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Cognor Holding S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2021

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2021	31.12.2020 **restated*	31.12.2019 **restated*
Assets				
Property, plant and equipment	*13*	493 220	429 769	412 199
Intangible assets	*14*	15 139	18 100	22 296
Investment property	*15*	119	7 136	121
Investment in associates	*16*	1 015	1 195	1 134
Financial assets due to valuation of derivative instruments	*17*	15 689	-	-
Other receivables	*20*	14 777	8 938	4 293
Deferred tax assets	*18*	24 537	49 380	47 206
Total non-current assets		**564 496**	**514 518**	**487 249**
Inventories	*19*	425 801	274 101	297 001
Other investments		94	121	145
Financial assets due to valuation of derivative instruments	*17*	1 845	-	-
Current income tax receivables	*12*	38	226	38
Trade and other receivables	*20*	398 095	141 678	188 342
Cash and cash equivalents	*21*	107 810	100 555	78 956
Non-current assets classified as held for sale	*22*	6 993	-	-
Total current assets		**940 676**	**516 681**	**564 482**
Total assets		**1 505 172**	**1 031 199**	**1 051 731**

**data for 2020 and 2019 have been restated - details in note 3*

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2021	31.12.2020 *restated	31.12.2019 *restated
Equity				
Issued share capital	*23*	257 131	185 911	185 911
Reserves		29 301	101 373	87 035
Foreign currency translation reserves		84	96	50
Results from previous years and net result of the current year		317 369	380	(14 188)
Total equity attributable to owners of the Parent Company		**603 885**	**287 760**	**258 808**
Non-controlling interests	*24*	39 984	19 254	18 383
Total equity		**643 869**	**307 014**	**277 191**
Liabilities				
Interest-bearing loans and borrowings	*26*	249 987	209 774	249 669
Employee benefits obligation	*27*	14 343	13 011	11 071
Other liabilities	*29*	-	20 668	18 558
Government grants and other deferred income	*35*	5 301	984	618
Total non-current liabilities		**269 631**	**244 437**	**279 916**
Bank overdraft	*26*	17 200	-	-
Interest-bearing loans and borrowings	*26*	70 816	56 882	55 170
Employee benefits obligation	*27*	2 139	1 583	2 346
Other financial liabilities	*17*	-	4 011	2 869
Current income tax liabilities	*12*	2 936	460	319
Provisions for liabilities	*28*	1 800	25	226
Trade and other liabilities	*29*	490 695	411 846	424 370
Government grants and other deferred income	*35*	4 538	4 941	9 324
Liabilities related to non-current assets held for sale	*22*	1 548	-	-
Total current liabilities		**591 672**	**479 748**	**494 624**
Total liabilites		**861 303**	**724 185**	**774 540**
Total equity and liabilities		**1 505 172**	**1 031 199**	**1 051 731**

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	*Note*	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Continuing operations				
Sales revenue	*5*	2 811 151	1 733 221	1 901 604
Costs of products, goods and materials sold	*6*	(2 222 237)	(1 574 324)	(1 730 554)
Gross profit		**588 914**	**158 897**	**171 050**
Other income	*7*	47 900	41 193	13 060
Distribution expenses	*6*	(101 065)	(81 753)	(75 261)
Administrative expenses	*6*	(65 099)	(46 695)	(48 140)
Other gains/(losses) - net	*8*	2 481	1 234	917
Other expenses	*9*	(5 377)	(6 349)	(7 034)
Operating profit		**467 754**	**66 527**	**54 592**
Financial income	*10*	24 602	-	927
Financial expenses	*10*	(39 756)	(34 317)	(31 731)
Net financing costs		**(15 154)**	**(34 317)**	**(30 804)**
Share of (loss)/profit of associates		30	60	(1 455)
Profit before tax		**452 630**	**32 270**	**22 333**
Income tax expense	*11*	(89 104)	1 276	(2 561)
Profit for the period from continuing operations		**363 526**	**33 546**	**19 772**
Discontinued operations				
Net result for the period from discontinued operations, net of tax		-	-	-
Profit for the period		**363 526**	**33 546**	**19 772**
Profit for the period attributable to:				
Owners of the Parent Company		342 770	32 675	19 110
Non-controlling interests	*24*	20 756	871	662
Profit for the period		**363 526**	**33 546**	**19 772**

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

in PLN thousand	*Note*	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		(12)	46	10
Other comprehensive income for the year, net of tax		**(12)**	**46**	**10**
Total comprehensive income for the period		**363 514**	**33 592**	**19 782**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		342 758	32 721	19 120
Non-controlling interests	*24*	20 756	871	662
Total comprehensive income for the period		**363 514**	**33 592**	**19 782**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*25*	**2,05**	**0,26**	**0,16**
- from continuing operations		2,05	0,26	0,16
- from discontinued operations		-	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*25*	**2,00**	**0,19**	**0,12**
- from continuing operations		2,00	0,19	0,12
- from discontinued operations		-	-	-

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020 ** restated*	01.01.2019 - 31.12.2019 ** restated*
Cash flows from operating activities				
Continuing operations				
Profit before tax		452 630	32 270	22 333
Adjustments				
Depreciation of property, plant and equipment	*13*	50 620	46 506	45 241
Amortization of intangible assets	*14*	1 208	1 202	995
Reversal of impairment losses and valuation allowances of property, plant and equipment, intangible assets		-	(4)	(2 166)
Foreign exchange (gains)/losses		(949)	7 222	(861)
Net gain on investment operations		(13)	-	(143)
Net (gains)/losses on disposal of property, plant and equipment, intangible assets		(4 126)	(578)	869
Interest, transaction costs (related to loans and borrowings) and dividends, net		1 497	21 859	25 171
Change in receivables and prepayments	*36*	(229 480)	34 120	(14 932)
Change in inventories	*36*	(151 474)	22 900	75 923
Change in trade and other payables	*36*	53 452	41 175	204
Change in provisions	*36*	1 775	(201)	(4 168)
Change in employee benefits obligation		1 888	1 177	(4 518)
Change in government grants and other deferred income		2 550	(187)	(1 410)
Share of profit/ (loss) of associates		(30)	(61)	1 455
Other adjustments	*36*	2 061	(366)	(222)
Cash generated from operating activities		**181 609**	**207 034**	**143 771**
Income tax (paid)/returned		(61 597)	(945)	649
Net cash from operating activities		**120 012**	**206 089**	**144 420**

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		6 756	859	3 411
Proceeds from sale of intangible assets		-	20	56
Acquisition of subsidiaries, net of cash transferred		(3)	-	(5)
Proceeds from sale of shares in associates		183	-	-
Proceeds from sale of other investments		-	-	171
Interest received		-	-	21
Dividends received		40	20	-
Repayment of loans granted		87	25	-
Acquisition of property, plant and equipment		(99 026)	(56 059)	(55 967)
Acquisition of intangible assets		(1 462)	(4 358)	(3 714)
Loans granted		(60)	-	(126)
Received grants for investing activities		1 364	2 383	5 221
Net cash from investing activities		**(92 121)**	**(57 110)**	**(50 932)**
Cash flows from financing activities				
Net cash receipts from share issue		2 914	-	-
Proceeds from interest-bearing loans and borrowings		209 000	-	-
Repayment of interest-bearing loans and borrowings		(166 387)	(52 732)	(40 155)
Payment of lease liabilities		(20 569)	(17 062)	(19 255)
Dividends paid and interests on exchangeable notes in the period		(25 713)	(38 323)	(3 917)
Interest and transaction costs (related to loans and borrowings) paid	*36*	(36 157)	(19 263)	(17 579)
Fee relating to withholding tax relating to financing activities		(924)	-	(10 085)
Net cash from financing activities		**(37 836)**	**(127 380)**	**(90 991)**
Net change in cash and cash equivalents		**(9 945)**	**21 599**	**2 497**
Cash and cash equivalents, at 1 January	*21*	100 555	78 956	76 459
Cash and cash equivalents net of bank overdraft, at 31 December	*21*	**90 610**	**100 555**	**78 956**
- including cash restricted for use		*62 855*	*4 099*	*50*

** data for 2020 and 2019 restated - details in note no 3*

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company						
in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Results from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2019		**180 626**	**86 717**	**40**	**10 781**	**278 164**	**17 721**	**295 885**
Total comprehensive income		-	-	10	19 110	**19 120**	662	**19 782**
- profit for the period		*-*	*-*	*-*	*19 110*	***19 110***	*662*	***19 772***
- foreign currency translation differences relating to foreign operations		*-*	*-*	*10*	*-*	***10***	*-*	***10***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		5 285	(5 285)	-	(38 471)	**(38 471)**	-	**(38 471)**
Dividends paid		-	-	-	(34 554)	**(34 554)**	-	**(34 554)**
Conversion of exchangeable notes into shares	*23*	*5 285*	*(5 285)*	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	*(3 917)*	***(3 917)***	-	***(3 917)***
Changes in ownership interests		-	-	-	(5)	**(5)**	-	**(5)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*(5)*	***(5)***	-	***(5)***
Transfer of profit		-	5 603	-	(5 603)	-	-	-
Equity as at 31 December 2019		**185 911**	**87 035**	**50**	**(14 188)**	**258 808**	**18 383**	**277 191**
Equity as at 1 January 2020		**185 911**	**87 035**	**50**	**(14 188)**	**258 808**	**18 383**	**277 191**
Total comprehensive income		-	-	46	32 675	**32 721**	871	**33 592**
- profit for the period		-	-	-	*32 675*	***32 675***	*871*	***33 546***
- foreign currency translation differences relating to foreign operations		-	-	*46*	-	***46***	-	***46***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	-	-	(3 769)	**(3 769)**	-	**(3 769)**
Interests on exchangeable notes in the period		-	-	-	(3 769)	**(3 769)**	-	**(3 769)**
Transfer of profit		-	14 338	-	(14 338)	-	-	-
Equity as at 31 December 2020		**185 911**	**101 373**	**96**	**380**	**287 760**	**19 254**	**307 014**

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company						
in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Results from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2021		**185 911**	**101 373**	**96**	**380**	**287 760**	**19 254**	**307 014**
Total comprehensive income		-	-	*(12)*	*342 770*	***342 758***	*20 756*	***363 514***
- profit for the period		-	-	-	*342 770*	***342 770***	*20 756*	***363 526***
- foreign currency translation differences relating to foreign operations		-	-	*(12)*	-	***(12)***	-	***(12)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		71 220	(73 978)	-	(23 898)	**(26 656)**	-	**(26 656)**
Dividends	*23*	-	*(3 789)*	-	*(21 924)*	***(25 713)***	-	***(25 713)***
Issue of shares	*23*	*2 715*	*199*	-	-	***2 914***	-	***2 914***
Conversion of exchangeable notes into shares	*23*	*68 505*	*(68 505)*	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	*(1 974)*	***(1 974)***	-	***(1 974)***
Redemption of exchangeable notes	*23*	-	*(1 103)*	-	-	***(1 103)***	-	***(1 103)***
Other settlements with the Owner	*23*	-	*(780)*	-	-	***(780)***	-	***(780)***
Changes in ownership interests		-	-	-	23	**23**	(26)	**(3)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*23*	***23***	*(26)*	***(3)***
Transfer of profit		-	1 906	-	(1 906)	-	-	-
Equity as at 31 December 2021		**257 131**	**29 301**	**84**	**317 369**	**603 885**	**39 984**	**643 869**

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

Cognor Holding S.A. - previously Cognor S.A. ("Cognor Holding", "the Company", "the Parent Company") with its seat in Poraj, Zielona 26 Street (42-360), Poland, is the Parent Company of the Group. Until 29 August 2011, the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor's shares are quoted on Warsaw Stock Exchange. The company is registered under the number KRS: 0000071799, has the statistical number REGON: 190028940, and NIP: 5840304383.

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

Till May 2011, the main activity of the Parent Company was distribution of steel products. After May 2011, Cognor S.A. became a holding company. The main activities of the Group comprise: scrap collection, scrap processing into steel billets and steel products.
The Company operates in Poland.

The parent company for Cognor Holding S.A. is PS HoldCo Sp. z o.o. The ultimate parent of the Group is 4Workers Sp. z o.o.

The consolidated financial statements as at and for the year ended 31 December 2021 comprise the Parent Company and its subsidiaries and associates ("the Group"). Details of the subsidiaries and associates that comprise the Group as at 31 December 2021 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control/significant influence
COGNOR S.A.	Poland	94.39%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (previously KAPITAŁ S.A. Sp. k.)	Poland	98.0%	2008-03-25*
COGNOR INTERNATIONAL FINANCE Ltd**	Great Britain	94.39%	2013-10-24
MADROHUT Sp. z o.o.	Poland	23.6% (associate in which 25% of shares are held directly by Cognor S.A.)	2014-04-11

* date of obtaining control by Złomrex S.A. Group
**as at December 31, 2021 the company was in liquidation, on March 8, 2022 the company was liquidated and removed from the court register in Great Britain

Acquisitions in 2021

In 2021, Cognor Holding S.A. purchased shares of Cognor S.A. worth PLN 3 thousand. This resulted in an increase in the share in Cognor S.A. from 94.38% to 94.39%. Thus, the indirect share in owned by Cognor S.A. companies increased.

Business combinations in 2021

On August 31, 2021, the District Court in Częstochowa registered the merger of Cognor Holding S.A. with the subsidiary Cognor Blachy Dachowe S.A. The merger took place through the transfer of all assets of Cognor Blachy Dachowe S.A. for Cognor Holding S.A. The merger has no impact on these consolidated financial statements.

Disposal of Group companies in 2021

On August 23, 2021, Cognor S.A. sold 30% of its shares in the associated company 4Groups Sp. z o.o. to 4Workers Sp. z o.o. Thus, the associated companies 4Groups Sp. z o.o. and KDPP Doradztwo Biznesowe Sp. z o.o. z o.o. (in which 4Groups Sp.z o.o. was a 100% shareholder) were removed from the consolidated financial statements of the Cognor Holding Capital Group.

b) Basis of preparation of consolidated financial statements

(i) Going concern basis of accounting

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

The Management Board of the Parent Company, having made a thorough analysis of the financial situation of the Company and the Group, available resources and possible scenarios, taking into account the epidemiological situation caused by Covid-19 as well as the geopolitical and economic situation resulting, in particular, from the military conflict in Ukraine, stated that adopting the going concern assumption is justified. An analysis of the impact of Covid-19 and the military conflict in the east is presented in detail in note 39.

Due to an exceptional situation, the Group is not able to predict all possible situations that may affect the operating activities and financial results of the Group. We are also unable to estimate the full impact of the situation on the Group. The Management Board analyzed a number of scenarios, determining the possible scale of problems related to the indicated threats. In connection with the above, the Management Board of the Parent Company, on the basis of the risk analysis, current knowledge and undertaken and anticipated actions, confirms that the Group's going concern assumption is justified despite difficulties in assessing the exact impact of the military conflict in Ukraine and COVID-19 on future financial results. Taking into account the above, the Management Board of the Parent Company decided to prepare a consolidated financial statement, adopting the principle of going concern in the foreseeable future in a materially unchanged scope.
These consolidated financial statements do not take into account the valuation adjustments of assets and liabilities that would be necessary if the Group were not able to continue as a going concern.

(ii) Statement of compliance

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

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

These consolidated financial statements were approved by the Board of Directors on 28 March 2022.

