

Poraj, dated 28 March 2022

## MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR HOLDING S.A. AND COGNOR CAPITAL GROUP IN 2021

### I. Description of the Company and Capital Group

#### 1. Basic data

The parent company in the Capital Group of Cognor constitutes the company Cognor Holding S.A. with its headquarters located at 42-360 Poraj, ul. Zielona 26 that is registered with the KRS (National Court Register) under the number of 0000071799. The company possesses NIP (Tax Identification Number) 584-030-43-83 and REGON (Business Registry Number) 190028940. The shares of the parent company are listed on the Warsaw Stock Exchange. The parent company is a holding company exercising control over the Cognor Capital Group.

The basic subject matter of the activities of the Capital Group is as follows: the purchasing of scrap metal, processing of scrap steel into semi-products and finished metallurgical goods, while also other activities (property developer services).

#### 2. Shareholding of the parent company

As of 31 December 2021 the shareholding of Cognor Holding S.A. was presented as follows:

Shareholder	Number of shares	Share in equity	Number of votes	Share in voting rights
PS HoldCo Sp.z o.o.	122 185 885	71,28%	122 185 885	71,28%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Pozostali akcjonariusze	48 616 997	28,36%	48 616 997	28,36%
<b>Razem</b>	<b>171 420 663</b>	<b>100%</b>	<b>171 420 663</b>	<b>100%</b>

As of the date of this report the shareholding of Cognor Holding S.A. was presented as follows:

Shareholder	Number of shares	Share in equity	Number of votes	Share in voting rights
PS HoldCo Sp.z o.o.	123 243 491	71,90%	123 243 491	71,90%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Pozostali akcjonariusze	47 559 391	27,74%	47 559 391	27,74%
<b>Razem</b>	<b>171 420 663</b>	<b>100%</b>	<b>171 420 663</b>	<b>100%</b>

#### 3. Employment

As of 31 December 2021 employment figures in fully consolidated companies of the Capital Group were presented in the following way:

- Cognor Holding S.A. – 2 people
  - Cognor S.A. – 1 931 people – including:
    - HSJ branch in Stalowa Wola – 849 people
    - Ferrostal branch in Gliwice – 317 people
    - Ferrostal branch in Zawiercie – 30 people
    - Ferrostal branch in Kraków – 291 people
    - Złomrex branch in Wrocław – 221 people
    - OM Szopienice branch in Katowice – 98 people
    - PTS branch in Kraków – 115 people
    - BSS branch in Poraj – 10 people
  - Cognor International Finance Plc – 0 people
  - Cognor Holding SA Sp.k. – 3 people
- Total – 1 936 people.

#### 4. Management Board and Supervisory Board of the parent company

In the period under analysis, the composition of the Management Board of the parent company did not undergo any change and was presented as follows:

##### Management Board

Przemysław Sztuczkowski – Chairman of the Board  
Przemysław Grzesiak – Vice-Chairman of the Board  
Krzysztof Zoła – Member of the Board  
Dominik Barszcz – Member of the Board

In the period under analysis, the composition of the Supervisory Board of the parent company did not undergo any change and was presented as follows:

##### Supervisory Board

Hubert Janiszewski – Chairman of the Supervisory Board  
Piotr Freyberg – Vice-Chairman of the Supervisory Board  
Zbigniew Łapiński – Secretary of the Supervisory Board  
Marek Rocki – Member of the Supervisory Board  
Jerzy Kak – Member of the Supervisory Board

#### 5. The steel market in Poland and in the world

The year 2021, compare to 2020, in Poland, EU and in global market was a period of a increased in the production of steel. In China production of steel slightly decreased.

STEEL PRODUCTION (million tonnes)	2021	YoY	2020	2019	2018	2017
Poland	8,4	6,5%	7,9	9,0	10,2	10,3
EU (28)	152,5	15,4%	132,1	157,3	167,7	168,5
China	1 032,8	-3,0%	1 064,7	1 001,3	920,0	870,9
<b>World</b>	<b>1 911,9</b>	<b>3,6%</b>	<b>1 845,2</b>	<b>1 846,4</b>	<b>1 786,0</b>	<b>1 712,3</b>

## II. Description of the organization of the issuer of the Capital Group while indicating the units undergoing consolidation, as well as a description of the changes in the organization of the issuer of the Capital Group, together with the presentation of their causes

### 1. Organizational structure of the Capital Group created by Cognor Holding S.A.

As of 31 December 2021, the structure of the Capital Group was presented as follows:

Entity	Seat	Share in equity and voting rights	Abbreviations
Cognor S.A.	Poland	94,39%*	COG
Cognor Holding S.A. Sp.k.	Poland	98,0%*	COGNOR SK
Cognor International Finance PLC	UK	100,0%**	CIF
Madrohut Sp. z o.o.	Poland	25%**	MADROHUT

\* shares and votes belong to Cognor Holding SA

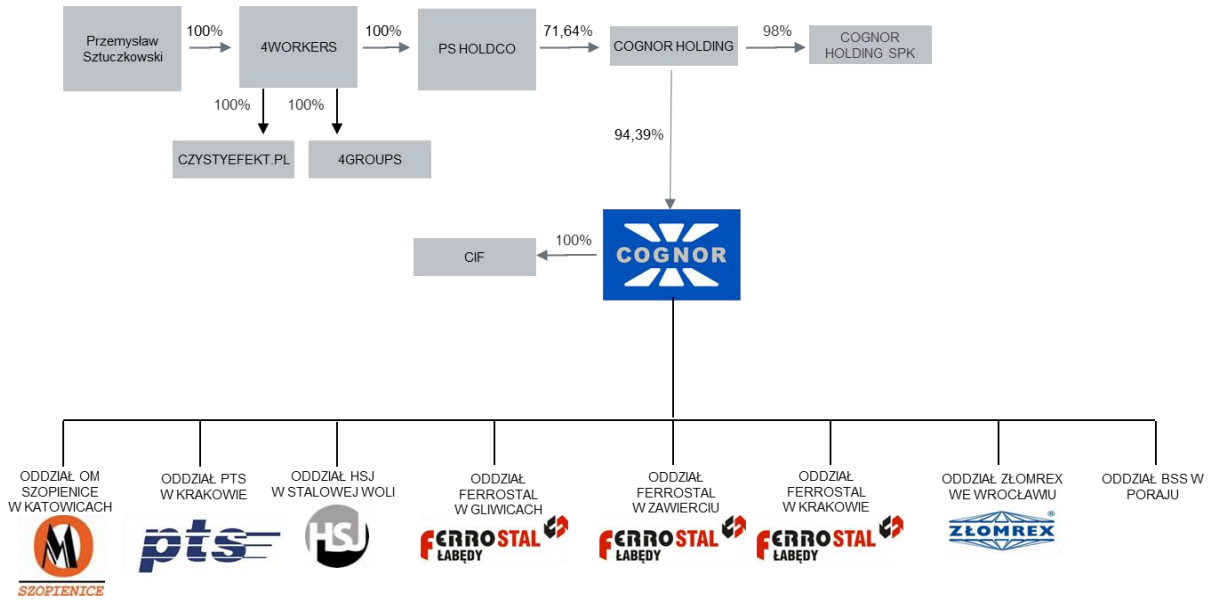
\*\* shares and votes belong to COG

The above-mentioned entities are consolidated entities. Madrohut Sp. z o.o. is associates.

Branches of the Cognor SA:

Branch	Seat	Abbreviations
Cognor SA Ferrostal Łabędy Branch in Gliwice	Poland	FERR
Cognor SA Ferrostal Łabędy Branch in Zawiercie	Poland	ZW-WB
Cognor SA Ferrostal Łabędy Branch in Kraków	Poland	PROFIL
Cognor SA HSJ Branch In Stalowa Wola	Poland	HSJ
Cognor SA OM Szopienice Branch in Katowice	Poland	OMS
Cognor SA PTS Branch in Kraków	Poland	PROFIL
Cognor SA BSS Branch in Poraj	Poland	BSS
Cognor SA Zlomrex Branch in Wrocław	Poland	ZLX

Structure as of 31 December 2021 in the form of a diagram looks as follows:



## 2. Changes in the organization of the Capital Group

- on 31 August 2021 merger of companies Cognor Holding SA (as acquiring company) and Cognor Blachy Dachowe SA (as acquired company) was entered in the National Court Register

**III. Outline of the basic economic and financial magnitude revealed in the annual financial report, particularly a description of the factors and events including those of an untypical nature that have a significant impact on the activities of the Company and the Capital Group and the profits gained by it or losses incurred in the trading year, while also an outline of the perspectives of development of the business activities of the issuer at least in the upcoming trading year.**

1. Financial results

Cognor Holding SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2021	2020
<i>'000 PLN</i>		
Revenue	9 700	15 960
Cost of sales	-1 549	-5 915
<b>Gross profit</b>	<b>8 151</b>	<b>10 045</b>
Other income	1 812	1 560
Distribution expenses	-50	-231
Administrative expenses	-12 804	-5 504
Other gains net	2 953	1 851
Other expenses	-120	-139
Shares in the result of entities accounted for using the equity method	350 657	14 213
<b>EBIT</b>	<b>350 599</b>	<b>21 795</b>
Financial income	4 008	195
Financial expenses	-4 927	-2 119
<b>Net financing costs</b>	<b>-919</b>	<b>-1 924</b>
<b>Profit before tax</b>	<b>349 680</b>	<b>19 871</b>
Income tax expense	-1 722	3 557
<b>Profit for the period</b>	<b>347 958</b>	<b>23 428</b>

Cognor Capital Group

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2021	2020	2019
<i>'000 PLN</i>			
Revenue	2 811 151	1 733 221	1 901 604
Cost of sales	-2 222 237	-1 574 324	-1 730 554
<b>Gross profit</b>	<b>588 914</b>	<b>158 897</b>	<b>171 050</b>
Other income	47 900	41 193	13 060
Distribution expenses	-101 065	-81 753	-75 261
Administrative expenses	-65 099	-46 695	-48 140
Other gains/(losses) – net	2 481	1 234	917
Other expenses	-5 377	-6 349	-7 034
<b>EBIT</b>	<b>467 754</b>	<b>66 527</b>	<b>54 592</b>
Financial income	24 602	0	927
Financial expenses	-39 756	-34 317	-31 731
<b>Net financing costs</b>	<b>-15 154</b>	<b>-34 317</b>	<b>-30 804</b>
Share of profits of associates	30	60	-1 455
<b>Profit before tax</b>	<b>452 630</b>	<b>32 270</b>	<b>22 333</b>
Income tax expense	-89 104	1 276	-2 561
<b>Profit for the period</b>	<b>363 526</b>	<b>33 546</b>	<b>19 772</b>
Depreciation and amortization	-51 828	-47 708	-46 236
<b>EBITDA</b>	<b>519 582</b>	<b>114 235</b>	<b>100 828</b>

EBITDA calculated as EBIT plus depreciation and amortization.

