resulting from derivative instruments (IRS)	-	2 531	**2 531**
Total	**604 571**	**2 531**	**607 102**

Loans and receivables include loans granted, trade and other receivables (excluding statutory receivables and advances), prepayments and cash and cash equivalents.

Financial liabilities at amortized cost include bank overdraft, interest-bearing loans and borrowings, bonds, trade and other payables (excluding statutory payables).

Fair values

Financial instruments measured in the statement of financial position at fair value are analyzed in terms of valuation procedures. The hierarchy of valuation procedures was established as follows:

• Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).

• Input data other than quotations covered by the abovementioned level of observable for the asset or liability, directly (i.e. in the form of prices) or indirectly (i.e. based on price-based calculations) (level 2).

• Inputs for the valuation of an asset or liability that are not based on observable market data (i.e. unobservable data) (level 3).

The table below presents financial assets and liabilities that are measured at fair value. Assets include shares in other entities and trade receivables subject to factoring. On the other hand, the liabilities include interest rate swaps (IRS).

	31.12.2020	**31.12.2019**	**31.12.2018**
udziały w pozostałych jednostkach	-	-	55
należności faktoringowe	19 639	42 217	20 995
zobowiązania finansowe	(4 011)	(2 869)	(2 869)

The following are details of the fair values of the financial instruments for which it is practicable to estimate such value:

• Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments. (level 2)

• Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments. (level 2)

• Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates. (level 2)

• Fixed rate debt securities. The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which was similar to the interest rate applicable for liabilities with similar risk. (level 2)

The fair value of IRS has been estimated on the base of valuation model taking into consideration the future cash flows in fixed and variable interest rate. As at 31 December 2020 the fair value relating to IRS amounted PLN 4 011 thousand.

The Group's activities is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency. The currency giving rise to this risk is primarily Euro. The Group limits its exposure to foreign exchange risk by maintaining sales comparable to purchases made in foreign currencies. The existing exposure to foreign exchange risk on account of bank loans partially included in EUR is successively limited by repayment (reduction of open positions).

Exposure to foreign currency risk
The Group exposure to foreign currency risk was as follows:

Information on balances denominated in foreign currencies

As at 31.12.2020 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	38 469	12	9	**38 490**
Interest-bearing loans and borrowings	(90 506)	-	-	**(90 506)**
Trade and other payables	(38 222)	(3 381)	(38)	**(41 641)**
Exposure to currency risk on balances denominated in foreign currencies	**(90 259)**	**(3 369)**	**(29)**	**(93 657)**

As at 31.12.2019 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	53 921	1 472	-	**55 393**
Interest-bearing loans and borrowings	(112 281)	-	-	**(112 281)**
Trade and other payables	(50 986)	(2 951)	-	**(53 937)**
Exposure to currency risk on balances denominated in foreign currencies	**(109 346)**	**(1 479)**	**-**	**(110 825)**

As at 31.12.2018 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	48 964	10	-	**48 974**
Interest-bearing loans and borrowings	(122 050)	-	-	**(122 050)**
Trade and other payables	(30 298)	(3 061)	-	**(33 359)**
Exposure to currency risk on balances denominated in foreign currencies	**(103 384)**	**(3 051)**	**-**	**(106 435)**

Sensitivity analysis of financial instruments denominated in foreign currencies to exchange rate differences

A 15 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2020 would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2019 and 2018 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**(Loss) / profit**		**Equity**	
	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%
31.12.2020	(14 049)	14 049	(14 049)	14 049
31.12.2019	(16 624)	16 624	(16 624)	16 624
31.12.2018	(15 965)	15 965	(15 965)	15 965

Price risk
The Group does not hold equity securities classified either as available for sale or at fair value through profit or loss that are exposed to price risk. The Group is not exposed to commodity price risk.

Interest rate risk
In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings.

The Group has entered into a loan agreement based on the variable interest rate WIBOR 3M and EURIBOR 3M. The main element of limiting the risk of interest rate changes related to loans are interest rate swaps concluded by the Group. They limit the interest rate volatility risk in terms of cash flows related to a loan in PLN and EUR received from a consortium of banks.