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

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

a) Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"

Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),

b) Amendments to IFRS 16 "Leases"

Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),

c) Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"

adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of amendments to the existing standards has not led to any material changes in the Group's consolidated financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

a) Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

b) Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

c) Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

d) IFRS 17 "Insurance Contracts" including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

e) Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Group has not decided to early apply any of the above standards or changes to the existing standards.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at March 28, 2022 (the effective dates stated below is for IFRS as issued by IASB):

a) IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

b) Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

c) Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

d) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

e) Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

f) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

g) Amendments to IFRS 17 "Insurance contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

c) Critical accounting estimates and judgments

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

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

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

- note 2b - going concern principle
- note 3c, 3e - estimate related to the economic life of fixed assets and intangible assets
- note 7 – estimation of revenues from compensation for an increase in quotations of CO2 emission rights
- note 13 – analysis of indications regarding impairment of fixed assets
- note 14 – impairment tests for cash-generating units containing goodwill
- note 18 – deferred tax assets and liabilities and utilization of tax losses
- note 19 – inventories, estimates of impairment
- note 23 – settlements with the owner
- note 27 – employee benefits obligations
- note 30 – financial instruments

d) Functional and presentation currency

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

e) Additional reporting period

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. All disclosures are presented for 3 periods.

2 Summary of significant accounting policies

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

a) Basis of consolidation

Subsidiaries

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

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

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

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

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when control is obtained by the Group. The Group measures goodwill at the acquisition date as:
• the fair value of the consideration transferred; plus
• the recognised amount of any non-controlling interests in the acquiree; plus
• if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
• the net recognised amount (fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.
When the excess is negative, a gain on bargain purchase is recognised immediately in the statement of profit or loss and presented as other income.
The fair value of the consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of profit or loss.
Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred and presented as administrative expenses.

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

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

b) Foreign currencies transactions

Foreign currency translation

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

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

Foreign operations

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

c) Property, plant and equipment

Owned assets

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

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

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

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

Subsequent expenditures

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

Depreciation

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

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

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

d) Leased assets

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

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

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

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

e) Intangible assets

Goodwill

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

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

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

Research and development

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

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

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

Other intangible assets

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

Subsequent expenditures

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

Amortization

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

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

f) Investment property

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

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

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

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

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

h) Financial assets and liabilities

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

Initial measurement

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

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

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
The Group discloses in this category trade receivables (without factoring receivables), loan granted and cash and cash equivalents.

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

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

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

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.
The Group discloses in this category factoring receivables and shares in other entities.

The Group classifies interest rate swaps as an asset measured at fair value through profit or loss. Due to the fact that this instrument is designed to mitigate the risk related to the volatility of interest rates on bonds issued and the loan received, the impact of changes in the valuation is recognized by the Group in financial income/expenses.

Impairment

In the case of trade receivables that do not have a significant element of financing, the Group applies the simplified approach required by IFRS 9 and measures impairment losses in the amount of credit losses expected over the entire life of the receivables from the moment of its initial recognition. The Group applies a write-off matrix in which write-offs are calculated for trade receivables classified to different age ranges or overdue periods.

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

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

Assets at amortized cost are shown in gross value, and the write-off is made on a separate accounting account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognized in other revenues in the financial result.

Financial liabilities

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

i) Inventories

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

The cost of inventories is determined based on the specific identification method if possible, or first in, first out method. Cost includes expenditure incurred in acquiring the inventories. In case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.
Write-offs are made for non-rotating materials for which it has been established that their book value cannot be recovered.
The impairment losses of inventories are recognized/reversed through profit or loss as part of costs products, merchandise or raw materials sold. Identified surpluses or shortages in inventory are recognized in profit or loss in the same position as costs of products, merchandise or raw materials sold.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits (till 3 months). Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
The Group determines the impairment on cash according to the expected loss model, individually for each balance related to a given credit institution based on external ratings.

k) Impairment of non financial assets

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

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

l) Equity

Issued share capital

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

Reserve capital

Reserves include supplementary, other reserves, treasury shares, convertible notes and other contributions of the owner. Supplementary capital is allocated from net profit according to the Commercial Code, moreover, reserve capital is created as a result of the difference between the nominal share price and the issue price (aggio). Other reserves (dividend fund) is created from retained earnings available for this purpose pursuant to a resolution of the General Meeting of Shareholders.

Due to the fulfillment of the requirements of IAS 32, the capital under the item "Reserves" includes exchangeable notes and a liability to the main shareholder PS HoldCo Sp. z o.o. - details in note 23.

Dividends

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

Repurchase and reissue of treasury shares

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

m) Interest bearing loans and borrowings

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

The fair value estimated for disclosure purposes is calculated based on the present value of the future cash flows from return on principal and interest, discounted using a market interest rate at the reporting date. For liabilities, the market interest rate is estimated based on the current interest rate for a similar type of contract with similar parameters and comparable maturity. In the case of bonds, the fair value is estimated based on market transactions for the purchase of bonds issued by the subsidiary Cognor S.A. on or in the period shortly before the reporting date.

n) Employee benefits

Defined benefits plan – retirement awards

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

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

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

Short-term employee benefits

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

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

o) Provisions

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

p) Trade and other liabilities

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

q) Deferred government grants and other deferred income

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

r) Revenue

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

The Group accounts for a contract with a customer only when all of the following criteria are met:
(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
(b) the Group can identify each party's rights regarding the goods or services to be transferred;
(c) the Group can identify the payment terms for the goods or services to be transferred;
(d) the contract has commercial substance (ie the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
(e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession

Requirements to identify the contract with the client

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

Identification of obligations to perform the service

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

Determining the transaction price

In order to determine the transaction price, the Group takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Group's expectations, will be due in exchange for the transfer of promised goods or services to the client, excluding amounts collected on behalf of third parties (for example, some sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

Some contracts with counterparties the Group includes entries about qualitative adjustments that are the basis for calculating the final sale price or certain forms of customer bonus, however, the probability that there will be no reversal of a significant part of accumulated revenues in the future is low. In such cases, in accordance with IFRS 15, the amount of variable remuneration in the transaction price is not taken into account. A reassessment of variable remuneration should be made at the end of each reporting period.

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

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

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

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

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

The Group recognizes revenues at a specific point in time for the following reasons:

a) sale of steel and non-ferrous scrap - customers are production companies, steel mills, mostly domestic customers. Revenue is recognized when goods are exported for incoterms EXW. In the case of DAP, revenue is recognized when the customer confirms the delivery received. Discounts are applied to customers after exceeding the specified quantities in monthly collections. The realized payment terms are mainly 14 days and 30 days. Each client is checked by the debt collection department, and payment terms are determined depending on the client's confirmed creditworthiness and the course of the existing cooperation. Customers without confirmed creditworthiness can buy goods only after making a prepayment. The goods sold are delivered by own transport in approx. 30% of cases, the remaining 70% is transport commissioned to transport companies. In the case of own transport, the incoterms EXW conditions are usually used, in the case of forwarding, they are usually DAP.

b) sale of slabs and ingots to domestic and foreign customers carried out to steel mills or forges, which further process semi-finished products; discounts set individually depending on the quantity purchased, payment terms depending on the arrangements 14-90 days, sale on the terms of CPT, FCA, occasionally DAP and DDP

c) sale of ribbed, flat, round, square bars, angles, tees, channels, sections to domestic and foreign customers - to wholesalers and producers, mainly from the construction and machinery industries. Revenue is recognized on the date of sale. The Group uses a bonus system for its customers depending on the number of purchased products. Payment terms, depending on the arrangements, 14-90 days, sale on the terms of CPT or FCA.

d) sale of rolled bars, rolled billets and sheets. In the case of long products, two purposes are distinguished: PWS (for machining) - sales to specialized distribution companies, providing, among others material cutting and PWP (die forging) services - sale to final processors of these products, these are die forges and specialized distribution companies serving this market segment. Discounts are set individually. FCA, CPT delivery base, occasionally DAP and DDP (approx. 70% of sales - transport organized by the Group, the remaining 30% - transport is the responsibility of the customer). The payment methods are: cash / prepayment prior to material collection, trade credit within 30, 45, 60 days (sporadically transfer 90 days), mutual deductions resulting from e.g. scrap deliveries by our customers;

e) semi-finished products made of copper alloys - bronze shafts and sleeves as well as zinc casting alloys and galvanizing mortars, their production is based on the processing of the entrusted raw material, hence the majority of sales is a service based on the entrusted material. Sales in this segment go to wholesalers and direct producers, mostly located abroad. Depending on the form of cooperation, in the case of processing - the processing bonus is individual for each client. In the case of full price, the price is based on a pricing formula based on LME or WVM. All key contracts accounting for about 80-90% of sales include transport carried out by an external company. The Group arranges the delivery and bears its cost, in most such cases, the sale takes place under DAP incoterms, in the case of self-collection under FCA conditions. Payment terms set individually based on the existing merchant limit, from 14 to 60 days.

f) as part of other sales, the Group provides goods and passenger transport services, vehicle repair services and vehicle diagnostics, rental of construction equipment, as well as construction and maintenance (cleaning) services for roads and pavements. The clients are road and transport companies. Workshop services are provided for companies and retail clients, the vast majority of them are domestic clients. Sale to foreign customers occurs sporadically. Transport services are performed on the basis of signed contracts or orders. Revenues are recognized when the service is provided. Terms of sale based on contracts / accepted orders or fuel price at the petrol station, the form of payment specified in the contract / order, usually it is a 14 or 30 day transfer. Sale of workshop services and fuel - if a contract is signed and a customer verified by Coface, the form of payment is a transfer, for other customers, cash is the form of payment.

g) The group is also active in the development market, where it builds houses for retail clients. The sale is recognized upon signing the notarial deed. Agreements are negotiated individually.

The Group recognizes revenues transferred over time for the following reasons:

h) construction contract - revenues are recognized from a long-term contract for the construction of an exhibition and conference center in the vicinity of Cracow, which the Group is building on behalf of Chairman of the Management Board. Revenues are recognized on the basis of costs increased by the margin resulting from signed contracts.

s) Other income and expenses

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

Other revenues include revenues related to compensations for the increase in quotations of CO2 emission rights and revenues for the readiness to reduce power of energy.

t) Other net gains / losses

Other net gains / losses include net gains / losses on the sale of tangible fixed assets (fixed assets, intangible assets, investment real estate, investments), net gains / losses on the sale of an organized part of an enterprise, result on the revaluation of investments at fair value through profit or loss, reversal / recognition of impairment losses on other investments and net foreign exchange gains / losses on operating activities.

u) Financial income and expenses

Net financial income / costs include interest, bank charges and commissions payable on debt determined on the basis of the effective interest rate, interest on other financial liabilities, gains or losses on foreign exchange differences not related to operating activities, income from redeemed financial liabilities. The changes in valuation of derivative instruments are also included in financial income and costs.

v) Current and deferred income tax

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

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

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

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

3 Transformation of comparable data in the consolidated statement

The group decided to:
a) presentation of Perpetual usufruct of land under Property, plant and equipment (under the Land category), because treated as a long-term lease of land meets the definition of the right to use assets in accordance with IFRS 16 and is not separately a significant item. In connection with the above, the comparable data for 2019-2020 was transformed in the statement of financial position and the statement of cash flows,
b) presentation of liabilities due to bills of exchange under interest-bearing liabilities, because it is a debt security and is a financial liability. Therefore the comparable data was transformed in the statement of financial position for 2020,
c) change in the presentation of finished products and work in progress - The entire production of cast steel mills (billets, ingots) has been presented by the Group so far under Semi-finished products and work in progress. As a rule, these products are intended for further processing in rolling mills, but some of them are produced according to customer orders and are sold. This portion of billets and ingots sold without further processing will be presented under Finished products.
Adequate transformations have been made in the notes.

a) change in the presentation of Perpetual usufruct of land

Extract from the consolidated statement of financial position as at December 31, 2019

in PLN thousand	**according to the approved report for 2019**	**Adjustments**	**Restated data**
Property, plant and equipment	375 581	36 618	412 199
Perpetual usufruct of land	36 618	(36 618)	-
Total non-current assets	**487 249**	**-**	**487 249**

Extract from the consolidated statement of financial position as at December 31, 2020

in PLN thousand	**according to the approved report for 2020**	**Adjustments**	**Restated data**
Property, plant and equipment	397 398	32 371	429 769
Perpetual usufruct of land	32 371	(32 371)	-
Total non-current assets	**487 249**	**-**	**487 249**

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

in PLN thousand	**according to the approved report for 2019**	**Adjustments**	**Restated data**
Proceeds from sale of property, plant and equipment	3 362	49	3 411
Proceeds from sale of perpetual usufruct	49	(49)	-
Net cash from investing activities	**(50 932)**	**-**	**(50 932)**

Extract from the consolidated statement of cash flows for the period 01.01.2020-31.12.2020

in PLN thousand	**according to the approved report for 2020**	**Adjustments**	**Restated data**
Acquisition of property, plant and equipment	(55 984)	(75)	(56 059)
Prepaid perpetual usufruct of land	(75)	75	-
Net cash from investing activities	**(57 110)**	**-**	**(57 110)**

b) change in the presentation of liabilities due to bills of exchange

in PLN thousand	**according to the approved report for 2020**	**Adjustments**	**Restated data**
Interest-bearing loans and borrowings	207 658	2 116	209 774
Other liabilities	22 784	(2 116)	20 668
Total non-current liabilities	**244 437**	**-**	**244 437**

c) change of presentation in the note "Inventories"

in PLN thousand	**according to the approved report for 2020**	**Adjustments**	**Restated data**
Semi-finished goods and work in progress	101 988	(27 994)	73 994
Finished products	66 434	27 994	94 428

in PLN thousand	**according to the approved report for 2019**	**Adjustments**	**Restated data**
Semi-finished goods and work in progress	95 267	(14 275)	80 992
Finished products	117 651	14 275	131 926

4 Segment reporting

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

The Management Board of the Parent Entity considers operations from both a geographical and industry perspective. In terms of geography, the activities in Poland, Germany and other countries are considered.

The basis for the definition of the "Germany" segment is the localisation of customer's premises in Germany.

