

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Annual Consolidated Financial Statements

#### Opinion

We have audited the annual consolidated financial statements of the group (the "Group") with Cognor Holding S.A. as the parent (the "Parent"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the economic and financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Parent.

Our opinion is consistent with the Additional Report to the Audit Committee, which we issued as of the date of this report.

#### Basis for Opinion

We conducted our audit in accordance with the Polish Standards on Auditing ("PSAs") in the wording of the International Standards on Auditing adopted by the National Council of Statutory Auditors and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2020, item 1415, as amended) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158, as amended). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the principles of professional ethics specified in the International Code of Ethics for Professional Accountants (including International Independence Standards) ("Code of ethics") developed and issued by the International Ethics Standards Board for Accountants and adopted by the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/pl/about](http://www.deloitte.com/pl/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

District Court for the city of Warsaw, XII Business Division of the National Court Register, KRS No. 0000446833, NIP: 527-020-07-86, REGON: 010076870

## Emphasis of Matter

We draw attention to Note 39 in the consolidated financial statements of the Group, in which the Management Board of the Parent presented an assessment of the impact of the war in Ukraine on the Cognor Holding S.A. Capital Group. Our opinion is not qualified in respect of this matter.

## Other Matter

The Group's consolidated financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unqualified opinion on those statements on March 1, 2021.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

| Key audit matter   | How we addressed the matter  |
|--|--|
| <p><b>Risk of revenue distortion through manual journal entries</b></p> <p>Revenues are one of the key figures in the consolidated financial statements of the Group and have a significant impact on the financial results achieved by the Group. Most of the Group's revenues are recognized based on deliveries and sales invoices issued on the basis of delivery notes processed in line with orders received. Part of the revenue is recognized or adjusted through manual journal entries, which may involve the use of judgments or estimates.</p> <p>Therefore, there is a risk of intentional distortion of revenues and the same distortion of the picture of the Group's financial statements by posting fictitious sales transactions, recognition revenue in an incorrect amount, incompletely, in an incorrect period or with misstated classification. With this in mind, we decided that it is the key audit matter of the audit.</p> <p>The accounting policy and disclosures regarding revenues are presented in points 2r and 5 of the explanatory notes to the consolidated financial statements.</p> | <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>- understanding and evaluating the accounting policy applied for the revenue recognition and related material judgments and estimates;</li> <li>- identification and determination of types of revenue and revenue transactions for which there is a risk of material misstatement as a result of fraud or management override of control;</li> <li>- understanding and assessing the internal control environment concerning posting of manual entries and in the sales process;</li> <li>- verification to the source documentation and assessment of the correctness of the recognition of all significant manual postings on revenue accounts, including those booked after the balance sheet date;</li> <li>- analysis of selected revenue agreements and arrangements of the Group with clients in the scope of assessing the correctness of recognized revenues on the basis of manual postings;</li> <li>- analysis and assessment of the correctness of the recognition of material non-system adjustments to revenue affecting the financial statements.</li> </ul> |
| <p><b>Risk of incorrect valuation and existence of inventories</b></p> <p>The Group shows in the consolidated statement of financial position inventories in the amount of PLN 425.801 thousand as of December 31, 2021, which constitutes a significant part of the Group's assets.</p>   | <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>- understanding and assessing the internal control environment in the area of inventory and warehouse management, including in particular the control of the existence of stocks through periodic stock counting;</li> <li>- observation of stock counting in selected locations, in</li> </ul>   |

Inventories are located in dozens of locations, mainly in the form of steel scrap and steel products. Due to the nature of the stocks and the multitude of locations where they are stored, there is a risk of existence (theft, misappropriation), as well as a risk associated with incorrect valuation, including impairment due to fluctuations in market prices or the usefulness of particular inventories. With this in mind and taking into account the materiality of analyzed position in the financial statements, we decided that the valuation and existence of inventories are the key audit matter of the audit.

