

# **Cognor Holding S.A.**

## **Consolidated Financial Statements**

**as at and for the year ended 31 December 2022**

*English version of the original in Polish, which is ultimately the only  
binding document*

## Consolidated statement of financial position

in PLN thousand

	Note	31.12.2022	31.12.2021	31.12.2020
<b>Assets</b>				
Property, plant and equipment	14	647 439	493 220	429 769
Intangible assets	15	12 851	15 139	18 100
Investment property	16	117	119	7 136
Investment in associates	17	1 087	1 015	1 195
Financial assets due to valuation of derivative instruments	19	50 551	15 689	-
Other receivables	22	13 971	14 777	8 938
Deferred tax assets	20	14 339	24 537	49 380
<b>Total non-current assets</b>		<b>740 355</b>	<b>564 496</b>	<b>514 518</b>
Inventories	21	549 078	425 801	274 101
Other investments	18	77	94	121
Financial assets due to valuation of derivative instruments	19	6 842	1 845	-
Current income tax receivables	13	16 172	38	226
Trade and other receivables	22	427 760	398 095	141 678
Cash and cash equivalents	23	335 761	107 810	100 555
Non-current assets classified as held for sale	24	6 971	6 993	-
<b>Total current assets</b>		<b>1 342 661</b>	<b>940 676</b>	<b>516 681</b>
<b>Total assets</b>		<b>2 083 016</b>	<b>1 505 172</b>	<b>1 031 199</b>

## Consolidated statement of financial position - continued

in PLN thousand

	Note	31.12.2022	31.12.2021 *restated	31.12.2020 *restated
<b>Equity</b>				
Issued share capital	25	257 131	257 131	185 911
Reserves		351 548	29 301	101 373
Foreign currency translation reserves		-	84	96
Results from previous years and net result of the current year		547 417	317 369	380
<b>Total equity attributable to owners of the Parent Company</b>		<b>1 156 096</b>	<b>603 885</b>	<b>287 760</b>
Non-controlling interests	26	72 335	39 984	19 254
<b>Total equity</b>		<b>1 228 431</b>	<b>643 869</b>	<b>307 014</b>
<b>Liabilities</b>				
Interest-bearing loans and borrowings	29	235 045	157 901	125 434
Lease liabilities	28	92 491	92 086	84 340
Employee benefits obligation	30	11 878	14 343	13 011
Other liabilities	32	-	-	20 668
Government grants and other deferred income	38	6 698	5 301	984
<b>Total non-current liabilities</b>		<b>346 112</b>	<b>269 631</b>	<b>244 437</b>
Bank overdraft	29	46	17 200	-
Interest-bearing loans and borrowings	29	48 891	51 266	38 916
Lease liabilities	28	21 550	19 550	17 966
Employee benefits obligation	30	1 863	2 139	1 583
Other financial liabilities	19	-	-	4 011
Current income tax liabilities	13	783	2 936	460
Provisions for liabilities	31	1 330	1 800	25
Trade and other liabilities	32	431 067	490 695	411 846
Government grants and other deferred income	38	1 398	4 538	4 941
Liabilities related to non-current assets held for sale	24	1 545	1 548	-
<b>Total current liabilities</b>		<b>508 473</b>	<b>591 672</b>	<b>479 748</b>
<b>Total liabilities</b>		<b>854 585</b>	<b>861 303</b>	<b>724 185</b>
<b>Total equity and liabilities</b>		<b>2 083 016</b>	<b>1 505 172</b>	<b>1 031 199</b>

\*data for 2021 and 2020 have been restated - details in note 4

## Consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	Note	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
<b>Continuing operations</b>				
Sales revenue	6	3 666 690	2 811 151	1 733 221
Costs of products, goods and materials sold	7	(2 772 410)	(2 222 237)	(1 574 324)
<b>Gross profit</b>		<b>894 280</b>	<b>588 914</b>	<b>158 897</b>
Other income	8	54 752	47 900	41 193
Distribution expenses	7	(128 778)	(101 065)	(81 753)
Administrative expenses	7	(88 308)	(65 099)	(46 695)
Other gains/(losses) - net	9	(342)	2 481	1 234
Other expenses	10	(8 878)	(5 377)	(6 349)
<b>Operating profit</b>		<b>722 726</b>	<b>467 754</b>	<b>66 527</b>
Financial income	11	49 182	24 602	-
Financial expenses	11	(43 426)	(39 756)	(34 317)
<b>Net financing costs</b>		<b>5 756</b>	<b>(15 154)</b>	<b>(34 317)</b>
Share of (loss)/profit of associates		222	30	60
<b>Profit before tax</b>		<b>728 704</b>	<b>452 630</b>	<b>32 270</b>
Income tax expense	12	(118 331)	(89 104)	1 276
<b>Profit for the period from continuing operations</b>		<b>610 373</b>	<b>363 526</b>	<b>33 546</b>
<b>Discontinued operations</b>				
Net result for the period from discontinued operations, net of tax		-	-	-
<b>Profit for the period</b>		<b>610 373</b>	<b>363 526</b>	<b>33 546</b>
<b>Profit for the period attributable to:</b>				
Owners of the Parent Company		577 917	342 770	32 675
Non-controlling interests	26	32 456	20 756	871
<b>Profit for the period</b>		<b>610 373</b>	<b>363 526</b>	<b>33 546</b>