The Group has decided to present an additional third reporting period (2019) in order to better present the trends and financial position of the group.

Cognor Capital Group

SALES		2021	% YoY	2020	2019
	<i>'000 PLN</i>				
Scrap metal		239 781	94,3%	123 403	131 952
Billets		466 261	50,0%	310 750	370 012
Finished products		1 851 355	62,5%	1 139 137	1 200 657
<b>Total</b>		<b>2 557 397</b>	<b>62,6%</b>	<b>1 573 290</b>	<b>1 702 621</b>
	<i>Tonnes</i>				
Scrap metal		156 039	13,5%	137 421	141 847
Billets		151 594	-4,8%	159 292	184 919
Finished products		519 173	2,9%	504 504	475 905
<b>Total</b>		<b>826 806</b>	<b>3,2%</b>	<b>801 217</b>	<b>802 671</b>

Much improved market conditions manifested themselves with strong demand and surging prices which resulted in a sharp rise of total consolidated revenues – by 62.2%. Crude steel production rose by 5.6%, while sales of combined scrap metal, billets and finished products increased by 3.2% volume-wise and 62.5% value-wise as compared to 2020.

The combined prices for billets and finished products manufactured at Ferrostal and HSJ mills went up by 57.7% and 58.0% respectively. The Group saw a surge of its gross profit – by PLN 430.0 million and 270.6%, as well as EBIT and EBITDA which both grew – by PLN 401.2 million and 603.1% and by PLN 405.3 million and 354.8% respectively. The development of steelmaking conversion spreads, which represent the key driver for our profitability, was strongly positive and resulted in contribution to gross profit potential to the tune of PLN 420.4 million. In 2021 we also included in the consolidated financial statement an amount of PLN 36.2 million under the state granted aid dedicated to the largest carbon dioxide emitting companies and intended to partially amortize the increase of prices of CO2 emission rights. Consolidated net profit increased by PLN 330.0 million.

The following table presents the average scrap metal, billet and finished product prices for both of our steel plants. The spreads are calculated by way of subtraction of the scrap metal prices.

PRICES AND SPREADS	2021	2020	2019	2018	2017	2016
<i>(pln/ tonne)</i>						
<b>FERROSTAL</b>						
scrap metal price <i>(all qualities, freight cost inclusive)</i>	1 515	907	965	1 092	1 014	755
billet price <i>(all qualities)</i>	2 934	1 760	1 850	2 138	1 834	1 455
<i>billet spread</i>	<i>1 419</i>	<i>852</i>	<i>884</i>	<i>1 046</i>	<i>821</i>	<i>700</i>
finished product price <i>(all types)</i>	3 315	1 971	2 129	2 321	1 997	1 714
<i>product spread</i>	<i>1 799</i>	<i>1 063</i>	<i>1 164</i>	<i>1 229</i>	<i>983</i>	<i>960</i>
<b>HSJ</b>						
scrap metal price <i>(all qualities, freight cost inclusive)</i>	1 697	1 006	1 079	1 206	1 076	823
billet price <i>(all qualities)</i>	3 250	2 160	2 224	2 692	2 235	1 769
<i>billet spread</i>	<i>1 553</i>	<i>1 154</i>	<i>1 145</i>	<i>1 486</i>	<i>1 159</i>	<i>946</i>
finished product price <i>(all types)</i>	4 003	2 861	3 280	3 496	2 858	2 463
<i>product spread</i>	<i>2 306</i>	<i>1 855</i>	<i>2 201</i>	<i>2 290</i>	<i>1 782</i>	<i>1 640</i>

2. Main financial metrics for consolidated data

MAIN METRICS	2021	2020	2019
Liquidity ratio	1.59	1.08	1.14
Quick ratio	0.87	0.51	0.54
Inventories turnover <i>days</i>	70	64	63
Receivables turnover <i>days</i>	52	30	36
EBITDA margin	18.5%	6.6%	5.3%
Net profit margin	12.9%	1.9%	1.0%
Equity <i>'000 PLN</i>	643 869	307 014	277 191
Net debt <i>'000 PLN</i>	230 193	166 101	225 883
Net debt / EBITDA	0.4	1.5	2.2

The turnover of inventories deteriorated by 6 days, the receivables cycle by 22 days. The profitability metrics improved as a consequence of better results. The Company's leverage went down to 0.4 times as a consequence of higher EBITDA.

### 3. Main non-financial metrics

Indicator Name	I.U.	Value 2021	Value 2020	Value 2019
EBITDA to a ton of sold semi-finished products and steel products	PLN/Mg	594.42	159.11	145.71
Number of semi-finished and steel products per employee	Mg/person	453.87	455.91	423.24
The cost of employee wages to a ton of sold semi-finished products and steel products	PLN/Mg	195.92	167.39	177.39
Ratio of depreciation to wages	%	27.76	30.29	31,59
Percentage of complaints to production volume	%	1.25	0.28	0.27
Electricity consumption per ton of crude steel production	kWh/Mg	586.24	584.56	558.37
Gas consumption per ton of crude steel production	m <sup>3</sup> /Mg	59.39	59.76	57.44
Oxygen consumption per ton of crude steel production	m <sup>3</sup> /Mg	53.40	53.52	51.23
The sum of R & D expenses related to sales revenues	%	-0.08*	0.82	0,36
Ratio of capital expenditures and repairs to depreciation	%	339.41	273.01	309.36

\* the negative level of the indicator in 2021 results directly from the structure of expenses - an increased amount of subsidies obtained from R&D in relation to the own funds spent

### 4. Information on employee issues and the natural environment

#### a) employee issues

The basic aspect determining the value of Cognor Capital Group is human capital, thanks to which it is possible to achieve the set goals.

Creating professional development opportunities, increasing competences and providing highly specialized training for employees are elements that are treated with priority. Applying the principles of equal opportunities and terms of employment in the same positions, regardless of age, sex, nationality, religion and political views are the result of the practical use of the Capital Group's Code of Ethics.

One of the main goals in terms of employees is to create a friendly and open work environment. In the above-mentioned scope, Cognor Group conducts a number of activities positively influencing the psychological comfort of employees and ensuring good relations among colleagues. In particular, in the era of the COVID-19 pandemic, great importance is attached to maintaining interpersonal relationships and frequent on-line contact is introduced to facilitate communication. The goal was achieved by creating condition where all comments and suggestions received by employees in terms of reducing the sense of isolation were met. The implemented solutions included conducting joint workshops and on-line trainings as well as transmitting messages via the Internet

#### b) the natural environment

Functioning in harmony with the environment is possible through the implementation of thoughtful and modern solutions. The Cognor Group activates various initiatives that allow it to operate in accordance with the principles of climate neutrality and the adopted environmental guidelines.

Care for the natural environment and sustainable activities are part of the Cognor Group genesis. It is worth noting that the products delivered to clients are mostly made of waste materials - steel scrap. Annually, as a result of the production processes carried out, almost 800,000 Mg of steel scrap is recycled.

Monitoring the legal conditions changes relating to the use of the environment and the implemented climate guidelines is an expression of the Capital Group's commitment to shaping the natural well-being and, consequently, the quality of life of the environmental society. Therefore, the organization is a participant in thematic conferences and follows information on the monitoring of CO2 emissions on industry portals and the current legal requirements for emissions trading.

Regarding everyday operational life, we monitor the amount of emissions into the air in accordance with the established limits per Branch. Moreover, twice a year, dust and gas emissions are tested by independent accredited laboratories. Annual emissions are calculated based on the indicators obtained as a result of the measurement and the operating time of the installation. The amount of CO<sub>2</sub> emissions is calculated in accordance with legal regulations and the CO<sub>2</sub> emission monitoring plan, based on the mass balance of raw materials used in the process and gas consumption. At the same time, preventive actions are carried out to control emissions into the environment through regular inspections, reviews of installations and the implementation of ongoing repairs. In order to prevent uncontrolled failures, simulations of crisis situations are carried out once a year in order to identify possible difficulties that may occur in real-life situations. The Group tries to counteract climate change and balance its activities by reforesting the areas based on the decisions issued by the governing authority.

Attention to achieving the goals in the area of the environment is carried out through the implementation of solutions to improve processes to minimize negative impacts. The awareness of global climate challenges allows the Group to build well-thought-out solutions that will contribute to the achievement of the climate goals adopted by the European Union. The Cognor Group focuses its attention on the reduction of dust-pollutant emissions from installations and above all CO<sub>2</sub> emissions. For this reason, all modernization work is aimed at reducing the emissions per ton of finished products. The effective reduction of greenhouse gas emissions to the atmosphere takes place through the implemented principles of sustainable development, which include the following:

- rational use of energy and reduction of losses,
- reasonable use of raw materials and products,
- optimization of waste management,
- optimization of product and raw materials transport, including waste used in production,
- GHG emissions monitoring during emission measurements on emitters.

#### 5. Perspectives of development

Further development is conditioned by both the market environment, as well as internal activity. Within the framework of the latter, which we have an influence on in terms of a certain time perspective, it is necessary to list the steps to be taken aimed at reducing the costs of production, increasing the product range and further improvement of the quality of the goods on offer. Significant progress in all of these areas is dependent on capital expenditures. The Group has prepared a mid-term project of modernization for the technological equipment at our disposal that could improve our operational activities in a most significant manner in all the three key aspects.

### **IV. Description of significant factors of risk and threats with the definition of the extent to which the Company and the Capital Group are at risk.**

#### 1. Risk of fluctuations in currency rates:

The Group is susceptible to the risk of fluctuations in currency rates with relation to sales, purchases and financial obligations denominated in other currencies than the functional currency. The currency risk mainly relates to the Euro currency.

#### 2. 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.

#### 3. Risk of fluctuations in interest rates on equitable values and cash flows

The Group has interest rate swaps related to bonds issued in 2021 and an investment loan concluded in December 2021 in the amounts of EUR and PLN. The other interest-bearing assets are not material, therefore 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. In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. The Group has issued corporate bonds based on the variable interest rate WIBOR 6M. The main element of limiting the risk of interest rate changes related to bonds are interest rate swaps concluded by the Group. They limit the interest rate volatility risk in terms of cash flows related to bonds in PLN.

#### 4. Credit risk:

Credit risk is the risk of the Group incurring financial losses as a result of the failure of a client or trading partner as a financial instrument to fulfil its contractual obligations. Credit risk is particularly associated with receivables from clients and financial investments.