Susceptibility profile (exposure) of the Group to interest rate risk

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Fixed rate instruments			
Financial assets	121	145	12
Financial liabilities	(56 439)	(52 178)	-
	(56 318)	**(52 033)**	**12**

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Floating rate instruments			
Financial assets	-	-	-
Financial liabilities	(208 101)	(252 495)	(283 349)
	(208 101)	**(252 495)**	**(283 349)**

Impact of interest rate risk on cash flows and fair values

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings received at variable rates expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to the risk of financial instruments fair value changes.

Cash flow sensitivity analysis for floating rate financial instruments

Increase/decrease of 150 basis points in interest rates at the reporting date would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019 and 2018.

Influence of interest rate change for the period ended:

in PLN thousand	**Financial result**		**Equity**	
	increase of interest rates by 1.5%	decrease of interest rates by 1.5%	increase of interest rates by 1.5%	decrease of interest rates by 1.5%
31.12.2020	(3 122)	3 122	(3 122)	3 122
31.12.2019	(3 787)	3 787	(3 787)	3 787
31.12.2018	(4 250)	4 250	(4 250)	4 250

The above sensitivity is significantly limited by the interest rate swap contracts concluded in 2018.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial investments.

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group places its cash and cash equivalents in financial institutions with high credit ratings. The Group uses receivables insurance to limit credit risk. The majority of trade receivables are insured, and due to the wide range of the Group's recipients, the concentration of credit risk is not significant.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Maximum exposure to credit risk

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Financial assets designated at fair value through profit or loss	19 639	42 217	21 050
Receivables at amortised cost	71 787	101 885	101 556
Cash and cash equivalents (excluding cash in hand)	100 369	78 775	76 224
	191 795	**222 877**	**198 830**

As at 31 December 2020, loans in the amount of PLN 121 thousand (2019: PLN 145 thousand, 2018: PLN 12 thousand) were not overdue and were not impaired.

Insured trade receivables

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
from other entities	64 674	59 109	54 685

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Not past due	60 562	80 454	74 532
Past due	**35 348**	**37 970**	**43 003**
1-30 days	14 522	15 018	18 677
31-90 days	1 597	3 863	2 148
91-180 days	610	389	361
181-365 days	834	354	1 020
more than one year	17 785	18 346	20 797
	95 910	**118 424**	**117 535**

Impairment loss

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Not past due	(33)	(14)	(339)
Past due	**(15 563)**	**(16 670)**	**(15 652)**
1-30 days	-	(9)	(22)
31-90 days	(17)	(410)	(36)
91-180 days	(117)	(19)	(184)
181-365 days	(133)	(269)	(265)
more than one year	(15 296)	(15 963)	(15 145)
	(15 596)	**(16 684)**	**(15 991)**

Net carrying value

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Not past due	60 529	80 440	74 193
Past due	**19 785**	**21 300**	**27 351**
1-30 days	14 522	15 009	18 655
31-90 days	1 580	3 453	2 112
91-180 days	493	370	177
181-365 days	701	85	755
more than one year	2 489	2 383	5 652
	80 314	**101 740**	**101 544**

Recognition and utilization of impairment losses on trade and interests receivables:

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2017 - 31.12.2017
Balance at 1 January	(16 684)	(15 991)	(16 649)
Recognition	(746)	(1 656)	(1 728)
Utilization	74	349	1 638
Release	1 760	614	748
Balance at 31 December	**(15 596)**	**(16 684)**	**(15 991)**
Gross value - trade receivables (Stage 2)	80 533	101 932	101 798
Impairment loss (Stage 2)	(219)	(192)	(254)
Net carrying value - trade receivables (Stage 2)	**80 314**	**101 740**	**101 544**
Gross value - trade receivables (Stage 3)	15 377	16 492	15 737
Impairment loss (Stage 3)	(15 377)	(16 492)	(15 737)
Net carrying value - trade receivables (Stage 3)	**-**	**-**	**-**

Part of the receivable, despite significant past due, is not covered by the write-off. These are situations when debt collection is properly secured. The change in the gross value of receivables did not significantly affect the amount of the write-down.

As at 31 December 2020, trade receivables of PLN 60 529 thousand were not overdue and were not impaired (2019: PLN 80 440 thousand; 2018: PLN 74 193 thousand). As at 31 December 2020, trade receivables of PLN 19 785 thousand (2019: PLN 21 300 thousand; 2018: 27 351 PLN thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with a long history of cooperation, with whom the Group had no problems in the past or are secured with the clients assets.