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

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

4 Segment reporting - continued

Business segments

in PLN thousand

31.12.2021	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	239 781	221 271	244 990	762 145	1 079 729	98 516	83 547	74 145	6 927		
Inter-segment revenue	305 076	83 628	21 294	15 388	88 325	18 616	-	10 365	13 313		
Total revenue	**544 857**	**304 899**	**266 284**	**777 533**	**1 168 054**	**117 132**	**83 547**	**84 510**	**20 240**	**(555 905)**	**2 811 151**
Cost of sales to external customers	(215 163)	(203 819)	(192 180)	(612 206)	(840 801)	(88 132)	(68 435)	(60 980)	(6 365)		
Inter-segment cost of sales	(286 756)	(72 136)	(16 969)	(11 872)	(66 162)	(17 155)	-	(7 543)	(4 909)		
Total cost of sales	**(501 919)**	**(275 955)**	**(209 149)**	**(624 078)**	**(906 963)**	**(105 287)**	**(68 435)**	**(68 523)**	**(11 274)**	**549 346**	**(2 222 237)**
Segment result	**42 938**	**28 944**	**57 135**	**153 455**	**261 091**	**11 845**	**15 112**	**15 987**	**8 966**	**(6 559)**	**588 914**
Other income	245	3 815	4 878	17 918	25 007	61	257	2 549	51	(6 881)	47 900
Distribution and administrative expenses	(24 975)	(11 103)	(5 441)	(46 630)	(40 279)	(5 436)	(6 566)	(5 773)	(26 753)	6 792	(166 164)
Other gain/(losses) net	169	(327)	108	(1 267)	478	39	116	217	2 932	16	2 481
Other expenses	(398)	(535)	(156)	(2 071)	(686)	(87)	(112)	(199)	(1 298)	165	(5 377)
Operating profit/(loss)	**17 979**	**20 794**	**56 524**	**121 405**	**245 611**	**6 422**	**8 807**	**12 781**	**(16 102)**	**(6 467)**	**467 754**
Net financing costs									(10 288)	(4 866)	(15 154)
Share of profit of associates, net of tax											30
Income tax expense											(89 104)
Profit for the period											**363 526**

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

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

in PLN thousand

31.12.2021	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	97 512	84 421	67 296	299 829	568 018	21 686	38 183	80 795	316 831	(69 399)	**1 505 172**
Segment liabilities	36 371	42 316	43 355	150 286	204 443	8 063	13 547	50 772	386 088	(73 938)	**861 303**
Depreciation and amortisation	(4 276)	(4 263)	(2 879)	(15 139)	(21 423)	(925)	(984)	(1 355)	(816)	232	**(51 828)**
Capital expenditures	366	1 040	5 643	3 695	70 571	174	2 624	194	3 161	-	**87 468**

in PLN thousand

31.12.2020	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	64 418	81 577	43 665	230 341	334 549	16 636	22 568	42 932	237 686	(43 173)	**1 031 199**
Segment liabilities	32 629	40 864	34 485	118 001	168 851	8 263	5 196	23 907	343 449	(51 460)	**724 185**
Depreciation and amortisation	(3 346)	(5 137)	(3 463)	(14 233)	(17 972)	(851)	(672)	(1 482)	(986)	434	**(47 708)**
Capital expenditures	80	2 212	6 360	6 487	36 153	63	1 680	403	3 281	-	**56 719**

in PLN thousand

31.12.2019	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	75 666	74 140	54 410	239 334	338 426	21 305	27 117	43 665	216 490	(38 822)	**1 051 731**
Segment liabilities	22 107	38 590	41 383	124 567	146 600	6 191	6 216	19 585	406 289	(36 988)	**774 540**
Depreciation and amortisation	(2 958)	(4 176)	(3 875)	(13 480)	(17 198)	(829)	(833)	(1 604)	(1 355)	72	**(46 236)**
Capital expenditures	140	11 382	2 877	36 727	24 266	117	3 930	675	817	-	**80 931**

Unallocated assets
in PLN thousand

	31.12.2021	31.12.2020	31.12.2019
Long-term and short-term investments	1 109	1 316	1 279
Deferred tax assets	24 537	49 380	47 206
Investment property	119	7 136	121
Financial assets due to valuation of derivative instruments	17 534	-	-
Income tax receivable	38	226	38
Cash and cash equivalents	107 810	100 555	78 956
Assets held for sale	6 993	-	-
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	121 423	57 760	62 467
Assets of central office	37 268	21 313	26 423
	316 831	**237 686**	**216 490**

Unallocated liabilities
in PLN thousand

	31.12.2021	31.12.2020	31.12.2019
Interest-bearing loans and borrowings	320 803	266 656	304 839
Bank overdraft	17 200	-	-
Provisions	1 800	25	226
Government grants and other deferred income	9 839	5 925	9 942
Current income tax payables	2 936	460	319
Other liabilities	24 378	47 158	80 456
Other financial liabilities	-	4 011	2 869
Liabilities related to non-current assets held for sale	1 548	-	-
Liabilities of central office	7 584	19 214	7 638
	386 088	**343 449**	**406 289**

4 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Revenue from external customers	2 084 057	1 216 529	1 381 073	434 239	231 696	297 513	292 855	284 996	223 018	2 811 151	1 733 221	1 901 604
Capital expenditures	87 468	56 719	80 931	-	-	-	-	-	-	87 468	56 719	80 931

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

-property, plant and equipment (note no. 13)	*86006*	*51604*	*75579*
-intangibles (note no. 14)	*1462*	*5115*	*5352*

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

Major customer

In 2021, none of the Group’s customers exceeded 10% of consolidated revenues (in 2020 and 2019 none of the Group's customers exceeded 10% of consolidated revenues).

5 Revenues from contracts with customers

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Revenues from sale of products	2 390 370	1 500 571	1 635 353
Revenues form sale of services	89 394	31 842	35 827
Revenues from sale of goods	308 161	182 610	208 779
Revenues from sale of raw materials and energy	23 226	18 198	21 645
	2 811 151	**1 733 221**	**1 901 604**
including:			
- revenue from sale of goods or services transferred to customers at a point in time	2 805 333	1 728 866	1 897 311
- revenue from sale of goods or services and energy transferred to customers over time	5 818	4 355	4 293
Revenues are generated from the following sources:			
-sale of steel scrap and non-ferrous metals scrap	338 297	174 651	191 757
-sale of slabs, ingots	466 261	306 665	370 012
-sale of rolled bars, rolled slabs and sheets	762 145	468 891	532 148
-sale of ribbed, flat, round, square bars, angles, tees, channels, sections	1 079 729	670 515	668 509
-sale of bronze and zinc casting alloys shafts and sleeves	83 547	49 625	70 344
-sale of transport services	21 572	20 970	27 019
-sale of houses and apartments	12 151	-	6 652
-sale resulting from the construction contract	5 818	4 355	4 293
-other sale	41 631	37 549	30 870

The Group has one long-term contract settled on the "cost plus margin" basis. As a result of this contract, the Group recognized revenue until December 31, 2021 in the amount of PLN 14 466 thousand (including PLN 5 818 thousand in 2021, PLN 4 355 thousand in 2020, PLN 4 293 thousand in 2019), which is the equivalent of expenditure incurred increased by margin in amount PLN 1 887 thousand (of which recognized in 2021: PLN 759 thousand, in 2020 PLN 568 thousand, in 2019 PLN 560 thousand). To recognize the revenue in future years under this contract, the amount of PLN 2 534 thousand remains. Assets due to of the above-mentioned contracts, the Group presents in receivables due to long-term supply and service. The Group plans to complete this project in the next 2 years.

Apart from the above contract, the Group does not have sales contracts over 12 months, hence the Group uses the exclusion specified in IFRS 15 without disclosing the transaction price assigned to the obligations of services not fulfilled under these contracts.

The group acts as the principal in the sales process. No return obligations and no warranty claims.

The costs of servicing the sale and transport process related to the sale of finished products are recognized as distribution costs, regardless of the type of sale conditions.

6 Expenses by type

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Depreciation and amortisation (note 13 and 14)	(51 828)	(47 708)	(46 236)
Energy and materials consumption	(1 729 223)	(1 098 881)	(1 229 523)
External services	(214 828)	(167 692)	(176 989)
Taxes and charges	(9 528)	(9 600)	(9 967)
Wages and salaries	(166 742)	(139 999)	(146 354)
Social security contributions and other benefits	(38 279)	(34 046)	(35 259)
Other expenses	(7 096)	(6 295)	(6 473)
Total expenses by type	**(2 217 524)**	**(1 504 221)**	**(1 650 801)**
Cost of goods for resale and materials	(303 973)	(161 944)	(192 949)
Changes in inventories, prepayments, accruals and costs settled	133 096	(36 607)	(10 205)
Costs of products, goods and materials sold, administrative and distribution expenses, including:	**(2 388 401)**	**(1 702 772)**	**(1 853 955)**
Costs of products, goods and materials sold	(2 222 237)	(1 574 324)	(1 730 554)
Distribution expenses	(101 065)	(81 753)	(75 261)
Administrative expenses	(65 099)	(46 695)	(48 140)

7 Other income

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Compensations and penalties received	383	464	315
Insurance compensations	620	985	1 271
Forgiven liabilities	151	2 551	236
Reimbursed costs of court proceedings	70	316	151
Donations and grants, including:	38 290	31 624	1 393
*-CO2 compensations**	*36 245*	*12 033*	-
*-Aid for maintaining jobs (anti-COVID shield)***	-	*11 800*	-
-Other	*2 045*	*7 791*	*1 393*
Interest income relating to trade receivables	130	506	3 441
Reversal of allowance for interest and other receivables	347	683	719
Revenues from readiness to reduce power of energy	7 500	3 681	3 683
Other	409	383	1 851
	47 900	**41 193**	**13 060**

* In 2020, the Group's Management Board decided to include PLN 12,033 thousand in other operating income, which the Group expects to obtain for this period in 2021 as compensation for the increase in quotations of CO2 emission rights, which was regulated in the act adopted by the Polish parliament last year. On the basis of it, some carbon dioxide emitters will be able to claim partial compensation for its higher prices. The final amount will be determined in the second half of 2021 depending on: (i) the prices of CO2 emission rights throughout 2020 and (ii) the degree of reduction of the compensation granted if the total value of compensation claims exceeds PLN 0.9 billion. When calculating the amount of PLN 12,033 thousand The Management Board adopted the following: (i) the average price of CO2 emission rights in 2020 announced by the President of the ERO in the amount of PLN 108.3 per tonne, and (ii) the degree of reduction by approximately 40%. In 2021, by the decision of the ERO, the Group received PLN 24 139 thousand as compensation due for 2020 (of which PLN 12 033 thousand were recognized in the result of 2020, while the remaining PLN 12 106 thousand were recognized in the result of 2021). In 2021, revenue related to compensations due for 2021 was recognized in the amount of received compensations for 2020, i.e. PLN 24 139 thousand. When calculating the amount due to the Group for 2021, the Management Board adopted: (i) the average price of CO2 emission rights in 2021 announced by the President of the ERO in the amount of PLN 111.35 per ton (ii) the Group's right to increase compensation in connection with art. 7b.1. Compensations for 2021 calculated in this way amounted to PLN 27 744 thousand. However, due to the prudent approach, the Management Board decided to limit this value to the amount of compensation received for the previous year, i.e. to the amount of PLN 24 139 thousand.

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

8 Other gains/(losses) - net

in PLN thousand	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**
Net gain/ (loss) on disposal of property, plant and equipment	4 126	575	1 267
Net gain/(loss) on disposal of intangible assets	-	7	30
Net gain/(loss) on sales of other investments	-	-	143
Net gain/(loss) on sales of shares in associates valued at equity method	13	-	-
Net gain/(loss) on the sale of energy certificates	112	-	257
Net foreign exchange gain relating to operating activities	(236)	690	(741)
Net foreign exchange (loss)/gain relating to financial assets	(1 534)	(38)	(39)
	2 481	**1 234**	**917**

9 Other expenses

in PLN thousand	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**
Interest expenses relating to non-financial liabilities	(811)	(2 448)	(2 114)
Uncollectible receivables	(430)	(484)	(1 285)
Costs of court proceedings	(272)	(128)	(74)
Contractual penalties	(1 285)	(1 248)	(937)
Receivables written off	(166)	(192)	(3)
Donations	(1 094)	(13)	(122)
Other	(1 319)	(1 836)	(2 499)
	(5 377)	**(6 349)**	**(7 034)**

10 Net financing costs

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Financial income			
Interests on financial assets	2	-	-
Net foreign exchange gain	1 771	-	927
Valuation of derivatives	21 544	-	-
Forgiven financial liabilities	1 285	-	-
Financial income, total	**24 602**	**-**	**927**
Financial costs			
Interest expense relating to financial liabilities	(25 696)	(19 094)	(20 868)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(6 912)	(4 784)	(5 265)
Net foreign exchange loss	(25)	(8 072)	-
Valuation of derivatives	-	(1 142)	(338)
Fee relating to withholding tax relating to financial activity	(6 023)	-	(5 042)
Other	(1 100)	(1 225)	(218)
Financial expenses, total	**(39 756)**	**(34 317)**	**(31 731)**
Net financing costs	**(15 154)**	**(34 317)**	**(30 804)**

11 Income tax expense

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

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Current tax expense			
Current year	(64 261)	(898)	(319)
Deferred tax expense			
Origination and reversal of temporary differences	(24 843)	2 174	(2 242)
Total income tax expense in the profit or loss and other comprehensive income	**(89 104)**	**1 276**	**(2 561)**

Reconciliation of effective tax rate

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2019 - 31.12.2019
(Loss)/profit before tax	**100,0%**	**452 630**	**100,0%**	**32 270**	**100,0%**	**22 333**
Income tax using the domestic corporation tax rate	(19,0%)	(86 000)	(19,0%)	(6 131)	(19,0%)	(4 243)
Effect of tax rates in foreign jurisdictions	(0,0%)	(40)	(0,1%)	(24)	(0,0%)	(11)
Non-deductible costs	(1,3%)	(5 905)	(8,9%)	(2 856)	(4,6%)	(1 030)
Tax exempt income	0,3%	1 540	13,2%	4 254	6,2%	1 385
Utilisation of tax losses not recognised in previous years	-	-	-	-	0,2%	40
Tax losses for which no deferred tax asset was recognised	-	-	3,8%	1 236	(0,7%)	(146)
R&D tax credit	0,6%	2 767	8,9%	2 874	-	-
Adjustment to prior years' income tax	-	-	-	-	1,3%	280
Lack of recognition of deferred tax assets in relation to the limit of settlement of debt financing costs	(0,2%)	(940)	-	-	-	-
Adjustment of the valuation of deferred tax assets for previous years	(0,2%)	(1 037)	-	-	-	-
Recognition of deferred tax assets previously not recognised	-	-	5,2%	1 694	5,7%	1 270
Other	0,1%	511	0,7%	229	(0,5%)	(107)
	(19,7%)	**(89 104)**	**4,0%**	**1 276**	**(11,5%)**	**(2 561)**

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

12 Current tax assets and liabilities

The current tax receivables as at 31.12.2021 amounted to PLN 38 thousand (31.12.2020: PLN 226 thousand, 31.12.2019: PLN 38 thousand).

As at 31.12.2021 the current tax liabilities amounted to PLN 2 936 thousand (31.12.2020: PLN 460 thousand, 31.12.2019: PLN 319 thousand).