Financial instruments, which potentially jeopardize the Group with a concentration of credit risk particularly encompass the pecuniary means and their equivalents, as well as trading receivables and others. The Group deposits its pecuniary means and their equivalents in financial institutions possessing a high credit rating. The Group uses receivables insurance to limit credit risk. The majority of trade receivables are insured, and due to a wide range of the Group's recipients, the concentration

of credit risk is not significant. Also the Group uses full factoring (with nor recourse) which significantly reduces the credit risk on the part of the Group.

5. Risk of losing solvency:

The risk of losing solvency is the risk of the lack of possibility of repayment occurring in the case of the Group with relation to its financial obligations at the moment of payment due date. Activities aimed at limiting the subject of risk encompass the appropriate management of financial solvency through the means of ensuring where possible that the Group shall always have sufficient solvency in order to be able to repay its obligations at the moment when this is required, both in normal and in specific conditions without incurring losses or jeopardizing the Group with a loss of reputation. In order to limit this risk, the Group uses full factoring (with nor recourse) and loans, including credit lines with appropriate limits.

6. Risk of continuation of activities:

The individual and the consolidated financial statements as of and for the year ended December 31, 2021 have been prepared on the going concern basis.

In 2021, there was great variability in the number of people infected with Covid-19, and new variants of the SARS-COV-2 virus appeared. We responded to this situation by adjusting the degree of restrictiveness of the instruments preventing the spread of infection among our staff. In our opinion, the vaccination program has greatly helped to stabilize the pandemic situation in Poland and thus we did not observe a significant threat from the coronavirus for our operations. This risk is expected to decrease further this year.

The war in Ukraine, which has been going on for several weeks, poses a high threat to the stability of our business operations. The existing crisis obviously creates a number of risks, and its dynamics currently make it difficult to fully identify and assess the probability of their materialization. We assume that there will be no escalation of military operations on the territory of our country, however, the ongoing military conflict, humanitarian tragedy and, consequently, the geopolitical crisis may bring a number of serious consequences. First of all, we are concerned about the availability of natural gas, which we consume large amounts in the course of our production processes, both at the stage of raw steel smelting and rolling of final products. In the event of limitations in the volume of natural gas supplies, we will be forced to adequately reduce the scale of our production, and thus sales. We are completely dependent on the national distribution system and we cannot replace this fuel with other source of energy. Secondly, the war accelerated the dynamics of inflation processes, which in the near future may have a negative impact on the financial condition of our customers, especially in the group of distributors of steel products. Increased volatility in financial markets and the level of interest rates may, in the longer term, limit investment activity, cause a stagnation in the housing sector and contribute to a reduction in growth or result in a decrease in the size of Poland's gross domestic product.

If similar circumstances occurred in the entire European Union, then there could be a significant decrease in demand for steel and, consequently, pressure on the margin and profitability of the steel production sector. Third, Cognor relies to some extent on importing raw materials for production from Russia and Ukraine. The ongoing war and the likely escalation of economic sanctions pose a risk of continuity of supplies. In the case of most components for production, it is possible to replace imports from the eastern direction with other sources, but it will require time and may be associated with an increase in the purchase cost. Therefore, the result of interrupting supply chains may be for us a temporary suspension of steel production in certain grades. Finally, there is the issue of human resources. We employ several dozen employees, citizens of Ukraine. At the moment, a small number of them have decided to return to Ukraine, so the risk of increased absenteeism and thus an increase in staffing problems is small in our situation. On the other hand, it may turn out to be a serious problem for steel recipients, especially in the case of construction companies.

The long-term effects of the war caused by Russia in Ukraine are difficult to assess in the current situation, and its impact on the Group's situation will depend on numerous geopolitical, micro- and macroeconomic factors. At the same time, the Group is not able to estimate the impact of the war in Ukraine on the market in which the Group operates. Further actions will be taken by the Management Board adequately to the development of the situation and threats related to the military conflict. Due to the fact that the beginning of the war in Ukraine took place in 2022, this event did not result in any adjustments to the consolidated financial statements for 2021.

**V. Indicating of major achievements in the field of research and development.**

In the audited financial year, the Group did not record any major achievements in the field of research and development.

**VI. Indicating the proceedings before the court, the appropriate body for arbitration proceedings or the body of public administration taking account of information in the following areas:**

- a) Proceedings relating to obligations or outstanding debts of the issuer or entity affiliated to it, whose value constitutes at least 10 % of the equity capital of the issuer with the definition: the subject matter of proceedings, the value of the subject matter of the dispute, the date of



commencing the proceedings, the parties to the proceedings commenced and the position of the issuer.

- b) Two or more cases of proceedings relating to the obligations and outstanding debts, whose combined value constitutes respectively at least 10 % of the equity capital of the issuer, with the definition of the combined value of the proceedings separately in a group of obligations and outstanding debts, together with the position of the issuer with relation to this case and with regard to the largest proceedings in the group of obligations and the group of outstanding debts with an indication of their subject matter, the value of the subject of dispute, the date of commencing the proceedings and the parties to the proceedings commenced.

The Group is party to a range of court proceedings, the majority of which it participates in as the plaintiff. Cognor has not been charged in any singular or group proceedings which together could significantly affect their financial results or level of obligations. There is one proceeding before the court important from the point of view of the Group:

- the company Złomrex Metal Sp. z o.o. (now Cognor SA Złomrex Branch in Wrocław) filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015 – on November 17, 2017 a hearing was held, ending with a valid judgement for setting aside the judgement under appeal; annulment of the decision of the Director of the Tax Chamber in Katowice of September 19, 2014 and reconsideration of the case. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by Złomrex Metal Sp. z o.o. in 2014. As a result of the re-examination of the case, the Head of the Silesian Customs and Tax Office in Katowice issued a decision on May 23, 2019 in which he partially upheld his position regarding the challenge of deducting input VAT from VAT invoices issued in 2008 by 7 suppliers of the Company. The amount of the contested tax is PLN 762 thousand. The company lodged a complaint with the Provincial Administrative Court in Gliwice against the decision. On July 21, 2020 a hearing was held and a judgment was passed which revoked the contested decision. On September 29, 2020 the Director of the Tax Chamber in Katowice filed a cassation appeal against the verdict. On November 12, 2020 the company responded to the cassation appeal and expects a hearing date to be set.

- on January 1, 2019, the Amendment to the CIT Act entered into force. In Articles 18-22 of the Amendment to the CIT Act for Polish taxpayers who are issuers of bonds on which the issue of funds was obtained from the issue made by a non-resident related taxpayer (Article 21) the possibility of retrospective exemption from the potential obligation to collect withholding tax in the amount of 20% of the amount of interest and discounts paid in the period from January 1, 2004 was envisaged by choosing to tax them with a flat income tax of 3%. Management Board of Cognor S.A. estimating the risk of Cognor S.A. withholding tax obligation regarding the interest and discount paid to Cognor International Finance plc, he considered it reasonable to take advantage of the option of choosing a flat-rate tax. As a result the Group paid tax in the amount of PLN 9,650 thousand together with interest in the amount of PLN 1,470 thousand. This cost is not transferable to bondholders and therefore increases the interest cost of issued bonds economically. At the same time, the Management Board of Cognor S.A. questions the legitimacy of the withholding tax obligation in connection with payments to Cognor International Finance plc and applied to the Director of the National Treasury Information for interpretation, or Cognor S.A. he was subject to the obligation to collect withholding tax for the above transaction, which in the future will open the way to claiming a refund of the flat-rate tax paid. By the judgment of November 26, 2019, the Provincial Administrative Court dismissed the complaint of Cognor S.A., as a result, on January 23, 2020, Cognor S.A. he filed a cassation appeal to the Supreme Administrative Court, seeking to set aside the judgment in question. As the deadlines for considering cassation complaints are long, the Management Board of Cognor S.A. without waiting for the verdict, he decided to start the procedure for declaring the overpayment and on May 18, 2021, he applied to the Head of the First Mazowieckie Tax Office in Warsaw for the return of unduly paid tax with interest in the amount of PLN 11 120 thousand. On January 28, 2022, the Company received a decision of the Head of the First Mazowieckie Tax Office in Warsaw refusing to ascertain the overpayment. After analyzing the justification of the decision in question, on February 11, 2022, the Company appealed against it. This proceeding is pending. Considering the complexity of the case and the new arguments raised by the authority in the decision under the overpayment procedure, The Management Board of the Company changed the estimate and decided in these financial statements to increase the write-off created in previous years by the amount of PLN 5,560,000 , so up to the amount of PLN 11 120 thousand, i.e. up to the amount constituting the full value of the claim.

- on July 1, 2020 Cognor SA received the result of an inspection initiated by the Silesian Customs and Tax Office on February 26, 2018 regarding the correctness of the declared CIT for 2016, under which, by a decision of December 22, 2020, the authority questioned the crediting of Cognor S.A. to tax deductible costs of expenses made for Cognor Holding S.A. under which, by a decision of December 22, 2020, the authority questioned the crediting of Cognor S.A. to tax deductible costs of expenses made for Cognor Holding S.A. for access to trademarks and their depreciation in the total amount of PLN 5,549 thousand and interest on bonds in the amount of PLN 36 thousand. The total impact of the questioned elements on the income tax is PLN 1,061 thousand. As regards settlements related to the provision of intangible assets, the Management Board did not agree with the position of the authority and therefore on January 11, 2021 an appeal was filed against this decision. On December 17, 2021, the Company received the decision of the Silesian Customs and Tax Office upholding the first instance decision, as a result, on January 17, 2022 the Company filed a complaint with the Provincial

Administrative Court and is awaiting a judgment. This proceeding is pending. The Management Board of the Company decided that the chances of a positive conclusion of the proceedings in question are high and therefore no provision for this has been created in the financial statements.

- on December 22, 2020 Cognor S.A. received a decision on the initiation by the Office of Competition and Consumer Protection (hereinafter: UOKIK) proceedings for the third quarter of 2020 under the Act of March 8, 2013 on counteracting excessive delays in commercial transactions. As part of these proceedings, on December 29, 2020, the Company received a request to submit relevant documentation and explanations. The company submitted the required documentation and explanations on January 28, 2021. The proceedings are in progress. The Management Board of the Company, in connection with the emergence of public information about a large number of fines imposed on entrepreneurs under the above Act changed the estimate and decided to create a provision in the financial statements for a possible penalty in this respect in the amount of PLN 1.8 million.