As at 31 December 2020, trade receivables of PLN 15 563 thousand (2019: PLN 16 670 thousand; 2018: PLN 15 652 thousand) were overdue and impaired. As a result, in 2020 they were provided for in the amount of PLN 15 563 thousand(2019 for PLN 16 670 thousand, and in 2018 for PLN 15 652 thousand. As at 31 December 2020 receivables of PLN 33 thousand were not overdue but impaired due to the financial situation of customers (2019: PLN 14 thousand, 2018: PLN 339 thousand).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Contractual maturities of financial liabilities including interest payments

As at 31.12.2020

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	102 306	172 051	22 099	39 610	17 806	92 536
Bank loans	162 234	174 985	45 286	129 699	-	-
Trade and other payables (excluding current income tax payables)	375 960	378 733	353 176	25 557	-	-
	640 500	**725 769**	**420 561**	**194 866**	**17 806**	**92 536**

As at 31.12.2019

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	97 215	148 831	21 578	37 399	18 158	71 696
Other interest-bearing liabilities	207 458	239 737	46 139	193 495	103	-
Factoring liabilities	166	166	166	-	-	-
Trade and other payables (excluding current income tax payables)	365 964	372 963	347 406	25 557	-	-
	670 803	**761 697**	**415 289**	**256 451**	**18 261**	**71 696**

As at 31.12.2018

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	36 291	36 292	14 523	18 452	3 317	-
Bank overdraft	-	-	-	-	-	-
Other interest-bearing liabilities	247 058	462 367	46 971	413 031	2 365	-
Trade and other payables (excluding current income tax payables)	375 001	364 512	338 955	25 557	-	-
	658 350	**863 171**	**400 449**	**457 040**	**5 682**	**-**

Capital management

The basic assumption of the Group's policy in terms of capital management is to maintain strong equity base which determine the confidence of investors, creditors and the market and ensure future development of the business. The Group monitors return on equity and debt ratios.
The Group's objective is to achieve the return on capital that is satisfactory for shareholders.
The Parent Company is subject to the regulation resulting from Article 396 § 1 of the Code of Commercial Companies, which states that the joint stock companies are obliged to transfer at least 8% of the profit for a given financial year recognized in the separate financial statements of the entity to share premium, until it reaches at least one third of the share capital of the entity.
The capital management principles of the Group have been applied consistently during financial year.

28 Capital commitments, future contractual obligations and contingencies

a) future contractual obligations

The Group has future liabilities resulting from agreements concluded by the Group not included in the balance sheet as at the balance sheet date.
The future contractual obligations under the noncancellable lease as at December 31, 2020 amount to PLN 488 thousand.

b) capital commitments

The Group has the capital commitments relating to the following investment projects:

Investment project	Capital commitment (in thousand PLN)
Furnace modernisation - Gliwice	28 250
Purchase of a shot-blasting machine for shot blasting of bars and billets	3 011
3 slag cars	2 989
Adaptation of the energy infrastructure	902
Purchase of a follow-up reactive power compensation system	794
Device for feeding cored wires on the VD device	754
Weighing system	248
Purchase of a magnetic grinder with a rotary table	245
Modernization of the roller block furnace control system,	180
	37 373

c) contingencies

The Group has no contingent liabilities.

29 Research projects and grants awarded

The Group has concluded a number of agreements with the National Center for Research and Development for co-financing under the Smart Growth Operational Program, co-financed from the European Regional Development Fund.

Project's name	Date of agreement	The total costs of the project (PLN thousand)	Grant amount awarded PLN thousand)
a) Development of economically and ecologically justified technology of steel production in an electric arc furnace (EAF) based on the recycling of iron-bearing waste (including scale) - project completed	30.03.2017	17 446	7 433
b) Innovative technology for the production of new-generation sections for the needs of residential and industrial construction - project completed	11.04.2017	8 655	4 056
c) Development of an innovative technology for recycling low-quality post-production waste from copper and its alloys	21.12.2017	9 344	4 024
d) Innovative steel production technology with very high metallurgical purity for the most responsible applications in the automotive industry - project completed	22.06.2018	12 783	5 351
e) Development and implementation of innovative technology for the production of rolled products for the purpose of precise forging of forgings for the automotive industry	28.06.2018	20 799	8 510
f) Development of a new technology of deep refining of steel in the process of secondary metallurgy and casting in a tundish, enabling an increase in the degree of steel purity	26.03.2019	15 175	6 353

The above projects are co-financed from the European Regional Development Fund. In the event of failure to meet the contractual terms, the financing may be withheld or withdrawn.