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

<i>in PLN thousand</i>	<i>Note</i>	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
<b>Other comprehensive income</b>				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		(84)	(12)	46
<b>Other comprehensive income for the year, net of tax</b>		<b>(84)</b>	<b>(12)</b>	<b>46</b>
<b>Total comprehensive income for the period</b>		<b>610 289</b>	<b>363 514</b>	<b>33 592</b>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Parent Company		577 833	342 758	32 721
Non-controlling interests	26	32 456	20 756	871
<b>Total comprehensive income for the period</b>		<b>610 289</b>	<b>363 514</b>	<b>33 592</b>
<b>Basic earnings per share (PLN) attributable to the owners of the Parent Company</b>	27	<b>3,37</b>	<b>2,05</b>	<b>0,26</b>
- from continuing operations		3,37	2,05	0,26
- from discontinued operations		-	-	-
<b>Diluted earnings per share (PLN) attributable to the owners of the Parent Company</b>	27	<b>3,37</b>	<b>2,00</b>	<b>0,19</b>
- from continuing operations		3,37	2,00	0,19
- from discontinued operations		-	-	-

## Consolidated statement of cash flows

in PLN thousand

	Note	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
<b>Cash flows from operating activities</b>				
<b>Continuing operations</b>				
Profit before tax		728 704	452 630	32 270
<b>Adjustments</b>				
Depreciation of property, plant and equipment	14	43 060	50 620	46 506
Amortization of intangible assets	15	1 191	1 208	1 202
Reversal of impairment losses and valuation allowances of property, plant and equipment, intangible assets		-	-	(4)
Foreign exchange (gains)/losses		(173)	(949)	7 222
Net gain on investment operations		-	(13)	-
Net (gains)/losses on disposal of property, plant and equipment, intangible assets		(816)	(4 126)	(578)
Interest, transaction costs (related to loans and borrowings) and dividends, net		(8 578)	1 497	21 859
Change in receivables and prepayments	39	(16 671)	(229 480)	34 120
Change in inventories	39	(123 191)	(151 474)	22 900
Change in trade and other payables	39	(53 096)	53 452	41 175
Change in provisions	39	(470)	1 775	(201)
Change in employee benefits obligation		(2 741)	1 888	1 177
Change in government grants and other deferred income		(1 058)	2 550	(187)
Share of profit/ (loss) of associates		(222)	(30)	(61)
Other adjustments	39	526	2 061	(366)
<b>Cash generated from operating activities</b>		<b>566 465</b>	<b>181 609</b>	<b>207 034</b>
Income tax (paid)/returned		(80 047)	(61 597)	(945)
<b>Net cash from operating activities</b>		<b>486 418</b>	<b>120 012</b>	<b>206 089</b>

## Consolidated statement of cash flows - continued

in PLN thousand

	Note	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		1 735	6 756	859
Proceeds from sale of intangible assets		-	-	20
Acquisition of subsidiaries, net of cash transferred		(17)	(3)	-
Advance payment for the purchase of shares		(32 558)	-	-
Proceeds from sale of shares in associates		-	183	-
Interest received		6	-	-
Dividends received		150	40	20
Repayment of loans granted		24	87	25
Acquisition of property, plant and equipment		(204 952)	(99 026)	(56 059)
Acquisition of intangible assets		(429)	(1 462)	(4 358)
Loans granted		(10)	(60)	-
Received grants for investing activities		217	1 364	2 383
<b>Net cash from investing activities</b>		<b>(235 834)</b>	<b>(92 121)</b>	<b>(57 110)</b>
<b>Cash flows from financing activities</b>				
Net cash receipts from share issue		106 000	2 914	-
Proceeds from interest-bearing loans and borrowings		132 038	209 000	-
IRS proceeds		8 508	-	-
Repayment of interest-bearing loans and borrowings		(59 065)	(166 387)	(52 732)
Payment of lease liabilities		(22 135)	(20 569)	(17 062)
Dividends paid and interests on exchangeable notes in the period		(25 713)	(25 713)	(38 323)
Interest and transaction costs (related to loans and borrowings) paid	39	(37 697)	(36 157)	(19 263)
Fee relating to withholding tax relating to financing activities		-	(924)	-
Other transactions with the Owner		(107 415)	-	-
<b>Net cash from financing activities</b>		<b>(5 479)</b>	<b>(37 836)</b>	<b>(127 380)</b>
<b>Net change in cash and cash equivalents</b>		<b>245 105</b>	<b>(9 945)</b>	<b>21 599</b>
Cash and cash equivalents, at 1 January	23	90 610	100 555	78 956
<b>Cash and cash equivalents net of bank overdraft, at 31 December</b>	23	<b>335 715</b>	<b>90 610</b>	<b>100 555</b>
- including cash restricted for use		119 639	62 855	4 099