**VII. Information about the basic products, goods or services, together with their valuation and quantitative specification, as well as the proportion of particular products, goods and services (if important), or their groups in terms of the total sales of the Capital Group, while also fluctuations in this area in a given trading year.**

The main companies creating the Capital Group operate on two important steel markets: the production of semi-finished products and finished goods, as well as sourcing and trading in scrap metal. Production of semi-finished products and finished goods is dealt with by the following: Cognor SA HSJ Branch in Stalowa Wola (HSJ), Cognor SA Ferrostal Łabędy Branch in Gliwice (Ferrostal), Cognor SA Ferrostal Łabędy Branch in Zawiercie (ZW-WB) and Cognor SA Ferrostal Łabędy Branch in Kraków (PROFIL). The trading in scrap metal is run by Cognor SA Zlomrex Branch in Wrocław (ZLX).

The basic products of the companies belonging to the parent company are as follows:

- HSJ: billets - rectangular 270X320mm, 130X800mm, 180X800mm, 190X1030mm, length 1-4,5m; billets for forging with rounded edges - square shaped 50-130mm, length 3-6m; rods - 55-120mm, length 3-6m; metal sheets - thin (3-6)x(800-1250)x(1600-2500)mm, thick (6-30)x(1000-2000)x(2000-6000)mm; polygonal forging ingots, weight from 2 to 15 tons; profile cutting products; above mentioned products made by carbon steel and medium-alloy steel: carburizing steel and quenching and tempering steel, heat resisting steel, wear resistance steel (Hadfield's steel X120Mn12) and armour steel
- Ferrostal: billets - square-shaped 100-160mm, rectangular 165X140mm and round 170mm; carbon steel and medium-alloy steel
- ZW-WB: flat bar - from 20X4mm to 150X40mm, standard length 6m; blade bars 150X11X5mm; round rods - 10-22mm, standard length 6m and 12 m; round rods - 24-32mm, standard length 6m; square rods - 10-20mm, standard length 6m; clamp sections WZ 18X12X10mm; shin sections KŁ-24, 49W, 60W, 60WS; lining sections KP24, KP30; carbon steel and medium-alloy steel
- PROFIL: flat bars - 50X7mm, rebars - 8-16mm; round rods - 10-30mm; flat rods from 20X4mm to 50X10mm; square rods 10X20mm; tee bars from 25X3,5mm to 30X4mm; equal angle bars from 20X20X3mm to 50X50X5mm; unequal angle bars from 20X30X3mm to 60X40X6mm; standard length of all products 6m and 12m
- ZLX: scrap steel; non-ferrous scrap metal; non-ferrous metal products

The level of sales in the particular assortment segments are provided in the tables below:

1. Scrap metal

SCRAP METAL		2021	2020	2019
<b>PURCHASES FROM EXTERNAL SUPPLIERS</b>	<i>Tonnes</i>			
FERR		353 352	381 082	378 144
ZLX		341 314	293 383	297 976
HSJ		166 059	193 540	180 809
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		490 476	465 947	493 125
HSJ		312 316	294 671	286 514
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
ZLX		156 039	137 421	141 847
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		239 781	123 403	131 952
<b>TOTAL PURCHASES in TONNES</b>		<b>860 725</b>	<b>868 005</b>	<b>856 929</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>802 792</b>	<b>760 618</b>	<b>779 639</b>
<b>TOTAL SALES in TONNES</b>		<b>156 039</b>	<b>137 421</b>	<b>141 847</b>
<b>TOTAL SALES in '000 PLN</b>		<b>239 781</b>	<b>123 403</b>	<b>131 952</b>

2. Semi-products (billets and ingots)

BILLETS		2021	2020	2019
<b>PURCHASES</b>	<i>Tonnes</i>			
FERR		0	0	0
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR		436 205	414 710	440 672
HSJ		276 324	260 014	251 539
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		364 110	329 169	333 017
HSJ		233 898	212 548	197 548
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		100 126	101 035	130 928
HSJ		42 426	47 466	53 991
ZLX		9 042	10 791	0
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		466 261	310 750	370 012
<b>TOTAL PURCHASES in TONNES</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL PRODUCTION in TONNES</b>		<b>712 529</b>	<b>674 724</b>	<b>692 211</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>598 008</b>	<b>541 717</b>	<b>530 565</b>
<b>TOTAL SALES in TONNES</b>		<b>151 594</b>	<b>159 292</b>	<b>184 919</b>
<b>TOTAL SALES in '000 PLN</b>		<b>466 261</b>	<b>310 750</b>	<b>370 012</b>

3. Finished goods

FINISHED PRODUCTS		2021	2020	2019
<b>PURCHASES</b>	<i>Tonnes</i>			
ZLX		2 962	1 769	0
<b>PRODUCTION</b>	<i>Tonnes</i>			
ZWWB		86 130	69 087	76 655
PROFIL		261 100	245 823	240 909
HSJ		194 413	172 165	167 131
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		305 064	300 795	291 267
HSJ		208 009	198 882	184 638
ZLX		6 100	4 827	0
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		1 851 355	1 139 137	1 200 657
<b>PURCHASED</b>		<b>2 962</b>	<b>1 769</b>	<b>0</b>
<b>TOTAL PRODUCTION in TONNES</b>		<b>541 643</b>	<b>487 075</b>	<b>484 695</b>
<b>TOTAL BULK PRODUCT SALES in TONNES</b>		<b>519 173</b>	<b>504 504</b>	<b>475 905</b>
<b>TOTAL SALES in '000 PLN</b>		<b>1 851 355</b>	<b>1 139 137</b>	<b>1 200 657</b>

The table above shows the sale of externally purchased 2,962 tons of steel products for the amount of PLN 9,300 thousand made by Cognor SA o/FERR (FERR). The volume and value sales of steel products manufactured by the Cognor Group are respectively: 516,211 tonnes for PLN 1,842,055 thousand.

The remaining companies conduct activities of marginal importance to the Group's results, while Cognor Holding S.A. is a holding company.

**VIII. Information about markets, while taking account of the division into the domestic and foreign markets, as well as information about the sources of supply of materials for production in terms of goods and services with the specification of the dependence on one or more clients or suppliers, whereas in the case whereby the proportion of one client or supplier achieves at least 10 % of revenue in terms of general sales or supplies – the name of (firm) supplier or client, its proportion of revenue or supplies and its formal ties with the issuer.**

The sale of semi-finished products and products manufactured by the Group is handled by Cognor SA HSJ Branch in Stalowa Wola (HSJ) and Cognor SA Ferrostal Branch in Gliwice (FERR). Scrap trading is conducted by Cognor SA, Złomrex Branch in Wrocław (ZLX).

1. HSJ

Market	Participation in sales
Domestic	46.7%
Foreign	53.3%

Customers:

Sale to any of the customers do not exceed 10% of the total sale of HSJ.

Suppliers:

Supplies from any of the suppliers do not exceed 10% of the total purchases of HSJ.

2. FERR

Market	Participation in sales
Domestic	90.2%
Foreign	9.8%

Customers:

Sale to one customer - Sambud Sp. z o.o. - exceed 10% of the total sale of FERR and is 11.1%. To this company FERR delivery steel products. Sambud Sp. z o.o. is not related with any company of the Cognor Capital Group.

Suppliers:

Supplies from any of the suppliers do not exceed 10% of the total purchases of FERR.

3. ZLX

Market	Participation in sales
Domestic	96.5%
Foreign	3.5%

Customers:

Sale to one customers - CMC Poland Sp. z o.o. - exceed 10% of the total sale of ZLX and is 20.2%. To this company ZLX supplies scrap batch for the steel production. CMC Poland Sp. z o.o. is not related with any company of the Cognor Capital Group.

Suppliers:

Supplies from any of the suppliers do not exceed 10% of the total purchases of ZLX.

**IX. Information about the entered agreements that are significant for the activities of the Company and the Capital Group, including agreements known to the issuer that were entered into with shareholders (partners), insurance agreements, cooperation agreements.**

On July 21, 2021, the subsidiary Cognor S.A. issued 200,000 series 1/2021 secured bonds with a nominal value of PLN 1,000 each. The bond redemption date is July 15, 2026. The bonds bear interest at the interest rate equal to WIBOR for 6-month deposits plus a margin. Interest will be payable in six-month periods (the date of payment of interest was set on January 15 and July 15 of each year). The bonds will be subject to early redemption in proportion to 20% of their original par value on July 15 of each year during the 5-year bond period.

The funds from the bond issue were used to repay the loan agreement (referred to in this note above) in full - made on July 22, 2021 and to finance investment plans (temporarily supply the Company's working capital).

As at December 31, 2021 the nominal value of the bonds to be repaid was PLN 200,000,000.

On December 21, 2021, an investment loan agreement was signed between the subsidiary Cognor S.A. as the borrower and the Issuer as the guarantor, and Banco Santander S.A. as the sole organizer, agent and lender and Santander Bank Polska S.A. as a security agent, a hedging party and a bank issuing a letter of credit, on the basis of which Cognor S.A. an investment term loan was granted in EUR and PLN tranches, in the maximum amounts of EUR 30 500 thousand and PLN 240 000 thousand. This loan is intended to finance an investment related to the contract concluded by Cognor S.A. with Danieli & C. Officine Meccaniche S.p.a. for the supply of a complete production line for the production of hot-rolled bars and a device for coiling ribbed bars into coils (spooler).

The final repayment date for the loan was set on December 21, 2031, with the repayment period starting after the end of the availability period, which is 24 months from the date of conclusion of credit agreement. The loan interest rate will be the sum of the appropriate WIBOR or EURIBOR rate and the margin, and the interest will be charged in six-month interest periods. The collateral for the loan will be, inter alia, Issuer's guarantee, registered pledge on assets constituting the object of the investment, mortgage on the real estate on which the investment will be implemented, transfer of receivables from contracts related to the investment and statements of submission to enforcement by Cognor S.A. and the Issuer. The loan disbursement is subject to the fulfillment of standard conditions precedent.

The agreement provides for 80% of the financing value to be covered by a repayment guarantee issued by Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE S.A.).

**X. Information about the organizational or capital ties of the issuer with other entities, as well as a definition of its main national and international investments (shares, financial instruments, intangible and legal value, as well as real estate), including capital investments carried out by an entity from outside its affiliated entities, as well as the methods of their financing.**

Not applicable.

**XI. Information about significant transactions entered into by the issuer or entity affiliated to the entities connected by other factors than market ones, together with their amounts and information defining the nature of these transactions – the obligation is deemed to be fulfilled by means of indicating the placement of this information in the financial statement.**

All transactions of the parent company and its subsidiaries with affiliated entities were run in accordance with market conditions.