The Group additionally implements other research and development projects with or without the participation of external experts, the purpose of which is to implement product innovations related to the implementation of new or improved products and process innovations, the effect of which are technological improvements.

30 Government grants and other deferred income

	31.12.2020	31.12.2019	31.12.2018
Grant from NCRD relaing to project from note 29a (project completed)	-	6 188	4 705
Grant from NCRD relaing to project from note 29b (project completed)	-	51	-
Grant from NCRD relaing to project from note 29c	2 661	2 350	578
Grant from NCRD relaing to project from note 29d (project completed)	1 885	628	-
Grant from NCRD relaing to project from note 29e	-	12	-
Grant from NCRD relaing to project from note 29f	260	-	-
Forgiven liability relating to loan from WFOŚiGW	1 037	621	159
Other	82	92	211
Total	**5 925**	**9 942**	**5 653**
-long term	984	618	-
-short term	4 941	9 324	5 653

31 Explanatory note to the statement fo cash flows

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Change in receivables and prepayments in statement of financial position	42 019	(24 329)	3 806
Exchange differences resulting from foreign entities translation	-	-	4
Recognition of allowance on receivables in equity (resulting from implementation of IFRS 9)	-	-	(342)
Change of advances for acquisition of fixed assets	(6 588)	4 355	10 677
Fee relating to withholding tax	-	5 042	-
Other	(1 311)	-	-
Change in receivables and prepayments in statement of cash flows	**34 120**	**(14 932)**	**14 145**

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Change in trade and other payables statement of financial position	(8 298)	52 459	128 630
Exchange differences resulting from foreign entities translation	-	-	(6)
Change of investment payables	15 255	(17 867)	(4 567)
Change of dividends payables	34 554	(34 554)	-
Change of payables relating to factoring fees	(166)	166	-
Other	(170)	-	-
Change in trade and other payables in statement of cash flows	**41 175**	**204**	**124 057**

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Change in provisions in statement of financial position	(2 375)	(1 914)	21 762
Change on deferred taxation	2 174	(2 254)	(20 730)
Change in provisions in statement of cash flows	**(201)**	**(4 168)**	**1 032**

In the following items in the consolidated statement of cash flows, the Group recognized the following values resulting from the implementation of IFRS 16 from January 1, 2019.

in PLN thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Payment of lease liabilities	(17 062)	(19 255)	(12 400)
-including payment of lease liabilities (not previously recognized - IFRS 16)	*(4 284)*	*(2 631)*	-
Interest and transaction costs (related to loans and	(19 263)	(17 579)	(68 190)
-including interests on lease liabilities (not previously recognized - IFRS 16)	*(3 227)*	*(2 286)*	-

32 Related parties

Identity of related parties

The Group has a related party relationship with the Group's Parent Company and other entities stated below.

Controlling entities

- PS Holdco Sp. z o.o.
- 4Workers Sp. z o.o. (previously 4Workers Przemysław Sztuczkowski)

Associates are as follows:

- 4 Groups Sp. z o.o. (from January 21st, 2013)
- Madrohut Sp. z o.o. (from April 11, 2014)
- KDPP Doradztwo Biznesowe Sp. z o.o. (from May 25,2020)

Related companies to the controlling entities:

- KDPP Doradztwo Biznesowe Sp. z o.o. (till May 25, 2020)
- czystyefekt.pl Sp. z o.o.

in PLN thousand	**31.12.2020**	**31.12.2019**	**31.12.2018**
Short-term receivables:			
- controlling entities	48	1	64
- associates	319	266	-
- related companies to the controlling entities	-	-	3
Short-term liabilities			
- controlling entities*	23 658	45 837	19 083
- related companies to the controlling entities	1	524	-
- associates	761	-	-

* see note 21 regarding the details of the transactions with PS Holdco Sp. z o.o.