13 Property, plant and equipment

in PLN thousand	Land and perpetual usufruct of land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2019	75 915	176 784	518 235	43 219	10 545	24 269	**848 967**
Additions	21 918	29 145	17 418	6 506	880	76 085	**151 952**
Reclassification	-	-	-	(7)	7	-	**-**
Transfer from fixed assets under construction	-	9 888	14 597	455	287	(25 227)	**-**
Disposals	(56)	(76)	(8 006)	(7 042)	(97)	(896)	**(16 173)**
Balance at 31.12.2019	**97 777**	**215 741**	**542 244**	**43 131**	**11 622**	**74 231**	**984 746**
Balance at 01.01.2020	97 777	215 741	542 244	43 131	11 622	74 231	**984 746**
Additions	8 723	931	11 065	731	424	50 098	**71 972**
Transfer from intangible assets	-	-	-	-	-	1 470	**1 470**
Transfer to investment properties	(7 059)	-	-	-	-	-	**(7 059)**
Transfer from fixed assets under construction	-	5 788	31 508	376	175	(37 847)	**-**
Disposals	(362)	(2 896)	(5 271)	(2 032)	(199)	-	**(10 760)**
Balance at 31.12.2020	**99 079**	**219 564**	**579 546**	**42 206**	**12 022**	**87 952**	**1 040 369**
Balance at 01.01.2021	99 079	219 564	579 546	42 206	12 022	87 952	**1 040 369**
Additions	6 507	1 050	21 761	1 544	86	85 986	**116 934**
Transfer from intangible assets	-	-	-	-	-	20	**20**
Transfer from fixed assets under construction	-	17 310	9 810	408	378	(27 906)	**-**
Disposals	(1 770)	(3 036)	(8 476)	(1 674)	(41)	(55)	**(15 052)**
Balance at 31.12.2021	**103 816**	**234 888**	**602 641**	**42 484**	**12 445**	**145 997**	**1 142 271**
Depreciation and impairment losses							
Balance at 01.01.2019	(51 912)	(83 493)	(375 127)	(23 190)	(7 692)	77	**(541 337)**
Depreciation charge for the year	(1 301)	(7 937)	(30 719)	(4 364)	(918)	-	**(45 239)**
Reversal of impairment loss	-	-	884	-	-	242	**1 126**
Reclassification	-	-	-	(2)	2	-	**-**
Disposals	7	52	6 122	6 625	97	-	**12 903**
Balance at 31.12.2019	**(53 206)**	**(91 378)**	**(398 840)**	**(20 931)**	**(8 511)**	**319**	**(572 547)**
Balance at 01.01.2020	(53 206)	(91 378)	(398 840)	(20 931)	(8 511)	319	**(572 547)**
Depreciation charge for the year	(1 258)	(7 815)	(32 117)	(4 413)	(881)	-	**(46 484)**
Reversal of impairment loss	-	-	4	-	-	-	**4**
Transfer to investment properties	22	-	-	-	-	-	**22**
Disposals	55	1 290	4 880	1 986	197	(3)	**8 405**
Balance at 31.12.2020	**(54 387)**	**(97 903)**	**(426 073)**	**(23 358)**	**(9 195)**	**316**	**(610 600)**
Balance at 01.01.2021	(54 387)	(97 903)	(426 073)	(23 358)	(9 195)	316	**(610 600)**
Depreciation charge for the year	(1 960)	(7 877)	(35 746)	(4 139)	(874)	-	**(50 596)**
Disposals	230	2 445	7 718	1 671	41	40	**12 145**
Balance at 31.12.2021	**(56 117)**	**(103 335)**	**(454 101)**	**(25 826)**	**(10 028)**	**356**	**(649 051)**

(in PLN thousand, unless stated otherwise)

Carrying amounts							
Balance at 01.01.2019	24 003	93 291	143 108	20 029	2 853	24 346	307 630
Balance at 31.12.2019	**44 571**	**124 363**	**143 404**	**22 200**	**3 111**	**74 550**	**412 199**
Balance at 01.01.2020	44 571	124 363	143 404	22 200	3 111	74 550	412 199
Balance at 31.12.2020	**44 692**	**121 661**	**153 473**	**18 848**	**2 827**	**88 268**	**429 769**
Balance at 01.01.2021	44 692	121 661	153 473	18 848	2 827	88 268	429 769
Balance at 31.12.2021	**47 699**	**131 553**	**148 540**	**16 658**	**2 417**	**146 353**	**493 220**

including right-of-use assets

Cost							
Balance at 01.01.2019	20 644	1 561	33 965	25 422	1 143	-	**82 735**
Additions	17 464	29 145	17 419	7 294	879	-	**72 201**
Disposals	-	(572)	(8 705)	(3 796)	-	-	**(13 073)**
Balance at 31.12.2019	**38 108**	**30 134**	**42 679**	**28 920**	**2 022**	**-**	**141 863**
Balance at 01.01.2020	38 108	30 134	42 679	28 920	2 022	-	**141 863**
Additions	9 892	931	11 065	731	424	-	**23 043**
Disposals	(1 531)	(1 740)	(6 842)	(1 702)	-	-	**(11 815)**
Balance at 31.12.2020	**46 469**	**29 325**	**46 902**	**27 949**	**2 446**	**-**	**153 091**
Balance at 01.01.2021	46 469	29 325	46 902	27 949	2 446	-	**153 091**
Additions	6 230	1 051	21 724	1 543	86	-	**30 634**
Disposals	-	(989)	(9 747)	(7 269)	(1 143)	-	**(19 148)**
Balance at 31.12.2021	**52 699**	**29 387**	**58 879**	**22 223**	**1 389**	**-**	**164 577**
Depreciation							
Balance at 01.01.2019	(3 924)	(638)	(16 590)	(6 239)	(364)	-	**(27 755)**
Depreciation charge for the year	(1 649)	(2 950)	(6 930)	(3 649)	(294)	-	**(15 472)**
Disposals	7	565	8 212	2 408	-	-	**11 192**
Balance at 31.12.2019	**(5 566)**	**(3 023)**	**(15 308)**	**(7 480)**	**(658)**	**-**	**(32 035)**
Balance at 01.01.2020	(5 566)	(3 023)	(15 308)	(7 480)	(658)	-	**(32 035)**
Depreciation charge for the year	(1 203)	(2 906)	(7 044)	(3 503)	(383)	-	**(15 039)**
Disposals	-	273	5 659	1 467	-	-	**7 399**
Balance at 31.12.2020	**(6 769)**	**(5 656)**	**(16 693)**	**(9 516)**	**(1 041)**	**-**	**(39 675)**
Balance at 01.01.2021	(6 769)	(5 656)	(16 693)	(9 516)	(1 041)	-	**(39 675)**
Depreciation charge for the year	(1 945)	(2 719)	(6 192)	(3 199)	(379)	-	**(14 434)**
Disposals	-	951	8 402	4 186	860	-	**14 399**
Balance at 31.12.2021	**(8 714)**	**(7 424)**	**(14 483)**	**(8 529)**	**(560)**	**-**	**(39 710)**
Carrying amounts							
Balance at 01.01.2019	16 720	923	17 375	19 183	779	-	54 980
Balance at 31.12.2019	**32 542**	**27 111**	**27 371**	**21 440**	**1 364**	**-**	**109 828**
Balance at 01.01.2020	32 542	27 111	27 371	21 440	1 364	-	109 828
Balance at 31.12.2020	**39 700**	**23 669**	**30 209**	**18 433**	**1 405**	**-**	**113 416**
Balance at 01.01.2021	39 700	23 669	30 209	18 433	1 405	-	113 416
Balance at 31.12.2021	**43 985**	**21 963**	**44 396**	**13 694**	**829**	**-**	**124 867**

Property, plant and equipment

	31.12.2021	31.12.2020	31.12.2019
Land	47 699	44 692	44 571
Buildings	131 553	121 661	124 363
Plant and equipment	148 540	153 473	143 404
Vehicles	16 658	18 848	22 200
Fixtures and fittings	2 417	2 827	3 111
Under construction	146 353	88 268	74 550
Total	**493 220**	**429 769**	**412 199**

	31.12.2021	31.12.2020	31.12.2019
Property, plant and equipment pledged as security for liabilities	194 283	225 146	157 988

Collateral

As at 31.12.2021 property, plant and equipment with a carrying amount of PLN 194 283 thousand (31.12.2020: PLN 225 146 thousand, 31.12.2019: PLN 157 988 thousand) was provided as collateral for bonds and bank loans (see note 26).

Depreciation

The depreciation is recognised in the following captions:

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Cost of sales	(47 164)	(43 567)	(42 170)
Distribution expenses	(570)	(486)	(738)
Administration expenses	(2 862)	(2 431)	(2 331)
	(50 596)	**(46 484)**	**(45 239)**

Impairment loss

	31.12.2021	31.12.2020	31.12.2019
Buildings	-	-	-
Plant and equipment	(1 010)	(1 010)	(1 014)
Under construction	-	-	-
Total	**(1 010)**	**(1 010)**	**(1 014)**

As at 31.12.2021, the Group recognized an impairment losses of PLN 1 010 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2020: PLN 1 010 thousand and 31.12.2019: PLN 1 014 thousand).

The analyzes based on the Group's financial forecasts, did not show any indications of futher impairment. In the opinion of the Management Board of the parent company, it is justified to uphold the judgment that there are no premises for impairment of property, plant and equipment. There were also no other new factors that could affect the judgment made by the Management Board. Disclosure regarding the impact of COVID 19 and the situation in Ukraine on the Group's operations is presented in note 39.

14 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2019	15 159	20 395	1 116	25 864	**62 534**
Additions	-	3 888	33	1 431	**5 352**
Disposals	-	-	-	(1 348)	**(1 348)**
Balance at 31.12.2019	**15 159**	**24 283**	**1 149**	**25 947**	**66 538**
Balance at 01.01.2020	15 159	24 283	1 149	25 947	**66 538**
Additions	-	3 653	-	1 462	**5 115**
Disposals	-	(6 626)	-	(15)	**(6 641)**
Transfer to property, plant and equipment	-	(1 476)	-	6	**(1 470)**
Balance at 31.12.2020	**15 159**	**19 834**	**1 149**	**27 400**	**63 542**
Balance at 01.01.2021	15 159	19 834	1 149	27 400	**63 542**
Additions	-	848	-	614	**1 462**
Disposals	-	(3 117)	(1 149)	(84)	**(4 350)**
Transfer to/from property, plant and equipment	-	30	-	(50)	**(20)**
Balance at 31.12.2021	**15 159**	**17 595**	**-**	**27 880**	**60 634**
Amortisation and impairment losses					
Balance at 01.01.2019	(6 230)	(13 942)	(1 116)	(23 281)	**(44 569)**
Amortisation for the year	-	(300)	(33)	(662)	**(995)**
Reversal of impairment loss	-	-	-	1 040	**1 040**
Disposals	-	-	-	282	**282**
Balance at 31.12.2019	**(6 230)**	**(14 242)**	**(1 149)**	**(22 621)**	**(44 242)**
Balance at 01.01.2020	(6 230)	(14 242)	(1 149)	(22 621)	**(44 242)**
Amortisation for the year	-	(441)	-	(761)	**(1 202)**
Disposals	-	-	-	2	**2**
Balance at 31.12.2020	**(6 230)**	**(14 683)**	**(1 149)**	**(23 380)**	**(45 442)**
Balance at 01.01.2021	(6 230)	(14 683)	(1 149)	(23 380)	**(45 442)**
Amortisation for the year	-	(416)	-	(792)	**(1 208)**
Disposals	-	-	1 149	6	**1 155**
Balance at 31.12.2021	**(6 230)**	**(15 099)**	**-**	**(24 166)**	**(45 495)**
Carrying amounts					
Balance at 01.01.2019	8 929	6 453	-	2 583	17 965
Balance at 31.12.2019	**8 929**	**10 041**	**-**	**3 326**	**22 296**
Balance at 01.01.2020	8 929	10 041	-	3 326	22 296
Balance at 31.12.2020	**8 929**	**5 151**	**-**	**4 020**	**18 100**
Balance at 01.01.2021	8 929	5 151	-	4 020	18 100
Balance at 31.12.2021	**8 929**	**2 496**	**-**	**3 714**	**15 139**

Intangible assets

	31.12.2021	31.12.2020	31.12.2019
Goodwill	8 929	8 929	8 929
Development costs	2 496	5 151	10 041
Software and other	3 714	4 020	3 326
Total	**15 139**	**18 100**	**22 296**

Impairment losses

As at 31.12.2021, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 0 thousand (31.12.2020: PLN 0 thousand; 31.12.2019: PLN 0 thousand).

Amortisation and impairment loss charge

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

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Cost of sales	(987)	(923)	(509)
Distribution expenses	(7)	(6)	(2)
Administration expenses	(214)	(273)	(484)
	(1 208)	**(1 202)**	**(995)**

Impairment tests for cash-generating units containing goodwill

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

	31.12.2021	31.12.2020	31.12.2019
Scrap metal and non-ferrous scrap metal division	5 029	5 029	5 029
Billets and finished products FER division	3 900	3 900	3 900
	8 929	**8 929**	**8 929**

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

The key assumptions used for value-in-use calculations in 2021 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	7.93%	7.93%
Growth rate	2.0%	2.0%

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

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

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

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

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

As the result of the impairment test as at 31.12.2021, 31.12.2020 and 31.12.2019 there was no need to recognize an additional impairment write down on goodwill relating to the scrap metal and non-ferrous scrap metal division and the billets and finished products FER division

15 Investment property

in PLN thousand	2021	2020	2019
Balance at 1 January	7 136	121	123
Transfer from property, plant and equipment	-	7 037	-
Transfer to fixed assets held for sale	(7 016)	-	-
Amortization for the period	(1)	(22)	(2)
Balance at 31 December	**119**	**7 136**	**121**
including right-of-use assets			
Balance at 1 January	7 016	-	-
Transfer from property, plant and equipment	-	7 037	-
Transfer to fixed assets held for sale	(7 016)	-	-
Amortization for the period	-	(21)	-
Balance at 31 December	**-**	**7 016**	**-**

Management's assessed that the carrying value of investment property approximates its fair value. The fair value as at December 31, 2020 is confirmed by the planned sale based on a preliminary agreement in a value close to the book value.
In 2021, the Group recognized PLN 35 thousand income from the rental of investment real estate (2020: PLN 198 thousand, 2019: PLN 44 thousand) and incurred PLN 5 thousand operating costs related to these properties (2020: PLN 236 thousand, 2019: PLN 6 thousand).

16 Investment in associates

w tysiącach złotych	31.12.2021	31.12.2020	31.12.2019
Madrohut Sp. z o.o. (associate)	1 015	1 025	952
4Groups Sp. Z o.o. (associate)	-	170	182
	1 015	**1 195**	**1 134**

	Name of the entity with an indication of the legal form	Headquarters	Date of taking control	Value of shares according to the purchase price	Book value of shares	% in the share capital	% in the total number of votes at the General Meeting of Shareholders
1	Madrohut Sp. z o.o.	Kraków	11.04.2014	1 400	1 015	25%	25%
	Total shares in associates:				**1 015**		

On August 23, 2021, the subsidiary Cognor S.A. sold 30% of its shares in the associated company 4Groups Sp. z o.o. to 4Workers Sp. z o.o. The Group realized a profit on this sale in the amount of PLN 13 thousand.

Other changes in the value of disclosed shares for individual balance sheet days result from the recognition of companies' results using the equity method.

The analyzes based on the companies' current results and their financial forecasts did not show any evidence of impairment of the shares.

17 Assets and liabilities due to valuation of derivative instruments

	31.12.2021	31.12.2020	31.12.2019
Non-current financial assets due to valuation of derivative instruments	15 689	-	-
Current financial assets due to valuation of derivative instruments	1 845	-	-
	17 534	**-**	**-**
-interest rate swaps and interest rate option	17 534	-	-

	31.12.2021	31.12.2020	31.12.2019
Non-current financial liabilities due to valuation of derivative instruments	-	-	-
Current financial liabilities due to valuation of derivative instruments	-	4 011	2 869
	-	**4 011**	**2 869**
-interest rate swaps	-	4 011	2 869

The Group has concluded derivative transactions related to financial liabilities with the following financial institutions:

in PLN thousand

Financial institution	Type of instrument	Transaction amount	Currency	Valuation as at 31.12.2021	31.12.2020	31.12.2019
mBank S.A.	IRS (interest rate swap)	200 000	PLN	9 222	-	-
Santander S.A.	IRS (interest rate swap)	240 000	PLN	4 903	-	-
Santander S.A.	IRG (interest rate option)	30 500	EUR	(1 942)	-	-
PEKAO S.A.	IRS (interest rate swap)	100 000	PLN	5 351	-	-
mBank S.A.	IRS (interest rate swap)	16 260	EUR	-	(597)	-
mBank S.A.	IRS (interest rate swap)	69 987	PLN	-	(1 573)	-
BGK	IRS (interest rate swap)	3 931	EUR	-	(231)	-
BGK	IRS (interest rate swap)	16 921	PLN	-	(605)	-
Santander S.A.	IRS (interest rate swap)	20 338	PLN	-	(727)	-
Santander S.A.	IRS (interest rate swap)	4 725	EUR	-	(278)	-
mBank S.A.	IRS (interest rate swap)	16 260	EUR	-	-	(676)
mBank S.A.	IRS (interest rate swap)	69 987	PLN	-	-	(874)
BGK	IRS (interest rate swap)	5 086	EUR	-	-	(262)
BGK	IRS (interest rate swap)	21 890	PLN	-	-	(338)
Santander S.A.	IRS (interest rate swap)	25 116	PLN	-	-	(408)
Santander S.A.	IRS (interest rate swap)	5 835	EUR	-	-	(311)
				17 534	**(4 011)**	**(2 869)**

The transactions as at December 31, 2020 and December 31, 2019 were related to the syndicated loan repaid in 2021, while the transactions as at December 31, 2021 were related to the issued bonds and the concluded loan agreement (for more details, see note 26).