**XII. Information about agreements on loans and credit loans taken out in the given trading year, providing at least their amounts, type and level of interest rate, currency and payment due date**

1. Credit loans

a) Taken in 2021 and before 2021 but still active:

- on 13 August 2021 Cognor SA signed the overdraft facility with Pekao SA in the amount of PLN 40 000 000, interest rate is WIBOR + points of margin. Period of validity – 31 July 2022. The overdraft balance as at 31 December 2021 was PLN 0
- on 3 September 2021 Cognor SA signed the overdraft facility with Santander Bank Polska SA in the amount of PLN 20 000 000, interest rate is WIBOR + points of margin. Period of validity – 3 September 2023. The overdraft balance as at 31 December 2021 was PLN 17 200 534
- on 28 September 2021 Cognor SA signed the overdraft facility with mBank SA in the amount of PLN 34 000 000, interest rate is WIBOR + points of margin. Period of validity – 14 September 2023. The overdraft balance as at 31 December 2021 was PLN 0
- on 21 December 2021 Cognor SA signed the investing loan agreement with Banco Santander SA i Santander Bank Polska SA in the amount of PLN 240 000 000 and EUR 30 500 000, interest rate is WIBOR + points of margin and EURIBOR + points of margin . Period of validity – 21 December 2031. The overdraft balance as at 31 December 2021 was PLN 0

b) Terminated:

- on 12 July 2018 Cognor SA signed the loan agreement with a consortium of four banks (mBank, BZWBK, BGK, EBRD) on the basis of which it received a long-term loan in the amount of EUR 60 000 000 (released in two currencies – EUR 30 000 000 EUR and PLN 129 126 000), interest rate is EURIBOR + points of margin and WIBOR + points of margin. Period of validity – December 31, 2022. The loan was terminated
- on 28 January 2019 Cognor SA signed the overdraft facility with mBank in the amount of PLN 30 000 000, interest rate is WIBOR + points of margin. Period of validity – December 31, 2022. The overdraft was terminated

- on 31 January 2019 Cognor SA signed the overdraft facility with Santander in the amount of PLN 10 000 000, interest rate is WIBOR + points of margin. Period of validity – December 31, 2022. The overdraft was terminated

## 2. Loans:

### a) Taken in 2021:

- Cognor Holding SA took out a loan from Cognor Blachy Dachowe SA with the amount PLN 2 000 000 in which the agreement was entered on 29 March 2021 for the period up to 31 December 2021, with interest at 6.0% at a scale of the year as a whole. The loan was terminated
- on 21 January 2021 Cognor SA signed the promissory note agreement (Agreement 2) with Cognor Holding SA in the amount of PLN 63 640 000 for the period up to 31 December 2022, with interest at 6.0% at a scale of the year as a whole. As at 31 December 2021 the principal amount for Cognor SA was PLN 38 869 859,98 plus interest PLN 198 076,55
- on 26 May 2021 Cognor SA signed the promissory note agreement (Agreement 3) with Cognor Holding SA in the amount of PLN 6 500 000 for the period up to 31 December 2022, with interest at 6.0% at a scale of the year as a whole. As at 31 December 2021 the principal amount for Cognor SA was PLN 6 500 000 plus interest PLN 33 123,29
- Cognor Holding SA Spk took out a loan from PS Holdco Sp. z o.o. (owner of Cognor Holding SA) with the amount PLN 9 000 000 in which the agreement was entered on 14 June 2021 for the period up to 31 December 2022, with interest at 5.0% at a scale of the year as a whole. As at 31 December 2021 the principal amount was PLN 9 000 000 plus interest PLN 38 219,18
- Stowarzyszenie Nowy Hutnik 2010 took out a loan from Cognor SA with the amount PLN 60 000 in which the agreement was entered on 14 September 2021 for the indefinitely period, with interest at 5.0% at a scale of the year as a whole. As at 31 December 2021 the principal amount was PLN 60 000 plus interest PLN 0

### b) Taken before 2021, but still active:

- Przedsiębiorstwo Transportu Samochodowego SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 227 940,65 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3.75% at a scale of the year as a whole. As at 31 December 2021 the principal amount was PLN 62 700 plus interest PLN 0
- Przedsiębiorstwo Transportu Samochodowego SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 422 470,73 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3.75% at a scale of the year as a whole. As at 31 December 2021 the principal amount was PLN 116 160 plus interest PLN 0

### c) Terminated:

- Cognor Holding SA took out a loan from Cognor Blachy Dachowe SA with the amount PLN 2 000 000, in which the agreement was entered on 29 March 2021 for the period up to 31 December 2021, with interest at 6.0% at a scale of the year as a whole. The loan was terminated
- Cognor Blachy Dachowe SA took out a loan from Cognor Holding SA with the amount 350 000 PLN, in which the agreement was entered on 16 January 2017 for the period up to 31 December 2017, with interest at 13.2% at a scale of the year as a whole. Upon the annex the limit was raised to PLN 3 200 000 and next to PLN 3 500 000. On 1 October 2018 the interest was reduced to 6.0%. Upon the annex extended the limit of a loan until 31 December 2021. The loan was terminated
- Cognor SA took out a loan from Cognor Holding SA Sp.k. with the amount PLN 2 000 000, in which the agreement was entered on 9 January 2019 for the period up to 31 December 2019, with interest at 6.0% at a scale of the year as a whole. Upon the annex extended the limit of a loan until 31 December 2021. The loan was terminated
- Huta Stali Jakościowych SA (currently Cognor SA) took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 992 000 PLN, in which the agreement was entered on 4 October 2016 for the period up to 31 September 2021, with interest at 0.72% rediscount rate for promissory note but not less than 3.5% at a scale of the year as a whole. The loan was terminated
- on 30 December 2020 Cognor SA signed the promissory note agreement (Agreement 1) with Cognor Holding SA in the amount of PLN 10 000 000 for the period up to 31 December 2022, with interest at 6.0% at a scale of the year as a whole. The note was terminated

**XIII. Information about credit loans granted in the given trading year, with particular attention paid to the entities that are tied with the issuer , providing at least their amounts, type and level of interest rate, currency and the payment due date**

See point XI.

**XIV. Information about the granted and received warrants and guarantees in the given trading year, with particular regard to the warrants and guarantees granted to the entities affiliated with the issuer**

- 1) Granted in 2021: none
  - a. Cognor Holding SA and Cognor Holding SA Spk granted Cognor SA a guarantee for bond issue agreement
- 2) Granted before 2021, but still active:
  - a. Cognor Holding SA granted Cognor SA a guarantee for agreements of co-financing investment projects (NCBiR)
  - b. Cognor S.A. granted PTS S.A. (now Cognor SA PTS branch) a guarantee for 2 loan agreements (WFOŚiGW)
  - c. Cognor Holding S.A. granted Cognor S.A. a guarantee for trade agreement
  - d. Cognor Holding S.A. granted Cognor S.A. a guarantee for 2 factoring agreements (Coface)
- 3) Terminated:
  - a. Cognor Holding SA, Przedsiębiorstwo Transportu Samochodowego SA, Odlewnia Metali Szopienice Sp. z o.o, Business Support Services Sp. z o.o., Cognor Holding SA Spk, Cognor Blachy Dachowe SA granted Cognor SA a guarantee for long-term loan
  - b. Cognor Holding SA, Business Support Services Sp. z o.o., Cognor Holding SA Spk, Cognor Blachy Dachowe SA granted Cognor SA a guarantee for the overdraft facility (mBank)
  - c. Cognor Holding SA, Business Support Services Sp. z o.o., Cognor Holding SA Spk, Cognor Blachy Dachowe SA granted Cognor SA a guarantee for the overdraft facility (Santander)

**XV. Description – in the case of issuing shares in the period encompassed in the report, the utilization of the issuer of the revenue from the emission up to the moment of preparing the report on the activities**

On July 21, 2021, the subsidiary Cognor S.A. issued 200,000 series 1/2021 secured bonds with a nominal value of PLN 1,000 each. The bond redemption date is July 15, 2026. The bonds bear interest at the interest rate equal to WIBOR for 6-month deposits plus a margin. Interest will be payable in six-month periods (the date of payment of interest was set on January 15 and July 15 of each year). The bonds will be subject to early redemption in proportion to 20% of their original par value on July 15 of each year during the 5-year bond period. The funds from the bond issue were used to repay the loan agreement (referred to in this note above) in full - made on July 22, 2021 and to finance investment plans.

**XVI. Explanation of the differences between the financial results indicated in the annual report and the previously published forecasts of results for a given year**

On 21 January 2022 the Company has published selected estimated results of the consolidated income statement for 2021 (in PLN thousand):

- sales revenue: PLN 2 811.2
- gross profit: PLN 595.5
- operating profit: PLN 467.8
- profit before tax: PLN 452.6
- profit for the period: PLN 365.6
- EBITDA: PLN 519.6

**XVII. Evaluation, together with its justification with relation to managing the financial resources, with particular mention of the ability to comply with the obligations taken out and a definition of the possible threats and action that the issuer has taken out or intends to take out with the aim of counteracting its danger**

The management of financial resources was correct and effective in 2021. The activity of the Group was featured by good indicators in terms of the rotation of stocks and receivables as a result of which, the outflow of cash to working capital was insignificant. Steps were continued with the aim of selling off unnecessary elements of fixed assets. The Company maintained a significant balance of cash on its bank accounts. The main reason for this policy was to secure the capital resources for the deadlines of repaying the short-term financial obligations due in 2021 that are the result of bank loans granted.

In the perspective of the year 2022, the Management of Cognor Holding S.A. does not visualize any threats which could cause the lack of possibility to comply with the financial obligations undertaken.

**XVIII. Evaluation of the possibilities of the realization of the investment intentions, including capital investments in comparison with the magnitude of the resources in possession, by taking account of the possible changes in the structure of financing these activities**

In the assessment of the Company, the possibility of the realization of the investment intentions should not be at risk.

**XIX. Evaluation of the factors and untypical events having an impact on the result of activities on the trading year with the specification of the extent of these factors or untypical events on the result achieved.**

Not applicable.

**XX. Characteristics of the external and internal factors essential for the development of the Company and the Capital Group, as well as a description of the perspectives of development of the activities of the Company and the Capital Group at least until the end of the trading year which takes place after the trading year for which the financial statement was prepared and included in the annual report, by taking account of the elements of the market strategy worked out in it**

External factors:

- pace of development of the economy,
- investment outlays in construction,
- realization of the programme of building roads and motorways,
- ability to acquire and utilize EU funds,
- world demand for steel products,
- shaping the exchange rate of the Zloty with the Euro and the US Dollar.