The accounting policy and disclosures regarding inventories are set out in sections 2i and 19 of the explanatory notes to the consolidated financial statements.

order to determine the correctness of their conduct by the Group, as well as to identify inventories with potential impairment;

- verification of the correctness of settlement of performed stock counting and recognition in the books;
- understanding and evaluating the accounting policy applied for the valuation of inventories;
- verification of the correctness of the valuation of inventories accounted in the books and analysis of the legitimacy and correctness of the calculation of write-downs on inventories;
- critical assessment of significant assumptions and estimates taken by the Group when determining the value of the impairment loss;
- verification on a selected sample to confirm the valuation of inventories at values not higher than net realizable sales prices.

---

## **Responsibilities of the Management Board and the Supervisory Board of the Parent for the Consolidated Financial Statements**

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

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

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2021, item 217, as amended). Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

The scope of an audit does not include an assurance about the future profitability of the Group or the effectiveness or efficiency of the Parent's Management Board in managing the Group's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent’s Management Board;
- conclude on the appropriateness of the Parent’s Management Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent’s Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## **Other Information, Including the Report on the Activities**

Other information includes a report on the Group’s activities in the financial year ended December 31, 2021 (the “Report on the Activities”), together with a statement of compliance with corporate governance principles, which constitute separate part of the Report (together: the “Other Information”).

### *Responsibilities of the Management Board and the Supervisory Board*

The Parent’s Management Board is responsible for the preparation of the Other Information in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the Report on the Activities, along with the separate parts, meet the requirements of the Accounting Act.

## *Auditor's Responsibilities*

Our opinion on the consolidated financial statements does not cover the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, we are obliged to express an opinion on whether the Group has included the necessary information in the statement of compliance with corporate governance principles.

## **Opinion on the Report on the Activities**

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the "Current Information Regulation", Journal of Laws of 2018, item 757, as amended);
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

## **Opinion on the Statement of Compliance with Corporate Governance Principles**

In our opinion, the statement of compliance with corporate governance principles contains the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the consolidated financial statements.

## **Information on Non-Financial Information**

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Group does not prepare a non-financial information statement, relying on the exemption under Article 55.2c of the Accounting Act. In the Report on the Activities, the Group included information concerning the preparation of a separate non-financial report and its publication on the Group's website within six months of the balance sheet date. By the date of this report, the Group had prepared a separate non-financial report.

We have not performed any assurance services relating to the separate non-financial report and we do not express any form of assurance conclusion thereon.

## **Report on Other Legal and Regulatory Requirements**

**Opinion on the compliance of tags in consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulation setting out technical standards on the specification of a single electronic reporting format**

## *Scope of the Engagement*

With regard to the audit of the consolidated financial statements we have performed a reasonable assurance engagement to evaluate whether or not the Group's consolidated financial statements for the year ended 31 December 2021, prepared in the European Single Electronic Format and included in the file named „SSF\_GK\_Cognor\_Holding\_S.A.\_31.12.2021“ (“consolidated ESEF financial statements”) were tagged in compliance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (“ESEF Regulation”).

## *Identification of Criteria*

The consolidated ESEF financial statements were prepared by the Management Board of the parent in order to satisfy the tagging and technical requirements regarding the single electronic format specification, as determined in the ESEF Regulation.

The scope of our assurance service includes checking compliance of the tagging used in the consolidated ESEF financial statements with the requirements of the ESEF Regulation which, in our view, constitute appropriate criteria for us to express an opinion.

## *Responsibilities of the Management Board and the Supervisory Board of the Parent*

The Management Board is responsible for the preparation of the consolidated ESEF financial statements in line with the tagging requirements and with the technical requirements related to the specification of the single electronic format as determined in the ESEF Regulation. This responsibility includes the selection and application of appropriate XBRL tags, using the taxonomy set out in ESEF Regulation.

The Management Board is also responsible for the design, implementation and maintenance of internal controls to enable the preparation of consolidated ESEF financial statements that are free from material non-compliance with the requirements of ESEF Regulation.

Members of the Supervisory Board of the Parent are responsible for overseeing the financial reporting process, which also involves the preparation of financial statements in the format determined by the valid law.