in PLN thousand	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**
Revenues from sale of services			
- controlling entities	47	41	32
- related companies to the controlling entities	6	5	-
- associates	1 894	890	29
Revenues from sale of raw materials and merchandise			
- related companies to the controlling entities	-	37	-
- associates	196	190	-
Purchase of merchandise and raw materials			
- controlling entities	2 265	1 360	273
Purchase of services			
- controlling entities	3 115	3 164	3 974
- associates	4 466	800	783
- related companies to the controlling entities	1 704	6 032	10 190
Other gain/(losses) net			
- associates	60	-	-
Other costs			
- controlling entities	(13)	-	-
Financial costs			
- controlling entities	(3 045)	(1 134)	(3 385)

Transactions with the members of the Management and Supervisory Boards

The remuneration paid to the Management and Supervisory Board members was as follows:

in PLN thousand	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**
The remuneration of Management Board of the Parent Company			
-received from the Parent Company (appointment, consulting agreements)	231	192	192
-received from the subsidiaries (appointment, consulting agreements)	5 973	6 440	11 331
Supervisory Board of the Parent Company	378	378	378
	6 582	**7 010**	**11 901**

The table above does not include the provision for the bonus for the Management Board in the amount of PLN 2 290 thousand established in accordance with the Regulations of the Incentive Program adopted by the Supervisory Board. The Supervisory Board determines the final amount of this bonus and its division into individual members of the management board after receiving the audited financial statement along with the audit report of the statutory auditor.

Benefits for the Management and Supervisory Boards of the Parent Company and subsidiaries consist only of short-term liabilities
No post-employment benefits for key management personnel and other related entities.

Cognor Holding S.A. shares held by Members of the Management Board as at December 31, 2020

	Number of Cognor Holding S.A. shares held as at 31.12.2020 in pcs	% ownership interest in Cognor Holding S.A.
Przemysław Grzesiak	40 018	0,03%
Krzysztof Zoła	250 000	0,20%
Dominik Barszcz	144 500	0,12%
	434 518	

On 23-05-2019, the subsidiary Cognor S.A. has concluded a contract with a general contractor worth PLN 10,190 thousand and began building an exhibition and conference center in the vicinity of Krakow. This object is being implemented by the group at the request of the main (indirectly) shareholder of the Parent Entity, and at the same time the President of the Management Board, i.e. Przemysław Sztuczkowski. In the provisions of the agreement concluded between the parties, Cognor S.A. undertook to build the said facility in a standard 'move-in ready', and Przemysław Sztuczkowski undertook to purchase it immediately after commissioning at a price in the amount of costs actually incurred by the Company increased by a 15% margin. As at the balance sheet date, the value of expenditure incurred cumulatively by the Group in this respect is PLN 7 520 thousand (in 2020: PLN 4 355 thousand) . In accordance with the requirements of IFRS 15, the Group recognized income and receivables from the owner in the amount of PLN 4,293 thousand in the financial statements, which is equivalent to the expenditure incurred increased by margin PLN 1 128 thousand (2020: PLN 568 thousand).

33 Remuneration of the statutory auditor

in PLN thousand	2020
Audit of the separate and consolidated financial statements of Cognor Holding S.A. for 2020 (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	40
Semi-annual reviews (for the first half of 2019) separate and consolidated financial statements of Cognor Holding S.A. (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	30
Audit of separate financial statements of subsidiaries (Pricewaterhousecoopers Polska Spółka z ograniczoną	200
Audit of separate financial statements of subsidiaries (Primefields Sp. z o.o.)	9
Audit of separate financial statements of subsidiaries (FKCA Ltd)	25
Attestation service in the scope of verification of the intensity coefficient of electric energy consumption (Cognor S.A.) (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	20
Attestation service in the scope of verification of financial ratios in the loan agreement (Cognor S.A.) (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	24
	348

34 Situation related to the SARS-COV-2 pandemic

When the SARS-COV-2 pandemic broke out at the beginning of 2020, a series of negative repercussions could be expected in the coming months. We were primarily concerned with: an increased number of sick leaves, interruptions in the supply of production materials or administrative decisions to limit or suspend the operations of our plants. In a slightly longer perspective, the effects were to be associated with its negative impact on the global and national GDP.