Internal factors:

- success in the continuation of organic development in the appropriate policy of investment outlays on the means of production,
- gaining of new markets; launching new products

In the following years, the Group plans to continue activities primarily based on organic growth through the implementation of appropriate repair, investment and research aimed at increasing production capacities, expanding the product offer and reducing variable and fixed production costs.

The war in Ukraine, which has been going on for several weeks, poses a high threat to the stability of our business operations. The impact of the war caused by Russia in Ukraine is described in detail in point IV.6

**XXI. Changes in the basic principles of managing the enterprise of the issuer and his Capital Group**

As part of the next stage of the project of consolidation of the group's operating activities under Cognor S.A., which started in 2015, on April 30, 2020, the cooperation between Cognor Holding S.A. and Cognor S.A. was reorganized. Reorganization consisting in the termination of the binding party of a comprehensive franchise agreement covering the provision by Cognor Holding S.A. a wide range of support services (business consulting, accounting, finance, debt collection, controlling and internal control, IT, administration), providing know-how and the Cognor trademark. As agreed by Cognor Holding S.A. transferred to Cognor S.A. all assets used to provide a comprehensive service, including, in particular, highly qualified personnel and real estate, tangible and intangible assets, with the exception of the right to a trademark, for the provision of which the parties have concluded a new agreement for an indefinite period, on market conditions determined by an independent expert. Due to the reorganization, also based on the valuation of an independent expert, the value of the exit fee due to Cognor Holding S.A. was determined for the transfer of business in the amount of PLN 5,353 thousand PLN, payable in 36 monthly installments. As a result, the intended goal was achieved in the form of allocating the entire operating activity of the group under one entity, and the parent company of the group became only a company acting as a holding company.

**XXII. All agreements entered between the issuer and the managerial personnel foresee recompensation in the case of their resignation or dismissal from the position held without valid reasons, or when their demotion or dismissal takes place due to a merger with the issuer**

Not applicable.



**XXIII. The value of remuneration, awards or perks, including those resulting from motivational or premium programmes on the basis of the capital of the issuer, including programmes based on bonds with the right of priority, variable, subscription warrants (paid in cash, in kind or any other form), paid out, due or potentially due, separately for each person managing and supervising the issuer in the enterprise of the issuer, regardless of whether they were appropriately calculated as costs, or whether they resulted from a share of profits, in the case of which the issuer is the parent company, the partner of the unit which is also affiliated or a significant investor – separate information about the value of remuneration and awards received due to fulfilling the functions of the authorities of the subsidiaries; if the appropriate information was presented in the financial statement, the obligation is deemed to have been fulfilled by means of indicating their place in the financial statement**

Gross remuneration for the members of the Management Board and the Supervisory Board of the parent company in 2021:

Management Board

- Przemysław Sztuczkowski – 6,039.0 kPLN
- Przemysław Grzesiak – 4,977. kPLN
- Krzysztof Zoła – 980.0 kPLN
- Dominik Barszcz – 910.0 kPLN

The above remuneration consists of:

Przemysław Sztuczkowski:

- 120.0 kPLN gross as the President of the Management Board of Cognor Holding
- 710.0 kPLN gross - the annual bonus for 2020 paid in 2021 in Cognor Holding SA in accordance with the Regulations of the Incentive Program
- 9.0 kPLN gross – insurance D&O in Cognor Holding SA
- 5,200.0 kPLN gross (including 252.0 kPLN as the President of the Management Board; 2,568.0 kPLN due to consulting services rendered; 2,360.0 kPLN the annual bonus; 20.0 kPLN health insurance) in Cognor SA

Przemysław Grzesiak:

- 24.0 kPLN gross as the Vicepresident of the Management Board of Cognor Holding
- 680.0 kPLN gross - the annual bonus for 2020 paid in 2021 in Cognor Holding SA in accordance with the Regulations of the Incentive Program
- 9.0 kPLN gross – insurance D&O in Cognor Holding SA
- 4,264.0 kPLN gross (including 252.0 kPLN as the Vicepresident of the Management Board; 1,630.0 kPLN due to consulting services rendered; 2,360.0 kPLN the annual bonus; 20.0 kPLN health insurance) in Cognor SA

Krzysztof Zoła:

- 24.0 kPLN gross as the Member of the Management Board of Cognor Holding
- 455.0 kPLN gross - the annual bonus for 2020 paid in 2021 in Cognor Holding SA in accordance with the Regulations of the Incentive Program
- 9.0 kPLN gross – insurance D&O in Cognor Holding SA
- 492.0 kPLN gross (including 24.0 kPLN as the Member of the Management Board; 468.0 kPLN due to consulting services rendered) in Cognor SA

Dominik Barszcz:

- 24.0 kPLN gross as the Member of the Management Board of Cognor Holding
- 455.0 kPLN gross - the annual bonus for 2020 paid in 2021 in Cognor Holding SA in accordance with the Regulations of the Incentive Program
- 9.0 kPLN gross – insurance D&O in Cognor Holding SA
- 60.0 kPLN - accounting services in Cognor Holding SA
- 362.0 kPLN gross (including 24.0 kPLN as the Member of the Management Board; 180.0 kPLN due to consulting services rendered; 156.0 kPLN accounting services) in Cognor SA

In the above list does not include the provision for the bonus for the Management Board in the amount of PLN 10,564.0 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.

The members of the Board due to fulfilling supervisory functions in the subsidiary companies do not receive remuneration for this work.

Supervisory Board

- Hubert Janiszewski – 99 kPLN gross (including 9.0 kPLN – insurance D&O)
- Marek Rocki – 81 kPLN gross (including 9.0 kPLN – insurance D&O)
- Piotr Freyberg – 81 kPLN gross (including 9.0 kPLN – insurance D&O)
- Jerzy Kak – 81 kPLN gross (including 9.0 kPLN – insurance D&O)
- Zbigniew Łapiński – 81 kPLN gross (including 9.0 kPLN – insurance D&O)

**XXIV. Specification – in the case of capital companies, the combined numbers and nominal value of all shares (stocks) of the issuer and the stocks and shares in units associated with the issuer that has people at its disposal managing and supervising the issuer (separately for each person)**

On December 31, 2021:

Przemysław Sztuczkowski, the Chairman of the Board of the parent company is the owner of 100% of shares in the company 4Workers Sp. z o.o. that owns 100% of shares in the company PS HoldCo Sp. z o.o. that owns directly 71.28% of shares in the company Cognor Holding SA providing 71.28% votes at the AGM and as a private person 0.36% providing 0.36% votes at the AGM.

Przemysław Grzesiak, Vice President of the Management Board of the parent company, owns 40 018 shares of Cognor Holding SA, which accounts for 0.02% of votes at the AGM.

Dominik Barszcz, Member of the Management Board of the parent company, owns 50 000 shares of Cognor Holding SA, which accounts for 0.03% of votes at the AGM.

**XXV. Information about agreements known to the issuer (also including those entered after the balance sheet day), as a result of which the proportion of shares held by existing shareholders and bond-holders may change in the future**

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.

On December 31, 2021 PS HoldCo Sp. z o.o. announced the acquisition of 106 shares of the Company of issue no. 10 in exchange for 106 warrants of series C. The issue price of one share of issue no. 10 amounts to PLN 1 million. Moreover, on that day PS HoldCo Sp. z o.o. concluded Annex No. 4 with Cognor Holding S.A. stating that the excess liability for the shares of Złomrex S.A. in the amount of PLN 780 thousand remaining after PS HoldCo Sp. z o.o. 106 million in the capital of Cognor Holding S.A. will be returned to PS HoldCo Sp. z o.o.

As a result of the above, a decrease in other reserves in the amount of PLN 780 thousand was presented in equity.

## **XXVI. Information about the system of controlling employee action programmes**

Neither the parent company, nor the subsidiary companies have employee action programmes.

## **XXVII. Information about the following:**

- a) The date of entering the agreement on the part of the issuer with the entity authorized to analyse or review the financial report or the consolidated financial statement, as well as the period in which the agreement was entered.

The parent company entered an agreement on 20 July 2021 with Deloitte Audyt Sp. z o.o. Spk with its headquarters in Warsaw:

- on the audit of separate and consolidated financial statements for the year ended 31 December 2021, 2022 and 2023 (Agreement 1)

- on the evaluation of the remuneration report of the management board and the supervisory board for the year ended 31 December 2021, 2022 and 2023 (Agreement 2)

Furthermore the subsidiary Cognor SA entered an agreement on 20 July 2020 with Deloitte Audyt Sp. z o.o. Spk with its headquarters in Warsaw on the audit of financial statements for the year ended 31 December 2021, 2022 and 2023 and for verification services based on verification OZE factor (Agreement 3)

- b) The remuneration of the entity authorized to analyse the financial statements paid out or due for the trading year in separate form for the following:
- analysis of the annual financial statement,
  - other services rendered, including a review of the financial report,
  - tax advisory services,
  - other services.

The value of the Agreement 1 on the audit of separate and consolidated financial statements for the year ended 31 December 2021 amounts to 87 300 PLN net.

The value of the Agreement 2 on the evaluation of the remuneration report of the management board and the supervisory board for the year ended 31 December 2021 amounts to 13 500 PLN net.

The value of the Agreement 3 on:

- the audit of financial statements for the year ended 31 December 2021 amounts to 207 000 PLN net

- for verification services based on verification OZE factor amounts to 18 000 PLN net

- c) Information defined in lit. b should be also provided for the previous trading year

The parent company entered an agreement on 12 July 2019 with PricewaterhouseCoopers Polska Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) with its headquarters in Warsaw on the audit of separate and consolidated financial statements for the year ended 31 December 2019 and 2020 (Agreement 1a).

Furthermore the subsidiary Cognor SA entered an agreement on 12 July 2019 with PricewaterhouseCoopers Polska Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) with its headquarters in Warsaw on the audit of financial statements for the year ended 31 December 2019 and 2020 (Agreement 2a).

The value of the Agreement 1a on the audit of separate and consolidated financial statements for the year ended 31 December 2020 amounts to 70 000 PLN net.

The value of the Agreement 2a on the audit of separate and consolidated financial statements for the year ended 31 December 2020 amounts to 200 000 PLN net.