## Consolidated statement of changes in equity

Attributable to owners of the Parent Company							
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
<i>in PLN thousand</i>							
<b>Equity as at 1 January 2020</b>	<b>185 911</b>	<b>87 035</b>	<b>50</b>	<b>(14 188)</b>	<b>258 808</b>	<b>18 383</b>	<b>277 191</b>
Total comprehensive income	-	-	46	32 675	<b>32 721</b>	871	<b>33 592</b>
- profit for the period	-	-	-	32 675	<b>32 675</b>	871	<b>33 546</b>
- foreign currency translation differences relating to foreign operations	-	-	46	-	<b>46</b>	-	<b>46</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>							
Contribution by and distributions to owners	-	-	-	(3 769)	<b>(3 769)</b>	-	<b>(3 769)</b>
Interests on exchangeable notes in the period	-	-	-	(3 769)	<b>(3 769)</b>	-	<b>(3 769)</b>
Transfer of profit	-	14 338	-	(14 338)	-	-	-
<b>Equity as at 31 December 2020</b>	<b>185 911</b>	<b>101 373</b>	<b>96</b>	<b>380</b>	<b>287 760</b>	<b>19 254</b>	<b>307 014</b>
<b>Equity as at 1 January 2021</b>	<b>185 911</b>	<b>101 373</b>	<b>96</b>	<b>380</b>	<b>287 760</b>	<b>19 254</b>	<b>307 014</b>
Total comprehensive income	-	-	(12)	342 770	<b>342 758</b>	20 756	<b>363 514</b>
- profit for the period	-	-	-	342 770	<b>342 770</b>	20 756	<b>363 526</b>
- foreign currency translation differences relating to foreign operations	-	-	(12)	-	<b>(12)</b>	-	<b>(12)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>							
Contribution by and distributions to owners	71 220	(73 978)	-	(23 898)	<b>(26 656)</b>	-	<b>(26 656)</b>
Dividends paid	25	-	(3 789)	-	<b>(21 924)</b>	-	<b>(25 713)</b>
Issue of shares	25	2 715	199	-	<b>2 914</b>	-	<b>2 914</b>
Conversion of exchangeable notes into shares	25	68 505	(68 505)	-	-	-	-
Interests on exchangeable notes in the period	25	-	-	(1 974)	<b>(1 974)</b>	-	<b>(1 974)</b>
Redemption of exchangeable notes	25	-	(1 103)	-	<b>(1 103)</b>	-	<b>(1 103)</b>
Other settlements with the Owner	25	-	(780)	-	<b>(780)</b>	-	<b>(780)</b>
Changes in ownership interests	-	-	-	23	<b>23</b>	(26)	<b>(3)</b>
Acquisition of non-controlling interests that do not result in a change in control	-	-	-	23	<b>23</b>	(26)	<b>(3)</b>
Transfer of profit	-	1 906	-	(1 906)	-	-	-
<b>Equity as at 31 December 2021</b>	<b>257 131</b>	<b>29 301</b>	<b>84</b>	<b>317 369</b>	<b>603 885</b>	<b>39 984</b>	<b>643 869</b>



## Consolidated statement of changes in equity

Attributable to owners of the Parent Company								
	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
in PLN thousand								
Equity as at 1 January 2022		257 131	29 301	84	317 369	603 885	39 984	643 869
Total comprehensive income		-	-	(84)	577 917	577 833	32 456	610 289
- profit for the period		-	-	-	577 917	577 917	32 456	610 373
- foreign currency translation differences relating to foreign operations		-	-	(84)	-	(84)	-	(84)
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	-	-	(25 713)	(25 713)	-	(25 713)
Dividends	25	-	-	-	(25 713)	(25 713)	-	(25 713)
Changes in ownership interests		-	-	-	91	91	(105)	(14)
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	91	91	(105)	(14)
Transfer of profit		-	322 247	-	(322 247)	-	-	-
Equity as at 31 December 2022		257 131	351 548	-	547 417	1 156 096	72 335	1 228 431