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in PLN thousand	Assets			Liabilities			Net		
	31.12.2021	**31.12.2020**	**31.12.2019**	**31.12.2021**	**31.12.2020**	**31.12.2019**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Property, plant and equipment	8 389	11 136	15 536	(14 942)	(14 416)	(16 460)	(6 553)	(3 280)	(924)
Intangible assets	1 012	1 354	5 262	(254)	(45)	-	758	1 309	5 262
Investment property	649	645	-	-	-	-	649	645	-
Other investments	-	879	672	(45)	(1)	(1)	(45)	878	671
Financial assets due to valuation of derivative instruments	-	-	-	(3 331)	-	-	(3 331)	-	-
Inventories	3 925	3 818	2 475	(131)	-	-	3 794	3 818	2 475
Trade and other receivables	95	-	1 261	(7 035)	(3 507)	(50)	(6 940)	(3 507)	1 211
Interest bearing loans, borrowings and lease liabilities	20 134	29 074	23 163	-	-	-	20 134	29 074	23 163
Other financial liabilities	-	762	-	-	-	-	-	762	-
Employee benefits	3 133	2 771	2 486	-	-	-	3 133	2 771	2 486
Provisions	728	181	43	-	-	-	728	181	43
Trade and other payables	5 412	7 129	4 152	-	(688)	(60)	5 412	6 441	4 092
Other items	2 839	5 213	6 427	312	-	-	3 151	5 213	6 427
Tax value of loss carry-forward expected to be utilised	797	3 244	2 300	-	-	-	797	3 244	2 300
Debt financing costs to be recognized in the following years	2 850	-	-	-	-	-	2 850	-	-
R&D tax credit	-	1 831	-	-	-	-	-	1 831	-
Tax assets/(liabilities)	**49 963**	**68 037**	**63 777**	**(25 426)**	**(18 657)**	**(16 571)**	**24 537**	**49 380**	**47 206**
-to be used after 12 months	41 034	35 830	50 803	(22 605)	(13 790)	(9 674)	18 429	22 040	41 129
-for use within 12 months	8 929	32 207	12 974	(2 821)	(4 867)	(6 897)	6 108	27 340	6 077
Set off of tax assets/ liabilities	(25 426)	(18 657)	(16 571)	25 426	18 657	16 571			
Net deferred tax assets/ liabilities	**24 537**	**49 380**	**47 206**	**-**	**-**	**-**			

Movement in temporary differences during the year

in PLN thousand	01.01.2021	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2021
Property, plant and equipment	(3 280)	(3 273)	-	(6 553)
Intangible assets	1 309	(551)	-	758
Investment property	645	4	-	649
Other investments	878	(923)	-	(45)
Financial assets due to valuation of derivative instruments	-	(3 331)	-	(3 331)
Inventories	3 818	(24)	-	3 794
Trade and other receivables	(3 507)	(3 433)	-	(6 940)
Interest bearing loans,borrowings and lease liabilities	29 074	(8 940)	-	20 134
Other financial liabilities	762	(762)	-	-
Employee benefits	2 771	362	-	3 133
Provisions	181	547	-	728
Trade and other payables	6 441	(1 029)	-	5 412
Other items	5 213	(2 062)	-	3 151
Tax value of loss carry-forwards expected to be utilised	3 244	(2 447)	-	797
Debt financing costs to be recognized in the following years	-	2 850	-	2 850
R&D tax credit	1 831	(1 831)	-	-
	49 380	**(24 843)**	**-**	**24 537**

in PLN thousand	01.01.2020	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2020
Property, plant and equipment	(924)	(2 356)	-	(3 280)
Intangible assets	5 262	(3 953)	-	1 309
Investment property	-	645	-	645
Other investments	671	207	-	878
Inventories	2 475	1 343	-	3 818
Trade and other receivables	1 211	(4 718)	-	(3 507)
Interest bearing loans, borrowings and lease liabilities	23 163	5 911	-	29 074
Other financial liabilities	-	762		762
Employee benefits	2 486	285	-	2 771
Provisions	43	138	-	181
Trade and other payables	4 092	2 349	-	6 441
Other items	6 427	(1 214)	-	5 213
Tax value of loss carry-forward expected to be utilised	2 300	944	-	3 244
R&D tax credit	-	1 831	-	1 831
	47 206	**2 174**	**-**	**49 380**

in PLN thousand	01.01.2019	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2019
Property, plant and equipment	9 203	(10 127)	-	(924)
Intangible assets	7 944	(2 682)	-	5 262
Other investments	493	178	-	671
Inventories	2 094	381	-	2 475
Trade and other receivables	1 297	(86)	-	1 211
Interest bearing loans, borrowings and lease liabilities	9 308	13 855	-	23 163
Employee benefits	3 934	(1 448)	-	2 486
Provisions	374	(331)	-	43
Trade and other payables	2 150	1 942	-	4 092
Other items	3 903	2 524	-	6 427
Tax value of loss carry-forward expected to be utilised	8 748	(6 448)	-	2 300
	49 448	**(2 242)**	**-**	**47 206**

The Group does not recognize any temporary differences from the valuation of shares in associates using equity method due to the approach applied by the Group and due to the immateriality of these temporary differences.

Unrecognised deferred tax assets

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

in PLN thousand	2021	2020	2019
Intangible assets	9 098	9 098	9 098
Debt financing costs	940	-	-
Tax losses	-	595	1 877
Total	**10 038**	**9 693**	**10 975**

19 Inventories

in PLN thousand	31.12.2021	31.12.2020 **restated*	31.12.2019 **restated*
Raw materials	99 943	87 566	65 174
Semi-finished goods and work in progress	120 245	73 994	80 992
Finished products	177 182	94 428	131 926
Goods for resale	28 431	18 113	18 909
	425 801	**274 101**	**297 001**

* The Group changed the presentation of some billets and ingots between semi-finished and finished products - details in note 3.

Movements in allowances for inventories

in PLN thousand	2021	2020	2019
Balance at 1 January	(16 759)	(17 799)	(15 432)
Recognition	(758)	(889)	(2 378)
Utilization	4 811	-	11
Reversal	171	1 929	-
Balance at 31 December	**(12 535)**	**(16 759)**	**(17 799)**

As at 31.12.2021, inventories are presented net of allowances of PLN 12 535 thousand (31.12.2020: PLN 16 759 thousand; 31.12.2019: PLN 17 799 thousand). Allowances relate mainly to goods for resale and finished goods with a net realisable value below cost. Recognition and reversal of inventory allowance are recognized as costs of sales.

Reversal of inventory write-offs was made due to the recovery of the value of the written-off inventories or the cessation of reasons.

In semi-finished products and work in progress as at December 31, 2021, the Group presents PLN 38 585 thousand as a development project implemented by a subsidiary Cognor Holding S.A. Sp. k. (31 December 2020: PLN 12 138 thousand, 31 December 2019: PLN 7 501 thousand).

The value of used inventories recognized as an expense in the consolidated statement of comprehensive income amounted to PLN 1 367 936 thousand (in 2020: PLN 932 997 thousand, in 2019: PLN 1 036 708 thousand).

As at 31.12.2021, inventories with a carrying value of PLN 237 722 thousand (31.12.2020: PLN 5 400 thousand; 31.12.2019: PLN 15 309 thousand) were subject to pledges as collateral for liabilities.

20 Trade and other receivables

Short-term receivables

in PLN thousand	**31.12.2021**	**31.12.2020**	**31.12.2019**
Trade receivables	229 475	71 666	101 740
Statutory receivables excluding income tax*	36 254	37 253	18 404
Prepayments for services and inventories	4 739	1 890	5 781
Prepayments for fixed assets**	40 356	8 444	15 032
Factoring receivables	82 255	19 639	42 217
Other receivables	5 016	2 786	5 168
	398 095	**141 678**	**188 342**

* under this item, the Group discloses the estimated revenue related to compensations related to the increase in quotations of CO2 emission rights (December 31, 2021: PLN 24 139 thousand, December 31, 2020: PLN 12 033 thousand, December 31, 2019: PLN 0 thousand) - details note no. 7

** prepayments for fixed assets included in short-term receivables due to the planned settlement in the short term

Long-term receivables

in PLN thousand	**31.12.2021**	**31.12.2020**	**31.12.2019**
Receivables under a construction contract*	14 466	8 648	4 293
Other receivables	311	290	-
	14 777	**8 938**	**4 293**

* service provided to Przemysław Sztuczkowski, Chairmen of the Management Board - details in note 37

As at 31.12.2021, receivables with a carrying value of PLN 0 thousand (31.12.2020: 0 PLN thousand; 31.12.2019: PLN 0 thousand) were provided as collateral for liabilities.

Factoring receivables

As at 31 December 2021 subsidiary Cognor S.A. was a party to factoring agreements. Existing agreements concern non-recourse and recourse factoring of trade receivables financed up to set limits.

Types of factoring and limits as at 31 December 2021 were as follows:

Factoree	Effective date	Factor:	Limit:	Type of factoring
Cognor S.A. (branch HSJ)	indefinite	mFaktoring S.A.	PLN 27 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Santander S.A.	PLN 55 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	mFaktoring S.A.	PLN 25 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 25 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal and Zlomrex)	indefinite	KUKE S.A.	PLN 93 000 thousand*	non-recourse
Cognor S.A. (branch Zlomrex)	indefinite	mFaktoring S.A.	PLN 45 000 thousand	non-recourse
Cognor S.A. (branch OM)	indefinite	mFaktoring S.A.	PLN 3 000 thousand	non-recourse

**on January 4, 2022, the limit was increased to PLN 120 000 thousand*

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

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2021 PLN 82 255 thousand). The remaining receivables (90%) were derecognised from the statement of financial position.

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

	31.12.2021	31.12.2020	31.12.2019
Trade receivables in total	549 343	240 751	301 679
Factoring receivables derecognised from statement of financial position	(237 613)	(149 446)	(157 722)
Factoring receivables	(82 255)	(19 639)	(42 217)
Trade receivables net	**229 475**	**71 666**	**101 740**

21 Cash and cash equivalents

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Cash in bank	43 961	96 270	78 703
Cash in bank restricted in use	62 855	4 099	50
Cash in hand	195	186	181
Short-term bank deposits	799	-	-
Other	-	-	22
Cash and cash equivalents in statement of financial position	**107 810**	**100 555**	**78 956**
Bank overdrafts	(17 200)	-	-
Cash and cash equivalents in the statement of cash flows	**90 610**	**100 555**	**78 956**

As at December 31, 2021, cash in the amount of PLN 2 151 thousand PLN constituted security for liabilities, as at December 31, 2020 and December 31, 2019, cash and cash equivalents did not serve as security for liabilities. As at December 31, 2021, cash in the amount of PLN 60 704 thousand PLN are deposited as collateral under the not yet launched investment loan.

Detailed information regarding bank overdrafts is presented in note 26.

22 Assets classified as held for sale

in PLN thousand	2021	2020	2019
Balance at 1 January	-	-	-
Transfer from investment property	7 016	-	-
Amortization for the period	(23)	-	-
Balance at 31 December	**6 993**	**-**	**-**
Liabilities related to non-current assets held for sale	**1 548**	**-**	**-**

Subsidiary Cognor S.A. decided to sell the perpetual usufruct of land to the real estate located in Chorzów, previously leased and presented as an investment property. On July 14, 2021, a preliminary sales agreement was signed, in which the net sale price was set at PLN 5 532 thousand. The net value of the asset as at December 31, 2021 amounted to PLN 6 993 thousand, while the discounted payments related to the perpetual usufruct fees of land (in accordance with IFRS 16) amounted to PLN 1 548 thousand.

In 2021, the Group incurred PLN 23 thousand depreciation costs of the said asset, recognized PLN 88 thousand interest costs on account of the discounted liability settlement, and incurred property tax costs in the amount of PLN 148 thousand. During this period, it recognized PLN 41 thousand revenues from lease of the real estate in question.

23 Equity

Issued share capital

	31.12.2021	31.12.2020	31.12.2019
Registered shares number at reporting date	171 420 663	123 940 417	123 940 417
Number of issued warrants	94	51 030 446	51 030 446
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN

On 31 December 2021 the Parent Company’s share capital comprised of 171 420 663 ordinary shares (2020: 123 940 417; 2019: 123 940 417).

Dividend

On June 30, 2021, the General Meeting of Shareholders of the Parent Entity adopted a resolution on the payment of a dividend in the amount of PLN 0,15 per share. PLN 25 713 thousand was allocated for the payment of the dividend, of which PLN 21 924 thousand came from the net profit for 2020, while PLN 3 789 thousand from the Company's reserve capital. The dividend was paid on October 11, 2021.

Liability due to the purchase of shares in Złomrex S.A.

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.

As a consequence of the above, the liability to PS HoldCo Sp. z o.o. in the amount of PLN 106 780 thousand for the acquisition of shares in Złomrex S.A. was presented in equity till 31 December 2021, as its payment was conditional on an equivalent recapitalization of the Parent Entity through the rights resulting from series C warrants (following the expiry of series B warrants, which can no longer be used for this settlement).

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.

As at December 31, 2021, the liability to PS HoldCo Sp. z o.o. with the above-mentioned titles amounted to PLN 1 415 thousand and PLN 106 000 thousand diclosed in other reserves.

Exchangeable Notes

By the end of December 2020, the holders of Exchangeable Notes were required to notify their willingness to convert these securities into shares of Cognor Holding S.A. As a result of the submitted reports EUR 14 770 thousand of Exchangeable Notes were converted for 39,447,312 shares of Cognor Holding S.A. The warrants, in the amount of 6 222 934 items, remaining after this conversion, due to the expiring period of their validity, were purchased from Cognor International Finance plc by PS HoldCo Sp. z o.o. and converted into shares of Cognor Holding S.A. in this amount, while PS HolCo Sp. z o.o. committing to transfer these shares to the holders of the Exchangeable Notes who would have requested to convert these securities by August 1, when all Cognor International Finance plc's obligations under the Exchangeable Notes to the bondholders expired.

After the first application period, bondholders reported to Cognor International Finance plc, requesting the conversion of EUR 2 343 thousand of Exchangeable Notes for 6 256 941 shares. These shares were issued to bondholders by PS HoldCo Sp. z o.o. As a result, in 2021, holders of Exchangeable Notes with a nominal value of EUR 17 113 thousand, who volunteered to convert, received in return 45 704 253 shares of Cognor Holding S.A. As a result, the amount of PLN 68 505 thousand was transferred from other capital to share capital. Due to the lapse of August 1, 2021, the deadline for notifying the conversion, the remaining quantity of ENs with a nominal value of EUR 250 thousand has been submitted for redemption. The redemption was presented as decrease in other reserves in the amount of PLN 1 103 thousand.