Furthermore PricewaterhouseCoopers Polska Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) received the remuneration:

- from Cognor SA for verification services based on verification OZE factor – 20 000 PLN net
- from Cognor SA for the related verification service of covenants to the loan agreement – 24 000 PLN net

**XXVIII.Characteristics of the structure of assets and passive income in a individual and consolidated balance sheet, including the viewpoint of the solvency of the Capital Group issuer**

Cognor Holding SA

<b>ASSETS (000 PLN)</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Property, plant and equipment	0	2 173	5 818
Intangible assets	1 149	1 448	2 098
Investments in associates	798 956	448 296	434 083
Other investments	0	10 001	0
Other receivables	587	2 279	0
Deferred tax assets	5 436	6 419	1 964
<b>Total non-current assets</b>	<b>806 128</b>	<b>470 616</b>	<b>443 963</b>
Inventories	8	674	1 573
Investments	45 613	12	7 912
Current income tax receivables	38	38	38
Trade and other receivables	6 761	2 862	28 755
Cash and cash equivalents	2 451	588	185
<b>Total current assets</b>	<b>54 871</b>	<b>4 174</b>	<b>38 463</b>
<b>Total assets</b>	<b>860 999</b>	<b>474 790</b>	<b>482 426</b>

<b>EQUITY AND LIABILITIES (000 PLN)</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Issued share capital	257 131	185 911	185 911
Other capital	213 897	211 337	196 999
Accumulated losses	377 417	53 289	44 199
<b>Total equity</b>	<b>848 445</b>	<b>450 537</b>	<b>427 109</b>
Interest-bearing loans and borrowings	0	15	30
Employee benefits obligation	0	1	125
Other payables	0	20 668	18 558
<b>Total non-current liabilities</b>	<b>0</b>	<b>20 684</b>	<b>18 713</b>
Interest-bearing loans and borrowings	0	15	19
Employee benefits obligation	0	4	16
Income tax obligation	353	460	319
Trade and other payables	12 201	3 090	36 250
<b>Total current liabilities</b>	<b>12 554</b>	<b>3 569</b>	<b>36 604</b>
<b>Total liabilities</b>	<b>12 554</b>	<b>24 253</b>	<b>55 317</b>
<b>Total equity and liabilities</b>	<b>860 999</b>	<b>474 790</b>	<b>482 426</b>

## Cognor Capital Group

<b>ASSETS (000 PLN)</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Property, plant and equipment	493 220	429 769	412 199
Intangible assets	15 139	18 100	22 296
Investments in associates	1 015	1 195	1 134
Investment properties	119	7 136	121
Financial assets due to valuation of derivative instruments	15 689	0	0
Other receivables	14 777	8 938	4 293
Deferred tax assets	24 537	49 380	47 206
<b>Total non-current assets</b>	<b>564 496</b>	<b>514 518</b>	<b>487 249</b>
Inventories	425 801	274 101	297 001
Other investments	94	121	145
Financial assets due to valuation of derivative instruments	1 845	0	0
Current income tax receivables	38	226	38
Trade and other receivables	398 095	141 678	188 342
Cash and cash equivalents	107 810	100 555	78 956
Assets classified as held for sale	6 993	0	0
<b>Total current assets</b>	<b>940 676</b>	<b>516 681</b>	<b>564 482</b>
<b>Total assets</b>	<b>1 505 172</b>	<b>1 031 199</b>	<b>1 051 731</b>

<b>EQUITY AND LIABILITIES (000 PLN)</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Issued share capital	257 131	185 911	185 911
Reserves	29 301	101 373	87 035
Foreign currency translation reserves	84	96	50
Accumulated losses	317 369	380	-14 188
<b>Total equity attributable to owners of the Parent Company</b>	<b>603 885</b>	<b>287 760</b>	<b>258 808</b>
Non-controlling interests	39 984	19 254	18 383
<b>Total equity</b>	<b>643 869</b>	<b>307 014</b>	<b>277 191</b>
Interest-bearing loans and borrowings	249 987	209 774	249 669
Employee benefits obligation	14 343	13 011	11 071
Other payables	0	20 668	18 558
Deferred income from government grants and other	5 301	984	618
Deferred tax liabilities	0	0	0
<b>Total non-current liabilities</b>	<b>269 631</b>	<b>244 437</b>	<b>279 916</b>
Bank overdraft	17 200	0	0
Interest-bearing loans and borrowings	70 816	56 882	55 170
Employee benefits obligation	2 139	1 583	2 346
Valuation of financial instruments obligation	0	4 011	2 869
Current income tax payables	2 936	460	319
Provisions for payables	1 800	25	226
Trade and other payables	490 695	411 846	424 370
Government grants and other deferred income	4 538	4 941	9 324
Liabilities related to non-current assets held for sale	1 548	0	0
<b>Total current liabilities</b>	<b>591 672</b>	<b>479 748</b>	<b>494 624</b>
<b>Total liabilities</b>	<b>861 303</b>	<b>724 185</b>	<b>774 540</b>
<b>Total equity and liabilities</b>	<b>1 505 172</b>	<b>1 031 199</b>	<b>1 051 731</b>

The level of consolidated non-current assets increased by PLN 50.0 million and 9.7% mainly due to an increase in property, plant and equipment and intangible assets at the amount of PLN 118.4 million which was partially offset by the depreciation and amortization charges to the tune of PLN 51.8 million.

Consolidated current assets increased by PLN 424.0 million and 82.1% as a result of PLN 256.2 million, 180.6% of receivables and PLN 151.7 million and 55.3% of inventory and by PLN 7.3 million and 7.2% of cash balance increases.

Consolidated equity increased by PLN 336.8 million and 109.7% primarily due to the positive net result at the amount of PLN 363.5 million which was offset by the adoption and payment of dividend at the amount of PLN 25.7 million. Interest bearing loans and borrowings went up by PLN 71.3 million and 26.8%, which resulted mainly from incurring new financial and leasing liabilities.

**XXIX. Most important events that have a significant impact on the business activities and financial results of the issuer and the capital Group issuer in the trading year or whose impact is possible in the upcoming years**

On July 21, 2021, the subsidiary Cognor S.A. issued 200,000 series 1/2021 secured bonds with a nominal value of PLN 1,000 each. The bond redemption date is July 15, 2026. The bonds bear interest at the interest rate equal to WIBOR for 6-month deposits plus a margin. Interest will be payable in six-month periods (the date of payment of interest was set on January 15 and July 15 of each year). The bonds will be subject to early redemption in proportion to 20% of their original par value on July 15 of each year during the 5-year bond period. The funds from the bond issue were used to repay the loan agreement (referred to in this note above) in full - made on July 22, 2021 and to finance investment plans (temporarily supply the Company's working capital).

On December 21, 2021, an investment loan agreement was signed between the subsidiary Cognor S.A. and Banco Santander S.A. in the maximum amounts of EUR 30 500 thousand and PLN 240 000 thousand. The loan interest rate will be the sum of the appropriate WIBOR or EURIBOR rate and the margin, and the interest will be charged in six-month interest periods. The final repayment date for the loan was set on December 21, 2031.

This loan is intended to finance an investment related to the contract concluded by Cognor S.A. with Danieli & C. Officine Meccaniche S.p.a. for the supply of a complete production line for the production of hot-rolled bars and a device for coiling ribbed bars into coils (spooler). As at the date of preparation of the report, the loan was not disbursed.

The war in Ukraine, which has been going on for several weeks, poses a high threat to the stability of our business operations. The impact of the war caused by Russia in Ukraine is described in detail in point IV.6

**XXX. Description of the structure of the main capital deposits or main capital investments carried out within the framework of the Company and the Capital Group issuer in the given trading year**

Not applicable

**XXXI. Characteristics of policies in the sphere of the direction of development of the Company and the Capital Group**

The policy of development of the Group has been geared for many years towards that of organic growth by means of availing of the possibilities of improving the efficiency of the technological equipment at our disposal by way of capital expenditures. The aim of this policy is to increase the production capacity of the most profitable products manufactured for the automotive industry. The ambition of the Management Board of the Group is to create a cost-effective producer of specialized steel steels, characterized by the highest level of quality in terms of the goods on offer.

**XXXII. Description of the significant positions outside of the balance sheet in a subjective, objective and valuation notion**

1. The limit agreement for letters of credit dated 3 September 2021 concluded between Cognor SA and Santander Bank Polska SA up to the amount PLN 20,000,000. The amount of the open letter of credit as at 31 December 2021 is PLN 2,583,023.04
2. The limit agreement for guarantees and letters of credit dated 13 August 2021 concluded between Cognor SA and Bank Pekao SA up to the amounts PLN 40,000,000 (with 12 months tenor) and PLN 20,000,000 (with 12 – 36 months tenor). The amount of the open letter of credit as at 31 December 2021 is EUR 6,265,968.56, i.e. PLN 28,819,695.79
3. The limit agreement for letters of credit dated 5 April 2019 concluded between Cognor SA and mBank SA without limit (the limit equals the use). The amount of the open letter of credit as at 31 December 2021 is EUR 2,650,710.00, i.e. PLN 12,191,675.57

### **XXXIII. Statement of compliance with corporate governance rules**

#### **Corporate governance code applicable to the Issuer and where the text of such code is publicly available**

In 2021, the Issuer used its own Articles of Association as its set of corporate governance rules and the document: "Code of Best Practices of WSE Listed Companies", which is included as Appendix No. 1 to Resolution No. 12/1170/2007 of the WSE Supervisory Board of 4 July 2007 with subsequent amendments.

The company presents The Articles of Association and the wording of the Resolution No. 12/1170/2007 of the WSE Supervisory Board of July 4, 2007 on its website [www.cognor.eu](http://www.cognor.eu). Starting from January 1, 2016, the Issuer adopted the principles and the recommendations contained in the set of corporate governance principles and rules of conduct affecting the formation of relations of listed companies adopted on October 3, 2015 by a resolution of the WSE Supervisory Board regarding a new set of corporate governance rules under the name "Code of Best Practices of WSE Listed Companies 2016".

#### **Corporate governance standards which were not applied by the Issuer**

In the period from January 1, 2021 to December 31, 2021, the following standards were not applied by the Issuer:

Issuer do not enable its shareholders to participate in a general shareholders meeting using electronic communications means, because the Issuer's Articles of Association do not provide such possibility. The Issuer informs that this standard will not be applied in 2022 and the following years.

#### **Basic features of internal control and risk management systems used by the Issuer in the process of preparation of financial statements and consolidated financial statements.**

The Management Board of Cognor Holding S.A. is responsible for the internal control system and its effectiveness in the process of preparing financial statements and periodic reports prepared and published by issuers of securities.

In order to secure the correctness, reliability and compliance with the applicable financial statements, the Company uses elements of internal control systems and risk management.

The internal control system is based on:

- Organizational Regulations of the Company
- Accounting policy
- Integrated ERP IT system

Elimination of risks related to the process of preparing financial statements is divided between:

- the Management Board whose task is to fully identify risks and adopt the accounting policy applied in the company,
- Integrated ERP IT System allowing for internal control in the field of branch operations and regularity of recording economic and financial processes occurring in the Company. The system security is ensured by the appropriate structure of entitlements to individual transactions assigned to individual users,
- Financial and accounting department supervised by the Chief Accountant.