## *Auditor's Responsibilities*

Our objective was to express, based on a reasonable assurance engagement, an opinion whether the Group's consolidated financial statements for the year ended 31 December 2021 were tagged in compliance with the requirements of ESEF Regulation.

The service was provided by us in compliance with the National Standard on Assurance Services Other than Audits or Reviews 3001PL - Audit of Financial Statements Prepared in the Single Electronic Format (“NSAE 3001PL”) and, where applicable, with the National Standard on Assurance Services Other than Audits or Reviews 3000 (Revised) in the wording of the International Standard on Assurance Services Other than Audits or Reviews of Historical Financial Information (amended) (“NSAE 3000 (Revised)”).

The Standard requires that we plan and perform the procedures so as to obtain reasonable assurance that the consolidated ESEF financial statements were prepared in compliance with the determined criteria.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with NSAE 3001PL and, where applicable, with NSAE 3000 (Revised) will always detect a material misstatement when it exists.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated ESEF financial statements, in order to design procedures that are appropriate in the circumstances to enable the auditor to obtain sufficient appropriate evidence. The purpose of the assessment of the internal control system's operation was not to express an opinion on its effectiveness.

### *Quality Control Requirements*

As an audit firm, we apply National Standards of Quality control approved by the National Council of Statutory Auditors in the wording of the International Standard of Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" ("ISQC").

In accordance with ISQC requirements we maintain a comprehensive system of quality control which comprises documented policies and procedures in respect of our compliance with the ethical requirements, professional standards as well as the applicable legal and regulatory requirements.

### *Ethical and Independence Requirements*

When performing the service, both as an audit firm and a statutory auditor, we comply with independence requirements and with other ethical requirements determined in the Code of Ethics. The Code of Ethics is based on key principles regarding honesty, objectivity, professional competencies and due care, confidentiality and professional conduct, and we have fulfilled our other independence and ethical responsibilities applicable to this assurance engagement in Poland.

### *Summary of the Work Performed*

The procedures we planned and performed included:

- gaining an understanding of the process of the Company's preparing the consolidated ESEF financial statements, which comprised the selection and application of XBRL tags as well as ensuring compliance with ESEF Regulation, including an understanding of the internal controls relevant to this process;
- reconciling the tagged information included in the consolidated ESEF financial statements with the audited consolidated financial statements using a selected sample;
- with the use of a specialised IT tool and IT expert support, assessing the fulfilment of technical standards on the specification of the single electronic reporting format, and the completeness of XBRL tagging in the consolidated ESEF financial statements;
- evaluation of whether the XBRL tags from the taxonomy set out in ESEF Regulation were applied properly and whether extension taxonomy elements were used in the event that the relevant elements were not identified in the core taxonomy set out in ESEF Regulation;
- evaluation of the correctness of anchoring of the extension taxonomy elements used to the core taxonomy set out in ESEF Regulation.

We believe the obtained evidence constitutes a sufficient and appropriate basis for us to express an opinion on the compliance of tagging with ESEF Regulation.

## *Opinion on the Compliance with Requirements of ESEF Regulation*

The issues described above provide the basis for auditor's opinion; therefore, they should be considered by readers of the opinion.

In our opinion, the attached consolidated ESEF financial statements have been tagged, in all material respects, in compliance with requirements of ESEF Regulation.

## **Statement Concerning Provision of Non-Audit Services**

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Parent and to its subsidiaries are not prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services which we provided to the Parent and to its subsidiaries in the audited period have been listed in Note 35 to the consolidated financial statement.

## **Appointment of the Auditor**

We were appointed as the auditor of the Group's consolidated financial statements by resolution no. 1 of the Parent's Supervisory Board of May 12, 2021. This is our first year as auditor of the Group.

The key statutory auditor on the audit resulting in this independent auditor's report is Artur Maziarka.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the consolidated financial statements have been audited by the key statutory auditor:

Artur Maziarka  
Registered under number 90108

Digital signature dated on: 28 March 2022; time: 23:10:43 CEST

**This document is a foreign language version of the original Independent Auditor's Report issued in Polish version and only the original version is binding. This document has been prepared for information purposes and could be used only for company's internal purposes. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**