As a result of the payment of 1 810 000 warrants by individual investors, the share capital was increased by PLN 2 715 thousand and other capital (aggio) by PLN 199 thousand.

Warrants

As of December 31, 2021, there are 94 series C warrants owned by PS HoldCo Sp. z o.o. These warrants entitle to take up shares of Cognor Holding S.A. at the issue price of PLN 1 million each. Due to the small number of potential shares resulting from the conversion of the above-mentioned warrants, it will not have a noticeable effect on the dilution of the consolidated results of the Group.

The Shareholders' structure as at 31 December 2021 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting
PS Holdco Sp. z o.o.*	122 185 885	71.28%	122 185 885	71.28%
Przemysław Sztuczkowski	617 781	0.36%	617 781	0.36%
Other shareholders	48 616 997	28.36%	48 616 997	28.36%
Total	**171 420 663**	**100.00%**	**171 420 663**	**100.00%**

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

All of the above shares have been paid up.

Treasury shares

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

24 Non-controlling interests

Abbreviated financial information is presented below with regard to the Group's subsidiaries whose non-controlling interests are material. The information below presents the amounts before intra-group eliminations.

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Cognor S.A. (seat in Poraj, Poland)			
Share in capital owned by capital group	94,39%	94,38%	94,38%
Non-controlling interests	5,61%	5,62%	5,62%
Non-current assets	567 586	514 033	485 640
Current assets	889 007	494 869	550 181
Non-current liabilities	270 187	235 982	295 031
Current liabilities	598 110	554 185	537 316
Capital attributable to the parent company	548 518	199 666	185 283
Non-controlling interests	39 778	19 069	18 191
Revenues	2 876 076	1 770 566	1 903 472
Expenses	(2 419 971)	(1 752 728)	(1 888 906)
Income tax expense	(86 544)	(2 577)	(2 897)
(Loss)/profit for the period attributable to:	369 561	15 261	11 669
Owners of the Parent Company	348 826	14 383	11 008
Non-controlling interests	20 735	878	661
Net cash from operating activities	132 078	185 048	137 431
Net cash from investing activities	(97 170)	(64 010)	(56 846)
Net cash from financing activities	(47 501)	(102 148)	(78 550)
Net change in cash and cash equivalents	(12 593)	18 890	2 035

	2021	2020	2019
Non-controlling interests at 1 January	19 069	18 191	17 530
Share in profit for the period	20 735	878	661
Change as a result of a decrease in non-controlling interest	(26)	-	-
Non-controlling interests at 31 December	39 778	19 069	18 191

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 342 770 thousand (2020: profit of PLN 32 675 thousand; 2019: profit of PLN 19 110 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2021 of 167 164 thousand (2020: 123 940 thousand, 2019: 122 236 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year 2021 was 171 520 thousand (2020: 171 649 thousand, 2019: 165 861 thousand).

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

26 Interest-bearing loans and borrowings and bank overdrafts

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 30.

in PLN thousand

	31.12.2021	31.12.2020	31.12.2019
Non-current liabilities			
Secured bank loans	-	123 139	168 725
Secured fixed interest rate debt	157 787	-	-
Lease liabilities	92 086	84 340	79 831
Other borrowings	114	2 295	1 113
	249 987	**209 774**	**249 669**
Current liabilities			
Current portion of secured bank loans	-	38 650	36 907
Current portion of secured fixed interest rate debt	42 163	-	-
Current portion of lease liabilities	19 550	17 966	17 384
Factoring liabilities	-	-	166
Other borrowings	9 103	266	713
	70 816	**56 882**	**55 170**
Bank overdrafts	17 200	-	-
	88 016	**56 882**	**55 170**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2021 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Bank overdrafts	17 200	17 200	-	-	-
Secured fixed interest rate debt	199 950	42 163	78 390	79 397	-
Other borrowings	9 217	9 103	114	-	-
	226 367	**68 466**	**78 504**	**79 397**	**-**

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

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5	Over 5 years
Secured bank loans	161 789	38 650	123 139	-	-
Other borrowings	2 561	266	2 295	-	-
	164 350	**38 916**	**125 434**	**-**	**-**

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

in PLN thousand

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

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2021			**31.12.2020**			**31.12.2019**	
Less than one year	24 016	4 466	19 550	22 099	4 133	17 966	21 578	4 194	17 384
Between 1 and 5 years	65 913	12 696	53 217	57 416	13 411	44 005	55 557	11 888	43 669
More than 5 years	91 819	52 950	38 869	92 536	52 201	40 335	70 696	34 534	36 162
	181 748	**70 112**	**111 636**	**172 051**	**69 745**	**102 306**	**147 831**	**50 616**	**97 215**

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

In 2020, the Group incurred costs in the amount of PLN 2 685 thousand for the lease of fixed assets not recognised in accordance with IFRS16 (short-term contracts and low-value fixed assets) in 2020: PLN 3 062 thousand.

Most of the leases concern the right of perpetual usufruct of land as well as the lease and tenancy of yards, moreover, in the contracts concluded there are no significant additional penalties related to the early termination of the contract.

Changes in debt

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

in PLN thousand	Total	Secured bank loans	Secured fixed interest rate debt	Lease liabilities	Other borrowings
Balance as at 1 January 2019	283 349	242 535	-	36 291	4 523
Recognition of lease liability due to implementation of IFRS 16	54 809	-	-	54 809	-
Liability paid	(59 371)	(38 175)	-	(19 216)	(1 980)
Forgiven liabilities	(700)	-	-	-	(700)
Conlcusion of leasing contracts	25 257	-	-	25 257	-
Interests paid	(14 888)	(10 489)	-	(4 268)	(131)
Interests accrued	15 156	10 774	-	4 268	114
Settlement of provision costs	1 971	1 971	-	-	-
Foreign currency differences	(910)	(984)	-	74	-
Balance as at 31 December 2019	**304 673**	**205 632**	**-**	**97 215**	**1 826**
Balance as at 1 January 2020	304 673	205 632	-	97 215	1 826
Liability paid	(69 810)	(52 138)	-	(17 078)	(594)
Forgiven liabilities	(780)	-	-	-	(780)
Conlcusion of leasing contracts	23 856	-	-	23 856	-
Recognition of bill of exchange liability	2 116	-	-	-	2 116
Derecognition of lease liability due the change in the scope of the contract	(2 051)	-	-	(2 051)	-
Interests paid	(14 221)	(9 750)	-	(4 419)	(52)
Interests accrued	13 771	9 307	-	4 419	45
Settlement of provision costs	1 925	1 925	-	-	-
Foreign currency differences	7 177	6 813	-	364	-
Balance as at 31 December 2020	**266 656**	**161 789**	**-**	**102 306**	**2 561**
Balance as at 1 January 2021	266 656	161 789	-	102 306	2 561
Liability paid	(186 956)	(164 007)	-	(20 569)	(2 380)
Increase of liability*	226 200	17 200	200 000	-	9 000
Conlcusion of leasing contracts	30 948	-	-	30 948	-
Emission costs	(3 394)	-	(3 394)	-	-
Derecognition of lease liability	(277)	-	-	(277)	-
Interests paid	(12 109)	(7 497)	-	(4 377)	(235)
Interests accrued	15 863	7 871	3 344	4 377	271
Settlement of provision costs	2 693	2 693	-	-	-
Compensation/reclassification	(684)	-	-	(684)	-
Foreign currency differences	(937)	(849)	-	(88)	-
Balance as at 31 December 2021	**338 003**	**17 200**	**199 950**	**111 636**	**9 217**

* In secured bank loans, in the item incurring liabilities, the Group presents, per balance, increase of liability due to overdraft facility

(in PLN thousand, unless stated otherwise)

As at 31 December 2021

Analysis of loan agreements and other loans:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
Corporate bonds issued by the subsidiary Cognor S.A.	157 787	42 163	corporate bonds in PLN serie 1/2021	2021.07.21	2026.07.15	WIBOR 6M + margin	- surety of Cognor Holding S.A. and Cognor Holding S.A. Sp. k .; - joint contractual mortgage on specific real estate owned or in perpetual usufruct of Cognor S.A .; - registered pledges on a set of things and rights (enterprise) of Cognor S.A., Cognor Holding S.A. and Cognor Holding S.A. Sp k. - registered pledge on a set of items and rights (part of inventories) belonging to Cognor S.A. - declaration of submission to enforcement submitted by the companies Cognor S.A., Cognor Holding S.A. and Cognor Holding S.A. Sp. k.
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	114	65	loan	2014.07.31	2024.09.15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum / 0.48 rediscount rate at least 3.5 per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company, - bank guarantee
PS HoldCo Sp. z o.o.	-	9 038	loan	2021.06.14	2022.12.31	5,00%	- no collateral
Santander S.A.	-	17 200	bank overdraft	2021.09.03	2023.09.03	WIBOR 1M + margin	- declaration of submission to enforcement, - registered pledge on finished products up to the amount of PLN 20 000 thousand
Total	**157 901**	**68 466**					

(in PLN thousand, unless stated otherwise)

Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mLeasing S.A.	16 193	8 035	lease	2015-09	2026-12	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	3 693	1 285	lease	2017-06	2027-07	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp. z o.o.	7 481	2 199	lease	2018-02	2027-12	WIBOR 1M+margin	- blank bill of exchange, - leased equipment
Alior Leasing Sp. z o.o.	527	569	lease	2017-03	2025-02	WIBOR 1M+margin	- blank bill of exchange, - leased equipment,
Santander Leasing S.A.	3 074	826	lease	2018-12	2026-03	WIBOR 1M+margin	- blank bill of exchange, - leased equipment,
Millenium Leasing S.A.	2 951	682	lease	2018-02	2026-07	WIBOR 1M+margin	- blank bill of exchange, - leased equipment,
Other lessors	660	410	lease	2017-04	2026-08	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Perpetual usufruct of land	22 453	-	lease	n/d	2096	5,66%	no collateral
ArcelorMittal Poland S.A	28 348	3 197	lease	1997.04.03	2030.06.30	5,66%	no collateral
Other lessors	6 706	2 347	lease	2006.05.11	2028.05.31	5,66%	no collateral
Total	**92 086**	**19 550**					

Interest-bearing loans and borrowings

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

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

Dual currency term and revolving facilities

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

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

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

On July 22, 2021, the above-mentioned the long-term facility has been fully repaid early, with the proceeds from the bond issue in the total amount of PLN 200 million (referred to in the last paragraph of this note). The repayment concerned EUR 16,296 thousand (part in EUR) of the loan and PLN 69 837 thousand (part in PLN) and the current balance of overdraft.

Liability from Senior Secured Notes and Exchangeable Notes

In 2018 the Group has repaid totally Senior Secured Notes.

In connection with the request of the holders of exchangeable notes (EN) to the subsidiary Cognor International Finance plc to convert their bonds into shares of Cognor Holding S.A., there were series of conversions of the above-mentioned ENs into shares in previous years. Until December 31, 2020, the National Depository for Securities admitted to trading 15,189,754 shares of Cognor Holding S.A., and in 2021 45,670,246 shares.

On August 1, 2021, all liabilities of CIF and PS Holdco Sp. z o.o. due to the issue of EN in relation to the bondholders expired, and thus the amount of EUR 250 thousand of the unconverted EN bonds was written off. As a result of the redemption of a part of the bonds, the Group recognized a profit in the amount of PLN 1 285 thousand in financial income in the consolidated financial statements.

Bonds issue

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 liability resulted from above bonds amounted to PLN 199 950 thousand.

Investment loan

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.).

Overdraft facilities

Subsidiary - Cognor S.A. signed an overdraft facility agreement with bank Pekao S.A. on August 13, 2021 with a limit of PLN 40 000 thousand. The limit may be used in the following currencies: PLN, EUR, USD. The loan interest rate is WIBOR 1M / EURIBOR 1M / LIBOR 1M + margin. The agreement is valid until July 31, 2022. The loan is secured with a power of attorney to the Company's bank accounts, a declaration of submission to enforcement and a registered pledge on finished products up to the amount of PLN 32 000 thousand. As at December 31, 2021, there was no debt due to the above-mentioned overdraft.

Subsidiary - Cognor S.A. signed an overdraft facility agreement with Santander S.A. on September 3, 2021 with a limit of PLN 20 000 thousand. The loan interest rate is WIBOR 1M + margin. The agreement is valid until September 3, 2023. The loan is secured with a declaration of submission to enforcement and a registered pledge on finished products up to the amount of PLN 20 000 thousand. As at December 31, 2021, the debt under the above-mentioned overdraft was PLN 17 200 thousand.

Subsidiary - Cognor S.A. signed an overdraft facility agreement with mBank S.A. on September 28, 2021 with a limit of PLN 34 000 thousand. The limit may be used in the following currencies: PLN, EUR. The loan interest rate is WIBOR 1M / EURIBOR 1M + margin. The agreement is valid until September 14, 2023. The loan is secured with a declaration of submission to enforcement and a registered pledge on finished products up to the amount of PLN 34 000 thousand. As at December 31, 2021, there was no debt due to the above-mentioned overdraft.

27 Employee benefits obligations

in PLN thousand	**31.12.2021**	**31.12.2020**	**31.12.2019**
Long-term provisions for retirement and jubilee awards	14 343	13 011	11 071
Short-term provisions for retirement and jubilee awards	2 139	1 583	2 346
	16 482	**14 594**	**13 417**

Employee benefits

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

	31.12.2021	**31.12.2020**	**31.12.2019**
Discount rate	3,9%	1,5%	2,0%
Future Salary Increase	3,5% - 7,0%	2,0% - 3,5%	2,0% - 3,5%

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

in PLN thousand	**Provisions for employee benefits**	**Jubilee awards**	**Other**	**Total**
At 1 January 2019	3 447	7 768	6 720	**17 935**
Current service cost	313	805	-	**1 118**
Interest cost	93	207	-	**300**
Actuarial (gain)/loss due to changes in assumptions, including:	334	1 111	-	**1 445**
-ex post actuarial assumptions	*38*	*535*	-	***573***
-changes in financial assumptions	*296*	*576*	-	***872***
Actual benefits paid	(358)	(1 499)	-	**(1 857)**
Reclassification	590	606	(1 196)	**-**
Reclassification on accrued expenses relating to employees	-	-	(5 524)	**(5 524)**
At 31 December 2019	**4 419**	**8 998**	**-**	**13 417**
At 1 January 2020	4 419	8 998	-	**13 417**
Current service cost	270	711	-	**981**
Interest cost	69	138	-	**207**
Actuarial (gain)/loss due to changes in assumptions, including:	430	1 911	-	**2 341**
-ex post actuarial assumptions	*266*	*1 640*	-	***1 906***
-changes in financial assumptions	*164*	*271*	-	***435***
Actual benefits paid	(647)	(1 705)	-	**(2 352)**
At 31 December 2020	**4 541**	**10 053**	**-**	**14 594**
At 1 January 2021	4 541	10 053	-	**14 594**
Current service cost	358	927	-	**1 285**
Interest cost	61	133	-	**194**
Actuarial (gain)/loss due to changes in assumptions, including:	247	1 016	-	**1 263**
-ex post actuarial assumptions	*181*	*1 237*	-	***1 418***
-changes in demographic assumptions	*116*	*(30)*	-	***86***
-changes in financial assumptions	*(50)*	*(191)*	-	***(241)***
Past service cost	-	905	-	**905**
Actual benefits paid	(425)	(1 334)	-	**(1 759)**
At 31 December 2021, including	**4 782**	**11 700**	**-**	**16 482**
- up to 1 year	*462*	*1 677*	-	***2 139***
- over 1 to 5 years	*1 343*	*4 414*	-	***5 757***
- over 5 years	*2 977*	*5 609*	-	***8 586***

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2021	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.5%	0.5%	3.5%	(3.3%)
-provisions for employee benefits			*(6)*	*(388)*
-jubilee awards			*156*	*(552)*
Future Salary Increase	1%	1%	(6.2%)	6.9%
-provisions for employee benefits			*(559)*	*197*
-jubilee awards			*(854)*	*503*
Probability of resignation	1%	1%	7.0%	(6.3%)
-provisions for employee benefits			*121*	*(491)*
-jubilee awards			*588*	*(925)*

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

28 Short-term provisions

in PLN thousand	2021	2020	2019
Balance at 1 January	25	226	4 394
Provisions raised during the year	1 800	-	-
Provisions utilised during the year	-	(201)	-
Provisions released during the year	(25)	-	-
Reclassifications to accrued expenses	-	-	(4 168)
Balance at 31 December	**1 800**	**25**	**226**

29 Trade and other payables

Short term

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Trade payables	403 985	343 296	324 561
Statutory payables	10 478	12 655	19 868
Dividend payables	-	-	34 556
Investment payables	26 462	7 590	22 845
Prepayments for services and deliveries of goods*	23 726	10 142	770
Liabilities due to Shareholder**	1 415	-	26
Accrued expenses relating to bonuses for the Management Board	10 564	2 290	-
Payroll liabilities	622	8 318	7 118
Accrued expenses relating to employees	7 784	6 654	5 064
Accrued expenses on the energy certificates (2021, 2020) and CO2 emission rights (2020, 2019)	3 725	15 384	9 232
Other payables	1 934	5 517	330
	490 695	**411 846**	**424 370**

Long term

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Liabilities due to Shareholder**	-	20 668	18 558
	-	**20 668**	**18 558**

*Prepayments for services and deliveries of goods from December 31, 2020 were realised in 2021 and revenue from sales in 2021 was recognized
** see note 23 for details relating to the transactions with PS Holdco Sp. z o.o.