## 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 Group operates in many locations throughout the country through branches of the subsidiary Cognor S.A.:

- branch of Ferrostal Łabędy in Gliwice, ul. Anny Jagielonki 47, 44-109 Gliwice
- branch of Ferrostal Łabędy in Kraków, ul. Ujastek 1, 31-752 Krakow
- branch of Ferrostal Łabędy in Zawiercie, ul. Okólna 10, 42-400 Zawiercie
- branch HSJ in Stalowa Wola, ul. Eugeniusza Kwiatkowskiego 1, 37-450 Stalowa Wola
- branch Złomrex in Wrocław, ul. Piłsudskiego 49-57, 50-032 Wrocław
- branch PTS in Krakow, ul. Mrozowa 6, 31-752 Krakow
- branch OM Szopienice in Katowice, ul. Fr. Major K. Woźniaka 24, 40-389 Katowice

In addition, the branch Złomrex operates through many scrap collection points in the following cities: Kielce, Kraków, Lublin, Łódź, Olsztyn, Opole, Poznań, Radom, Sosnowiec, Stalowa Wola, Tomaszów Mazowiecki, Tarnów, Świdnica, Wrocław.

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 2022 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 2022 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	94.40%	2006-01-27*
COGNOR HOLDING S.A. Sp. k.	Poland	98.0% (share in profit) 88.13% (shares held, voting rights)	2008-03-25*
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

### **Acquisitions in 2022**

In 2022, Cognor Holding S.A. purchased shares of Cognor S.A. worth PLN 18 thousand. This changed the percentage share in the share capital of Cognor S.A. by 0.01p.p. from 94.39% to 94.40%.

On December 15, 2022, Cognor Holding S.A. signed an agreement to purchase 100% of shares in JAP Industries s.r.o. and SPED-EX Trinec s.r.o. for the total amount of CZK 280,000 thousand. The agreement enters into force on January 1, 2023. In connection with the above agreement, the Company recognized PLN 32,558 thousand as an advance payment for the purchase of shares in these financial statements. The financial data of the acquired companies will be included in the consolidated financial statements in 2023. Data related to the acquisition of these companies are presented in Note 3.

### **Liquidations in 2022**

On March 8, 2022, Cognor International Finance Ltd was liquidated and removed from the UK court register. Cognor International Finance Ltd was a subsidiary in which Cognor S.A. held 100% of the shares, while Cognor Holding S.A. indirectly 94.39%. In 2022, the company no longer conducted any activity. In earlier years, it was involved in the issue of Eurobonds, which were settled in 2021.

### **Changes in 2022**

On June 3, 2022, the contribution of Cognor Holding S.A. decreased to Cognor Holding S.A. Sp. k. by PLN 11 796 thousand. Additionally, new partners joined the company. Therefore, the share of Cognor Holding S.A. in votes it fell to 88.13%. The amended articles of association provide that the share of Cognor Holding S.A. in the company's profits in 2022 is 98%, while from 1 January 2023 it will be 50.9%.

## **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 2022 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 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 43.

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 2 March 2023.

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 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) 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 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) IFRS 17 “Insurance Contracts” including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- b) Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- c) Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (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 adopted by the EU on 2 March 2022 (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 adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

The Group has not decided to early apply any of the above standards or changes to the existing standards. The adoption of amendments to the existing standards shall not led to any material changes in the Group’s consolidated financial statements.

### **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 2, 2023 (the effective dates stated below is for IFRS as issued by IASB):

- a) 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),
- b) Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- c) Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- d) 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,
- e) 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).

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.

### **Interest Rate Benchmark Reform (IBOR Reform)**

Regulation of the European Parliament and of the Council no (EU) 2016/1011 of June 8, 2016 on indices used as benchmarks in financial instruments and financial contracts ("IBOR Reform") entered into force on January 1, 2018. In February 2021, an amendment to the regulation was issued. The regulation introduced a new standard for determining and applying reference rates used on the financial market. As a consequence, the approach to setting WIBOR and EURIBOR rates was reformed. LIBOR rates for the British pound, Swiss franc, yen and euro, starting from January 1, 2022, ceased to be quoted and were replaced by alternative rates.