Since then, successive waves of cases and related anti-epidemic restrictions introduced by the authorities have been recorded in Poland and in the world. Today, we can confidently indicate that although many of the above-mentioned threats have occurred, they have not occurred to such an extent as to threaten our going concern. And yes, we noted an increased absenteeism, but it did not exceed at any stage more than twice the usual state of sick leave, thanks to which we were not forced to fundamentally change our work system. We noted difficulties in access to materials, but not to such an extent that we could not supplement them with supplies from alternative sources. Finally, the problems with sales to our customers were not so drastic that with a partial modification of the production profile we were able to maintain the level of our activity to a slightly reduced extent.

The relatively mild course of external shocks was amortized with the support obtained under the so-called "Anti-crisis shield" (details in note 7), which made it possible to partially compensate for the losses caused by the virus. This, plus a number of our own initiatives to counteract the effects of COVID-19, made it possible to achieve financial results that in terms of operating profit and net result are above the performance for 2019, which we consider to be a success.

Although the threats of the pandemic have not subsided yet, the experience of fighting its consequences for our business and the ongoing vaccination of the population to date gives a positive perspective for the next months and quarters. Assuming the effectiveness of the vaccination program, we do not currently see a significant threat posed by the development of this disease to our business in the coming quarters.

35 Waiver of preparing consolidated financial statements in XHTML format marked with XBRL tags

The current Regulation 2019/815 defines XHTML as the reporting format by issuers of their annual reports, including financial statements and consolidated financial statements (based on Directive 2004/109 / EC). Moreover, the consolidated financial statements prepared in accordance with IFRS must be tagged in accordance with the requirements of this regulation. Regulation 2019/815 and Directive 2004/109 / EC apply to annual financial reports containing financial statements for financial years beginning on or after 1 January 2020.

The Parliament of the European Union adopted a regulation stating that a Member State should be able to delay for one year the application of the requirement to prepare and disclose annual financial reports using a uniform electronic reporting format (Polish Chamber of Statutory Auditors announcements, The Polish Financial Supervision Authority Office). In order to make use of this option, a Member State should notify the Commission of its intention to allow such a delay and its intention should be duly substantiated. The regulation is to be published by the end of February in the EU's Official Journal, and will enter into force 20 days after its publication. Our understanding is that the Ministry of Finance is planning to issue such a notification.

The Ministry of Finance, together with The Polish Financial Supervision Authority Office, issued a statement on December 15, 2020, in which it was notified that both institutions decided to postpone the obligation to use the ESEF in the financial reporting of issuers by one year. At the same time, the possibility of reporting in this format will be maintained as early as 2020.

According to the information obtained from the Department of Financial Market Development at the Ministry of Finance, on February 9, 2021, at the meeting of the Public Finance Committee of the Parliament of the Republic of Poland, an amendment was introduced to the government bill amending the Banking Law and certain other acts. This amendment introduces a provision to the act enabling issuers to not use the ESEF format for annual reports and consolidated annual reports for 2020 and to prepare these reports on the basis of the existing rules. This provision will also apply to annual reports drawn up before the date of its entry into force.

Due to the above, the Management Board of the Parent Company withdrew from preparing consolidated financial statements in the XHTML format, marked with XBRL tags.

36 Subsequent events

On February 16, 2021, series B subscription warrants were converted into shares of issue no. 9, as a result of which additional 45 680 246 shares of Cognor Holding were issued. Above mentioned shares will be issued in the amount corresponding to the value of the Exchangeable Notes held to the existing bondholders, as described in note 23. The conversion also includes shares resulting from the conversion of warrants returned by Cognor International FInance plc to PS HoldCo Sp. z o.o. Due to the fact that all series B subscription warrants expired on February 23, 2021, and not all bondholders submitted an application for conversion (the right to convert the Exchangeable Notes expires on August 1, 2021), Cognor International FInance plc sold back to for PS HoldCo Sp. z o.o. the remaining warrants in the amount of 6 222 934 in order to exchange them for shares and to issue them to bondholders who will notify their intention to convert the Exchangeable Notes at a later date.

Poraj, 1 March 2021

Przemysław Sztuczkowski
Chairman of the Management Board

Przemysław Grzesiak
Vice-Chairman of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board