30 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2021

in PLN thousand	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Financial assets due to valuation of derivative instruments	-	15 689	**15 689**
b) Current assets			
Financial assets due to valuation of derivative instruments	-	1 845	**1 845**
Trade and other receivables	229 475	-	**229 475**
Factoring receivables	-	82 255	**82 255**
Other investments	94	-	**94**
Cash and cash equivalents	107 810	-	**107 810**
Total	**337 379**	**99 789**	**437 168**

As at 31.12.2020

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

As at 31.12.2019

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

Liabilities

As at 31.12.2021

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding lease liabilities)	157 901	-	**157 901**
Other liabilities	-	-	**-**
b) Short-term liabilities		-	
Interest-bearing loans and borrowings (excluding lease liabilities)	51 266	-	**51 266**
Bank overdraft	17 200	-	**17 200**
Trade and other payables excluding tax payables	431 862	-	**431 862**
Total	**658 229**	**-**	**658 229**

As at 31.12.2020

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	125 434	-	**125 434**
Trade and other payables	20 668	-	**20 668**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	38 916	-	**38 916**
Trade and other payables excluding tax payables	350 886	-	**350 886**
Liability resulting from derivative instruments (IRS)	-	4 011	**4 011**
Total	**535 904**	**4 011**	**539 915**

As at 31.12.2019

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	169 838	-	**169 838**
Trade and other payables	18 558	-	**18 558**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	37 786	-	**37 786**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	347 406	-	**347 406**
Liability resulting from derivative instruments (IRS)	-	2 869	**2 869**
Total	**573 588**	**2 869**	**576 457**

Financial assets at amortised costs include loans granted, trade and other receivables (excluding statutory receivables and advances), prepayments and cash and cash equivalents.

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

(in PLN thousand, unless stated otherwise)

Fair values

Financial instruments measured in the statement of financial position at fair value are analyzed in terms of valuation procedures. The hierarchy of valuation procedures was established as follows:
• Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).

• Input data other than quotations covered by the abovementioned level of observable for the asset or liability, directly (i.e. in the form of prices) or indirectly (i.e. based on price-based calculations) (level 2).
• Inputs for the valuation of an asset or liability that are not based on observable market data (i.e. unobservable data) (level 3).

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

	31.12.2021	31.12.2020	31.12.2019
financial assets (level 2)	17 534	-	-
factoring receivables (level 2)	82 255	19 639	42 217
financial liabilities (level 2)	-	(4 011)	(2 869)

There were no transfers between levels of the hierarchy during the year.
The following are details of the fair values of the financial instruments for which it is practicable to estimate such value:
• Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments. (level 2)

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

• Interest-bearing loans and borrowings, excluding fixed rate debt securities: the fair value approximate carrying amounts due to the variable nature of the related interest rates (level 2) which amounted at 31 December 2021 PLN 179 thousand (31 December 2020: PLN 162 234 thousand, 31 December 2019: PLN 207 458 thousand).
• Fixed rate debt securities. The fair value of liability to PS Holdco Sp. z o.o. approximates carrying amount due to an interest rate which was similar to the interest rate applicable for liabilities with similar risk (level 2), which amounted at 31 December 2021 PLN 1 415 thousand (31 December 2020: PLN 20 668 thousand, 31 December 2019: PLN 18 558 thousand), the fair value of liability resulting from bills of exchange approximates carrying amount due to the short-term nature of these instruments and the interest rate similar to the market rate (level 3), which amounted at 31 December 2021 PLN 0 thousand (31 December 2020: PLN 2 116 thousand, 31 December 2019: PLN 0 thousand)

• Liability under corporate bonds issued in 2021 - due to the fact that the bonds are bonds listed on the Catalyst market, the fair value of the bonds was determined on the basis of transactions concluded around the balance sheet date. The fair value of the bonds as at December 31, 2021 was PLN 200 000 thousand (level 1).

The fair value of IRS has been estimated on the base of valuation model taking into consideration the future cash flows in fixed and variable interest rate. As at 31 December 2021 the fair value relating to IRS amounted PLN 17 534 thousand and is disclosed as asset (31 December 2020 liability PLN 4 011 thousand, 31 December 2019 liability PLN 2 869 thousand).
The Group's activities is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign currency risk

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

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

Information on balances denominated in foreign currencies

As at 31.12.2021 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	90 171	25	-	**90 196**
Interest-bearing loans and borrowings	(8 775)	-	-	**(8 775)**
Trade and other payables	(50 865)	(6 174)	-	**(57 039)**
Exposure to currency risk on balances denominated in foreign currencies	**30 531**	**(6 149)**	**-**	**24 382**

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

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

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

A 10 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2021 would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2020 and 2019 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**(Loss) / profit**		**Equity**	
	decrease of functional currency exchange rate by 10%	increase of functional currency exchange rate by 10%	decrease of functional currency exchange rate by 10%	increase of functional currency exchange rate by 10%
31.12.2021	2 438	(2 438)	2 438	(2 438)
31.12.2020	(9 366)	9 366	(9 366)	9 366
31.12.2019	(11 083)	11 083	(11 083)	11 083

Price risk

Commodity price risk is related to a potential increase or decrease in the Group's costs and revenues as a result of changes in commodity prices. The purpose of commodity price risk management is to control exposure to this type of risk within acceptable parameters. The commodity price risk is generally limited by negotiating fixed prices in contracts with suppliers of various duration.

Interest rate risk

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

The Group has 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.

As at December 31, 2021, the Group has the vast majority of financial liabilities based on the WIBOR rate (corporate bonds), as at December 31, 2020 and December 31, 2019, part of the syndicated loan (approx. 50%) in PLN was based on the WIBOR rate, the rest (approx. 50%) in EUR it was based on the EURIBOR rate. The vast majority of leases are based on the WIBOR rate.

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

in PLN thousand	**31.12.2021**	**31.12.2020**	**31.12.2019**
Fixed rate instruments			
Financial assets	94	121	145
Financial liabilities	(72 089)	(56 439)	(52 178)
	(71 995)	**(56 318)**	**(52 033)**

in PLN thousand	**31.12.2021**	**31.12.2020**	**31.12.2019**
Floating rate instruments			
Financial assets	-	-	-
Financial liabilities	(265 914)	(210 217)	(252 495)
	(265 914)	**(210 217)**	**(252 495)**

Impact of interest rate risk on cash flows and fair values

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

Cash flow sensitivity analysis for floating rate financial instruments

Increase/decrease of 150 basis points in interest rates at the reporting date would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020 and 2019.

Influence of interest rate change for the period ended:

in PLN thousand	**Financial result**		**Equity**	
	increase of interest rates by 1.5%	decrease of interest rates by 1.5%	increase of interest rates by 1.5%	decrease of interest rates by 1.5%
31.12.2021	(3 989)	3 989	(3 989)	3 989
31.12.2020	(3 153)	3 153	(3 153)	3 153
31.12.2019	(3 787)	3 787	(3 787)	3 787

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

Credit risk

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

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group places its cash and cash equivalents in financial institutions with high credit ratings. The Group uses factoring (without recourse), which significantly reduces the Group's credit risk. The Group uses receivables insurance to limit credit risk. The majority of trade receivables are insured, and due to the wide range of the Group's recipients, the concentration of credit risk is not significant.

Cash in bank by financial institutions

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
mBank S.A.	36 862	22 368	65 172
Santander S.A.	65 759	5 310	6 297
PKO BP S.A.	1 761	3 190	2 356
ING Bank Śląski S.A.	1 911	2 304	1 756
Pekao S.A.	1 318	2 913	2 728
Bank Gospodarstwa Krajowego	-	59 293	1
Millenium S.A.	4	4 991	432
Other	-	-	33
	107 615	**100 369**	**78 775**

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

Maximum exposure to credit risk

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Financial assets designated at fair value through profit or loss	99 789	19 639	42 217
Receivables at amortised cost	229 569	71 787	101 885
Cash and cash equivalents (excluding cash in hand)	107 615	100 369	78 775
	436 973	**191 795**	**222 877**

As at 31 December 2021, loans in the amount of PLN 94 thousand (2020: PLN 121 thousand, 2019: PLN 145 thousand) were not overdue and were not impaired.

Insured trade receivables

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
from other entities	148 569	64 674	59 109

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Not past due	209 830	60 562	80 454
Past due	**48 581**	**35 348**	**37 970**
1-30 days	29 117	14 522	15 018
31-90 days	2 480	1 597	3 863
91-180 days	745	610	389
181-365 days	456	834	354
more than one year	15 783	17 785	18 346
	258 411	**95 910**	**118 424**

Impairment loss

in PLN thousand	31.12.2021	31.12.2020	31.12.2019
Not past due	(213)	(33)	(14)
Past due	**(14 257)**	**(15 563)**	**(16 670)**
1-30 days	(38)	-	(9)
31-90 days	(36)	(17)	(410)
91-180 days	(268)	(117)	(19)
181-365 days	(248)	(133)	(269)
more than one year	(13 667)	(15 296)	(15 963)
	(14 470)	**(15 596)**	**(16 684)**

Net carrying value *in PLN thousand*	**31.12.2021**	**31.12.2020**	**31.12.2019**
Not past due	209 617	60 529	80 440
Past due	**34 324**	**19 785**	**21 300**
1-30 days	29 079	14 522	15 009
31-90 days	2 444	1 580	3 453
91-180 days	477	493	370
181-365 days	208	701	85
more than one year	2 116	2 489	2 383
	243 941	**80 314**	**101 740**

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

in PLN thousand	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**
Balance at 1 January	(15 596)	(16 684)	(15 991)
Recognition	(1 419)	(746)	(1 656)
Utilization	-	74	349
Release	2 545	1 760	614
Balance at 31 December	**(14 470)**	**(15 596)**	**(16 684)**
Gross value - trade receivables (Stage 2)	244 161	80 506	101 994
Impairment loss (Stage 2)	(220)	(192)	(254)
Net carrying value - trade receivables (Stage 2)	**243 941**	**80 314**	**101 740**
Gross value - trade receivables (Stage 3)	14 250	15 404	16 430
Impairment loss (Stage 3)	(14 250)	(15 404)	(16 430)
Net carrying value - trade receivables (Stage 3)	**-**	**-**	**-**

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

The Group applies the simplified approach required by IFRS 9 and measures the impairment in the amount of credit losses expected over the life of the receivable from its initial recognition. The Group uses a matrix of write-offs, in which write-offs are calculated for trade receivables classified into various age ranges or overdue periods (receivables not overdue 0.01%, overdue up to 30 days 0.02%, overdue 31-60 days 0.3%, overdue 61 - 90 days 1.04%, over 90 days overdue 2.24%).

As at December 31, 2021, trade receivables in the amount of PLN 244 161 thousand were assigned to stage 2 and a write-off of PLN 220 thousand was recognized on them (2020 value of receivables: PLN 80 506 thousand, write-off: PLN 192 thousand, 2019 value of receivables: PLN 101 994 thousand, write-off: PLN 254 thousand).

As at December 31, 2021, trade receivables in the amount of PLN 14 250 thousand were in stage 3 (2020: PLN 15 404 thousand, 2019: PLN 16 430 thousand) and a full write-off was recognized on them.

Liquidity risk

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

In order to mitigate this risk, the Group uses full factoring (no recourse) and loans, including bank overdrafts with appropriate limits.

The Group monitors liquidity using the current liquidity ratio, calculated as the ratio of current assets to current liabilities.

	31.12.2021	**31.12.2020**	**31.12.2019**
[1] Current assets	940 676	516 681	564 482
[2] Current liabilities	591 672	479 748	494 624
[3] Current liquidity ratio [1]/[2]	1,59	1,08	1,14

Contractual maturities of financial liabilities including interest payments

As at 31.12.2021

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	111 636	181 748	24 016	44 437	21 476	91 819
Bank overdraft	17 200	17 200	17 200	-	-	-
Other interest-bearing liabilities	209 167	231 578	56 852	91 818	82 908	-
Trade and other payables (excluding current income tax payables)	431 862	431 862	431 862	-	-	-
	769 865	**862 388**	**529 930**	**136 255**	**104 384**	**91 819**

As at 31.12.2020

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	102 306	172 051	22 099	39 610	17 806	92 536
Other interest-bearing liabilities	164 350	177 101	45 286	131 815	-	-
Trade and other payables (excluding current income tax payables)	371 554	376 617	353 176	23 441	-	-
	638 210	**725 769**	**420 561**	**194 866**	**17 806**	**92 536**

As at 31.12.2019

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

31 Capital management

The basic assumption of the Group's policy in terms of capital management is to maintain strong equity base which determine the confidence of investors, creditors and the market and ensure future development of the business. The Group monitors capital using gearing ratio.
This ratio is calculated as the ratio of net debt to total equity. Net debt is calculated as the sum of loans and borrowings and other liabilities disclosed in the statement of financial position, less cash and cash equivalents. The total value of capital is calculated as equity shown in the statement of financial position plus net debt.

The gearing ratio is as follows:

	31.12.2021	31.12.2020	31.12.2019
[1] Total liabilities (disclosed in statement of financial postion)	861 303	724 185	774 540
[2] Cash and cash equivalents	107 810	100 555	78 956
[3] Net debt: [1]-[2]	753 493	623 630	695 584
[4] Total equity	643 869	307 014	277 191
[5] Total capital: [3]+[4]	1 397 362	930 644	972 775
Gearing ratio [3]/[5]	**53,9%**	**67,0%**	**71,5%**

The Group's objective is to achieve the return on capital that is satisfactory for shareholders.
The Parent Company is subject to the regulation resulting from Article 396 § 1 of the Code of Commercial Companies, which states that the joint stock companies are obliged to transfer at least 8% of the profit for a given financial year recognized in the separate financial statements of the entity to share premium, until it reaches at least one third of the share capital of the entity.
The capital management principles of the Group have been applied consistently during financial year.