Financial data being the basis for financial statements and periodic reports comes from the monthly financial and management reporting used by the company. The Chief Accountant is responsible for the correctness of keeping accounting books in accordance with the law and the accounting policy adopted by the company, as well as for the preparation of financial statements. Preparation of financial data for the purposes of the Company's reporting is based on data from the General Ledger. The Management Board of the Company, after the closure of each accounting month, analyzes jointly the Company's financial results compared to the budget assumptions. Periodic, semi-annual and annual financial statements are approved by the Management Board of the Company.

In the Company there is applied rule that full year financial statements are audited and half year financial statements are reviewed by an independent auditor. The results of both processes are presented by the auditor to the Management Board after audit or review and recommendations resulting from the auditor's review of risk management and internal control procedures are gradually implemented. The Company constantly monitors significant legal, tax, economic and operational risks etc. that may affect the company's operations.

**Rules governing the appointment and removal of management personnel and such personnel's powers, particularly the power to make decisions on the issuance or buy-back of shares**

Pursuant to the provisions of the Articles of Association of the Issuer, the members of the Issuer's Management Board are appointed and dismissed by the Supervisory Board. Issues related to making decisions on issue or buy-back of shares are always regulated by the General Meeting of the Issuer and the Management Board is always bound by the provisions of the Articles of Association and resolutions of the General Meeting.

**Shareholders directly or indirectly holding significant packages of shares, with an indication of the number of shares and percentage of the share capital held by such shareholders, and the number of votes and percentage of the total vote that such shares represent at the General Meeting as at December 31, 2021.**

Shareholder	Number of shares	Share in equity	Number of votes	Share in voting rights
PS HoldCo Sp.z o.o.	122 185 885	71,28%	122 185 885	71,28%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Pozostali akcjonariusze	48 616 997	28,36%	48 616 997	28,36%
<b>Razem</b>	<b>171 420 663</b>	<b>100%</b>	<b>171 420 663</b>	<b>100%</b>

**Holders of any securities conferring special control rights, with a description of those rights.**

There are no securities conferring special control rights issued by the Issuer.

**Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercising of voting rights, or provisions under which, with the company's cooperation, equity rights attaching to securities are separated from the holding of the securities.**

There are no restrictions on the exercise of voting rights at the Issuer's General Meeting other than the limit resulting from generally applicable provisions, i.e. the Act on Public Offering in case of violation of the provisions on calls and art. 6 section 1 of the Code of Commercial Companies - in the absence of the Issuer's notification about the establishment of a dominance relation.

**Restrictions on the transfer of ownership rights to the Issuer's securities.**

There are no restrictions on the transfer of ownership rights to the Issuer's securities beyond the restrictions set out in the Act on Public Offering - provisions on calls.

**Composition and activities of the Issuer's management, supervisory and administrative bodies or their committees; changes in their composition during the last financial year.**

**The Management Board**

The Management Board consists of four people:  
Przemysław Sztuczkowski – President of the Board  
Przemysław Grzesiak – Vice-President of the Board,  
Krzysztof Zoła – Member of the Board  
Dominik Barszcz – Member of the Board

There were no changes in the composition of the Management Board during the year.

**The Supervisory Board**

The Supervisory Board consists of five people:  
Hubert Janiszewski – Chairman  
Piotr Freyberg – Deputy Chairman  
Zbigniew Łapiński – Secretary  
Marek Rocki – Member  
Jerzy Kak – Member

There were no changes in the composition of the Supervisory Board during the year.



## **The Audit Committee**

The Audit Committee consists of five people and coincides with the composition of the Supervisory Board.

There were no changes in the composition of the Audit Committee during the year.

## **Activities of management boards, supervisory and administrative bodies and committees**

### **The Management Board**

The Issuer's Management Board operates based on the Code of Commercial Companies and the Issuer's Articles of Association.

Declarations of will may be made on behalf of the Issuer by:

- The President of the Board acting individually
- The Vice-President of the Board acting individually or
- two Management Board members acting jointly
- one Management Board member acting jointly with a proxy
- two proxies acting jointly
- independent proxy acting individually

Pursuant to the provisions of the Articles of Association, all matters related to the functioning of the Issuer, but not reserved to the competences of other bodies, fall within the scope of activities of the Management Board.

The competencies of the Management Board include in particular:

- a) submitting and accepting declarations of will on behalf of the Company, in particular with regard to property matters of the Company and conclusion of contracts,
- b) appointing and dismissing Company's proxies,
- c) appointing and dismissing attorneys for individual cases,
- d) determining current tasks and plans of the Company,
- e) sale and purchase of real estate or share in real property after consulting the Supervisory Board

Management Board members are appointed, dismissed and suspended by the Supervisory Board under the terms of the Commercial Companies Code and the Issuer's Articles of Association.

The Chairman of the Supervisory Board represents the Issuer in contracts with members of the Issuer's Management Board. The term of the Management Board lasts 5 years. The term of office of the Management Board is joint.

### **The Supervisory Board**

The Supervisory Board operates on the basis of the Code of Commercial Companies and the Company's Articles of Association.

The Supervisory Board consists of no less than five and no more than seven members appointed by the General Meeting for the joint five-year term of office.

The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its operations, and in particular the Supervisory Board's competences include:

- a. approving the annual plans of the Company prepared by the Management Board,

- b. approving the regulations of the Management Board of the Company,
- c. selecting an auditor to audit the financial statements,
- d. considering the Management Board's statements, balance sheet and profit and loss account for the previous year, as well as periodic reports,
- e. expressing opinions on the Management Board's proposals regarding the distribution of profit and coverage of losses,
- f. consideration of other matters submitted by the Board,
- g. expressing consent to the management board members to deal with competitive businesses.

Pursuant to the provisions of the Act on Statutory Auditors, Audit Firms and Public Oversight, the Audit Committee operates in the Company. Due to the minimum composition of the Supervisory Board determined by law, the Supervisory Board took over the function of the Audit Committee and operates in accordance with the requirements of the above-mentioned The Acts and Directives of the European Commission, including in particular the Supervisory Board, shall perform:

- 1. research on the reliability of financial information provided by the Company,
- 2. analysis of internal control and risk management rules in the Company,
- 3. analysis of all issues related to external audit, including monitoring the independence of the external auditor and its objectivity, inter alia by defining the principles of cooperation with auditing companies in other areas than the Company's reporting and financial audit,
- 4. analysis of the effectiveness of the external audit process,
- 5. review of transactions with related entities.

#### **Rules governing amendments to the Issuer's Articles of Association.**

Amendments to the Issuer's Articles of Association can be made only in accordance with the rules resulting directly from the Code of Commercial Companies or the Issuer's Articles of Association.

#### **The operation of the General Meeting, its basic powers and description of shareholders' rights, with the procedure for their exercise, in particular the rules stipulated in the Rules of Procedure for the General Meeting**

The General Meeting of the Issuer operates based on the provisions of the Commercial Companies Code and the Regulations of the General Meeting, the provisions of which do not depart from the generally applicable provisions of law (the Commercial Companies Code). All significant transactions are made public by the current reports system.

#### **Regarding the Audit Committee (AC) we indicate that:**

- a. All the members of AC meet the statutory independence criteria
- b. Mr. Hubert Janiszewski has knowledge and skills in the field of accounting or auditing of financial statements. Mr. Hubert Janiszewski holds a PhD in economics. He graduated from the VSE in Prague and the Central School of Planning and Statistics in Warsaw. Due to the professional functions performed in numerous financial institutions (in which he gained experience, among others in the field of current coordination and supervision over accounting reporting) among others: as Managing Director at Bankers Trust Co and Deutsche Bank AG in London and a member of supervisory boards of entities from the Deutsche Bank capital group
- c. Mr. Jerzy Kak has knowledge and skills in the field of the issuer. In the years 1976-1999, Mr. Kak was professionally involved with Huta Aluminum Konin SA, including since 1990 as the President of the Management Board - Chief Executive. In addition, Mr. Kak served as the President of the Management Board at Huta Szkła Ujście SA (2000-2002), and at Elektrownia Połaniec (2002-2006, and in 2007-2009 as the Vice President of the Board) Mr. Jerzy Kak holds a master's degree in economics: he graduated from the Faculty of Production Economics at the University of Economics in Poznań
- d. AC held 7 meetings in 2021

**Additional indications:**

- a. The Issuer has developed a policy of selecting an auditing company that audits its financial statements and the policy provided by the auditing company conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services. The main criteria for selecting an auditor are his experience, the ability to conduct a comprehensive audit and the proposed price
- b. The selection of the auditing company as the auditor of the reports for the years 2021-2023 took place in 2021 and then met all the conditions prevailing at the time of selection
- c. one non-audit activity was provided to the issuer by the audit firm - an assurance service consisting in the verification of the ratio of the intensity of electricity consumption. This service belongs to the services allowed for implementation by an independent auditor
- d. The Issuer does not apply a separate diversity policy because the rules adopted and applied by the Issuer are included in a wide range of internal regulations in a proper manner:
  - respect for diversity, prohibiting discrimination based on sex, race / descent, age or any other condition and equal treatment of employees and striving to achieve balanced representation of women and men in relation to all functions and responsibilities;
  - all employees have equal opportunities for access to work and promotion opportunities and prevention of unequal treatment due to their age, sex, race, religion, origin, marital status and financial situation;
  - creating a work environment that is free from cases of any abuse of employees or failure to respect their dignity.However, the Issuer's bodies appointing members of the supervisory and management bodies have full freedom of action and the Issuer does not intend to impose in any way and in an administrative manner to create the choices made. It is in the Issuer's best interest to ensure the best possible implementation of business processes and the selection of persons at the highest levels of management takes place primarily based on the criterion of knowledge, skills and experience owned by the person appointed, irrelevant to the sex and age of the person.

**XXXIV. Information on non-financial information**

Please be advised that we prepare non-financial information in the form of a separate report, which will be published in accordance with the requirement of the Accounting Act to 6 months from the balance sheet date.

**XXXV. Recommendations of the Management Board in the field of allocating profit / covering the losses of the parent company in 2021**

Regarding the distribution of the parent company's net profit for 2021, the Management Board will submit its recommendation before the decision of the Annual General Meeting, taking into account the applicable policy in this regard.

Przemysław Sztuczkowski  
*Chairman of the Board*

Przemysław Grzesiak  
*Vice-Chairman of the Board*

Krzysztof Zoła  
*Member of the Board*

Dominik Barszcz  
*Member of the Board*

**Poraj, dated 28 March 2022**