32 Capital commitments, future contractual obligations and contingencies

a) capital commitments

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

Investment project	Capital commitment (in thousand PLN)
Production line for the production of hot-rolled bars (new rolling mill for light sections)	124 547
Modernization of the rolling line (Cracow)	24 825
4 gantry cranes (Cracow)	12 192
Modernization of a heating furnace (Cracow)	7 329
Modernization of the steel plant - general contractor (Gliwice)	5 340
3 slag wagons (Gliwice)	9 859
3 scrap wagons (Gliwice)	3 014
Electrode arms (Gliwice)	1 291
Ladle heater (Gliwice)	1 005
Wire feeding machine (Stalowa Wola)	486
Maneuvering yards (Stalowa Wola)	232
	137
	190 257

b) contingencies

The Group has no contingent liabilities.

33 Impact of climate/ environmental issues on the Group's

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 inscribed in the genesis of the organization, which results from the adopted business model. Most of the products delivered to customers are made of waste materials - steel scrap.
The report on non-financial information describes in detail the impact of climate and environmental matters on the Group's operations.

34 Research projects and grants awarded

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

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

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

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

35 Government grants and other deferred income

	31.12.2021	31.12.2020	31.12.2019
Grant from NCRD relaing to project from note 34a (project completed)	-	-	6 188
Grant from NCRD relaing to project from note 34b (project completed)	-	-	51
Grant from NCRD relaing to project from note 34c (project completed)	2 621	2 661	2 350
Grant from NCRD relaing to project from note 34d	2 932	1 885	628
Grant from NCRD relaing to project from note 34e (project completed)	-	-	12
Grant from NCRD relaing to project from note 34f	615	260	-
Forgiven liability relating to loan from WFOŚiGW	913	1 037	621
Settlement of white certificates in time	2 686	-	-
Other	72	82	92
Total	**9 839**	**5 925**	**9 942**
-long term	5 301	984	618
-short term	4 538	4 941	9 324

36 Explanatory note to the statement fo cash flows

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Change in receivables and prepayments in statement of financial position	(262 256)	42 019	(24 329)
Change of advances for acquisition of fixed assets	31 912	(6 588)	4 355
Fee relating to withholding tax	-	-	5 042
Other	864	(1 311)	-
Change in receivables and prepayments in statement of cash flows	**(229 480)**	**34 120**	**(14 932)**

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Change in inventories in statement of financial position	(151 700)	22 900	79 968
Interest on the loan capitalized to the inventory value	195	-	-
Reclassification from assets under construction to inventories	-	-	(4 045)
Other	31	-	-
Change in inventories in statement of cash flows	**(151 474)**	**22 900**	**75 923**

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Change in trade and other payables statement of financial position	58 181	(8 298)	52 459
Change of investment payables	(18 872)	15 255	(17 867)
Change of dividends payables	-	34 554	(34 554)
Change of payables relating to factoring fees	-	(166)	166
Ohter	-	(170)	-
Other transactions with Owner	14 143	-	-
Change in trade and other payables in statement of cash flows	**53 452**	**41 175**	**204**

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Change in provisions in statement of financial position	26 618	(2 375)	(1 914)
Change on deferred taxation	(24 843)	2 174	(2 254)
Change in provisions in statement of cash flows	**1 775**	**(201)**	**(4 168)**

Other adjustments in operating activities include:

in PLN thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Redemption of exchangeable notes	(1 103)	-	-
Loan cancellation	-	(779)	(222)
Intangible assets write-off	3 164	413	-
	2 061	**(366)**	**(222)**

In the "Interest paid" item in financing activities, the Group presents interest payments made to PS HoldCo Sp. z o.o. in connection with the liability for the purchase of Złomrex S.A. shares - details in note 23.

37 Related parties

Identity of related parties

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

Controlling entities

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

Associates are as follows:

- 4 Groups Sp. z o.o. (from January 21st, 2013 till August 23, 2021)
- Madrohut Sp. z o.o. (from April 11, 2014)
- KDPP Doradztwo Biznesowe Sp. z o.o. (from May 25, 2020 till August 23, 2021)

Related companies to the controlling entities:

- 4 Groups Sp. z o.o. (from August 23, 2021)
- KDPP Doradztwo Biznesowe Sp. z o.o. (till May 25, 2020)
- czystyefekt.pl Sp. z o.o.

Entities personally related to Members of the Management Board

- Przemysław Sztuczkowski
- BMD-2 Dominik Barszcz
- BMD Biuro Rachunkowo-Prawne Sp. z o.o. Sp.k.
- Marcin Barszcz BMLaw Kancelaria Prawna
- Foundation "Zdążyć na czas"

in PLN thousand	**31.12.2021**	**31.12.2020**	**31.12.2019**
Long-term receivables:			
- entities personally related to Members of the Management	14 466	8 648	4 293
Short-term receivables:			
- controlling entities	10	48	1
- associates	315	319	266
Liabilities			
- controlling entities*	2 547	23 658	45 837
- related companies to the controlling entities	11 265	1	524
- associates	-	761	-
Loans received			
- controlling entities	9 038	-	-

** liability to PS HoldCo Sp. z o.o. due to purchase of shares in Złomrex S.A. as at December 31, 2021 in the amount of PLN 106,000 thousand is presented in equity (December 31, 2020: PLN 106 780 thousand, December 31, 2019: PLN 106 780 thousand) - for details see note 23*

in PLN thousand	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**
Revenues from sale of services			
- controlling entities	86	47	41
- related companies to the controlling entities	6	6	5
- associates	2 404	1 894	890
- entities personally related to Members of the Management Board	5 827	4 366	4 293
Revenues from sale of raw materials and merchandise			
- related companies to the controlling entities	1	-	37
- associates	-	196	190
Purchase of merchandise and raw materials			
- controlling entities	1 834	2 265	1 360
Purchase of services			
- controlling entities	4 190	3 115	3 164
- associates	6 961	4 466	800
- related companies to the controlling entities	6 160	1 704	6 032
- entities personally related to Members of the Management Board	659	577	404
Other costs			
- controlling entities	(6)	(13)	-
- entities personally related to Members of the Management Board	(120)	-	-
Financial costs			
- controlling entities	(5 455)	(3 045)	(1 134)

Transactions with the members of the Management and Supervisory Boards

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

in PLN thousand	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**	**01.01.2019 - 31.12.2019**
Remuneration of Members of the Management Board of the Parent Company included in the costs of the period	10 616	6 275	6 697
Provision for a bonus for the Management Board of the Parent Company	10 564	2 290	-
Remuneration of Members of the Supervisory Board of the Parent Company, included in the costs of the period	423	420	417
	21 603	**8 985**	**7 114**
The remuneration of Management Board of the Parent Company			
-received from the Parent Company (appointment, consulting agreements)	2 552	231	192
-received from the Parent Company (third party liability insurance)	36	34	31
-received from the subsidiaries (appointment, consulting agreements)	10 276	5 973	6 440
-received from the subsidiaries (medical care)	42	37	34
Supervisory Board of the Parent Company			
-received from the Parent Company (appointment)	378	378	378
-received from the Parent Company (third party liability insurance)	45	42	39
	13 329	**6 695**	**7 114**

The table above does not include the provision for the bonus for the Management Board in the amount of PLN 10 564 thousand established in accordance with the Regulations of the Incentive Program adopted by the Supervisory Board. The Supervisory Board determines the final amount of this bonus and its division into individual members of the management board after receiving the audited financial statement along with the audit report of the statutory auditor.

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

Cognor Holding S.A. shares held by Members of the Management Board as at December 31, 2021

	Number of Cognor Holding S.A. shares held as at 31.12.2021 in pcs	% ownership interest in Cognor Holding S.A.
Przemysław Sztuczkowski*	617 781	0,36%
Przemysław Grzesiak	40 018	0,02%
Dominik Barszcz	50 000	0,03%
	707 799	

* 100% of shares in PS Holdco Sp. z o.o. is owned indirectly by Przemysław Sztukowski through the company 4Workers Sp. z o.o., and therefore the share held by PS Holdco Sp. z o.o. at the same time, it is an indirect contribution of Przemysław Sztukowski. Detailed information on the shareholding is presented in note 23.

On 23-05-2019, the subsidiary Cognor S.A. has concluded a contract with a general contractor worth PLN 10,190 thousand and began building an exhibition and conference center in the vicinity of Krakow. This object is being implemented by the group at the request of the main (indirectly) shareholder of the Parent Entity, and at the same time the President of the Management Board, i.e. Przemysław Sztuczkowski. In the provisions of the agreement concluded between the parties, Cognor S.A. undertook to build the said facility in a standard 'move-in ready', and Przemysław Sztuczkowski undertook to purchase it immediately after commissioning at a price in the amount of costs actually incurred by the Company increased by a 15% margin. As at the balance sheet date, the value of expenditure incurred cumulatively by the Group in this respect is PLN 12 579 thousand (in 2021: PLN 5 059 thousand) . In accordance with the requirements of IFRS 15, the Group recognized in the financial statements a cumulative income of PLN 14 466 thousand (of which in 2021 in the amount of PLN 5 818 thousand), which is the equivalent of the expenditure incurred increased by PLN 1 887 thousand margin (of which PLN 759 thousand is in 2021).

38 Remuneration of the statutory auditor

in PLN thousand	**2021**	**2020**	**2019**
Audit of the separate and consolidated financial statements of Cognor Holding S.A. (2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020-2019: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	70	40	40
Semi-annual reviews separate and consolidated financial statements of Cognor Holding S.A. (2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020-2019: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	17	30	30
Audit of separate financial statements of subsidiary Cognor S.A. (2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020-2019: Pricewaterhousecoopers Polska Spółka z	174	200	200
Semi-annual reviews separate financial statements of Cognor S.A. (Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.)	33	-	-
Audit of separate financial statements of subsidiaries (2020-2019: Primefields Sp. z o.o.)	-	9	9
Audit of separate financial statements of subsidiaries (2020-2019: FKCA Ltd)	-	25	24
Attestation service in the scope of verification of the intensity coefficient of electric energy consumption (Cognor S.A.) (2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020-2019: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt	18	20	20
Attestation service in the scope of verification of financial ratios in the bonds/loan agreement (Cognor S.A.) (2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020-2019: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	-	24	24
Attestation service in the scope of verification of the remuneration report (2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.*, 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	14	14	-
	326	**362**	**347**

**According to the contract, the service will be performed after the completion of the audit of the financial statements for 2021*

39 Situation related to the SARS-COV-2 pandemic and the war in Ukraine

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.

40 Subsequent events

On February 7, 2022, the Subsidiary signed a revolving credit facility agreement with Bank Ochrony Środowiska S.A. in PLN with a limit of PLN 10 000 thousand. The credit use period expires on December 27, 2023. The loan interest rate is set at WIBOR 3M + margin. The collateral is a BGK guarantee in the amount of 80% of the loan, a power of attorney to a bank account, a blank bill of exchange and a declaration of submission to enforcement.

On February 24, 2022, the war in Ukraine began. The impact of this event on the Group's operations is described in Note 39.

Subsidiary Cognor S.A. won the announced by Towarzystwo Finansowe Silesia Sp. z o.o. tender for the sale of real estate located in Siemianowice Śląskie in the form of perpetual usufruct right as well as buildings and structures located on this real estate for a total price of PLN 61 481 thousand. On March 24, 2022, Cognor S.A. purchased the property. Acquisition of the above-mentioned real estate is part of the investment plan consisting in the construction by Cognor S.A. rolling mill, where it will be, among others a modern production line for the production of hot-rolled bars, which is the subject of the Supply Agreement concluded between Cognor S.A. and Danieli & C. Officine Meccaniche S.p.a. Subsidiary Cognor S.A. in December 2021 obtained financing for this purpose in the form of an investment loan - more information on this subject in note 26.

On March 8, 2022, the court in Great Britain completed the liquidation process of the subsidiary Cognor International Finance Ltd and deleted the company from the court register.

Poraj, 28 March 2022

Przemysław Sztuczkowski
Chairman of the Management Board

Przemysław Grzesiak
Vice-Chairman of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

Selected data from the consolidated financial statements

	PLN thousand		EUR thousand	
	31.12.2021	Comparative data*	31.12.2021	Comparative data*
I. Sales revenue	2 811 151	1 733 221	614 124	387 381
II. Operating profit	467 754	66 527	102 185	14 869
III. Profit before tax	452 630	32 270	98 881	7 212
IV. Profit for the period	363 526	33 546	79 416	7 498
IV.a. Profit for the period attributable to owners of the Parent Company	342 770	32 675	74 881	7 303
IV.b. Profit for the period attributable to non-controlling interests	20 756	871	4 534	195
V. Net cash from operating activities	120 012	206 089	26 218	46 062
VI. Net cash from investing activities	-92 121	-57 110	-20 125	-12 764
VII. Net cash from financing activities	-37 836	-127 380	-8 266	-28 470
VIII. Net change in cash and cash equivalents	-9 945	21 599	-2 173	4 827
IX. Total assets	1 505 172	1 031 199	327 254	223 455
X. Total liabilites	861 303	724 185	187 264	156 927
XI. Total non-current liabilities	269 631	244 437	58 623	52 968
XII. Total current liabilities	591 672	479 748	128 641	103 959
XIII. Total equity	643 869	307 014	139 990	66 528
XIV. Issued share capital	257 131	185 911	55 905	40 286
XV. Number of shares (in thousands) as at 31 December	171 421	123 940		
XVI. Basic earnings per share (PLN/EUR)	2,17**	0,27**	0,47	0,06
XVII.Diluted earnings per share (PLN/EUR)	2,12***	0,2***	0,46	0,04
XVIII. Basic book value per share (PLN/EUR) as at 31 December	3,76	2,48	0,82	0,54
XIX. Diluted book value per share (PLN/EUR) as at 31 December	3,75***	1,79***	0,82	0,39
XX. Declared or paid dividend per share (PLN/EUR)	0,15	0,00	0,03	0,00

*Data for the items relating to the statement of financial position are presented as at December 31, while for the items relating to the statement of comprehensive income and the statement of cash flows for the period from January 1 to December 31

** the average number of shares used to calculate the earnings per share was 167 164 thousand pieces for 2021 and 123 940 thousand pieces for 2020

*** the average number of shares used to calculate the diluted book value and diluted earnings per share was 171 520 thousand pieces for 2021 and 171 649 thousand pieces for 2020 (the basic number of ordinary shares and the number of potential ordinary shares that would be issued on the conversion of the nominal value of exchangeable notes and interest for the period January - December 2021 or 2020).

The selected financial data was converted into the EUR currency as follows:
The items of assets and liabilities in the statement of financial position were converted into EUR according to the average exchange rate announced by the National Bank of Poland as of December 31, 2021, PLN 4.5994 / EUR and for comparative data as of December 31, 2020, PLN 4.6148 / EUR.
Individual items concerning the statement of comprehensive income and cash flows were converted according to the exchange rate being the arithmetic average of the average NBP exchange rates applicable on the last calendar day of individual months, which amounted to PLN 4.5775 / EUR (2021), 4.4742 PLN / EUR (2020), respectively.