The IBOR reform resulted in the introduction of changes to IFRS, which were published in two stages:

- amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Reference Interest Rate Reform - Stage 1 (applicable to annual periods beginning on January 1, 2020 or later),
- 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" - Reference Interest Rate Reform - Stage 2 (applicable to annual periods beginning on or after January 1, 2021).

The changes in Stage 1 did not have a significant impact on the Group's consolidated financial statements, as the Group does not apply hedge accounting for interest rate hedging instruments.

With regard to the changes introduced under Stage 2, the Group intends to adopt the following solutions in relation to financial instruments that will change as a consequence of the IBOR Reform:

- in the event that the contractual terms for bank loans are changed directly as a result of the IBOR Reform, and the new rate being the basis for determining contractual cash flows is the economic equivalent of the current rate applicable immediately before the change, the Group will change the basis for determining contractual cash flows prospectively, changing the effective interest rate. With regard to any other changes introduced in this period that are not directly related to the reform, the Group will apply the relevant requirements set out in IFRS 9.
- in the event that the lease agreement is changed directly as a result of the IBOR Reform, and the new rate for determining the lease payments is the economic equivalent of the current rate, the Group will remeasure the lease liability to reflect the changed lease payments using the updated discount rate.
- if the IBOR Reform changes the reference rates on which the Group's derivatives are based, the Group will remeasure the derivatives to reflect the cash flows at the updated rate, without terminating the derivative.

In the Group's opinion, the IBOR reform will not have a significant impact on the consolidated financial statements.

### **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 1b - going concern principle
- note 2c, 2e - estimate related to the economic life of fixed assets and intangible assets
- note 8 – estimation of revenues from compensation for an increase in quotations of CO2 emission rights
- note 14 – analysis of indications regarding impairment of fixed assets
- note 15 – impairment tests for cash-generating units containing goodwill
- note 20 – deferred tax assets and liabilities and utilization of tax losses
- note 21 – inventories, estimates of impairment
- note 25 – settlements with the owner
- note 30 – employee benefits obligations
- note 32 – provision for bonuses for the Management Board
- note 33 – 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 (2020) 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 easily 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.

The Group recognizes CO2 emission rights acquired and not used as at the balance sheet date as materials, and the costs of used rights are recognized in the own cost of manufactured products.

#### **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.

The Group treats cash held on VAT accounts and letters of credit as restricted cash.

Cash on the accounts of the Company Social Benefits Fund reduces the liability resulting from creation of this Fund and is presented in liabilities.

#### **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 25.

### **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.

The Group does not recognize contingent liabilities, but only discloses them in the financial statements. A contingent liability is: a) a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or b) a present obligation that arises from the effect of past events, but is not recognized in the financial statements because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation (liability) cannot be measured reliably enough.

#### 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.

The Group analyzes the amount of CO2 emission rights needed, and in the event of a shortage of these rights as at the balance sheet date, it creates a provision which is presented in short-term liabilities as part of accruals.

#### 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.

h) The group recognizes revenues from the sale of previously contracted utilities (electricity, gas), which it was unable to use for its own needs due to the drop in demand and modernization downtimes, and recognizes these revenues as revenues from the sale of goods.

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

i) 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 Acquisition of subsidiaries**

On December 15, 2022, the company signed an agreement to purchase 100% of shares in companies JAP Industries s.r.o. and SPED-EX Trinec s.r.o. for the total amount of CZK 280,000 thousand.

JAP Industries s.r.o. is a manufacturer of graphite products, including graphite electrodes produced in the process of impregnation of a semi-finished product purchased from external suppliers developed by this company. This entity is also involved in, among other things, trading in ferroalloys. Electrodes and ferroalloys are the key materials used by the Cognor Holding Capital Group in the process of melting steel using the electric arc furnace (EAF). The company has so far been a long-term supplier of the subsidiary company Cognor S.A.

SPED-EX Trinec s.r.o. is a company that provides specific services, including logistics, to JAP Industries s.r.o. and does not conduct any other activity.

The acquisition of these companies will shorten the supply chains and reduce the Group's risk related to the timely delivery of key materials.

In 2022, JAP Industries s.r.o. achieved sales revenue of CZK 955,455 thousand and a net profit of CZK 131,611 thousand, while SPED-EX Trinec s.r.o. achieved sales revenue of CZK 18,333 thousand and a net profit of CZK 484 thousand. As at 31 December 2022, the Group had trade liabilities towards the acquired companies in the amount of PLN 2,856 thousand. In 2022, the Group made purchases from the acquired companies in the amount of PLN 19,719 thousand.

The purchase agreement entered into force on January 1, 2023 and this is the date of taking control over the acquired companies, thus the acquisition will be settled in the consolidated financial statements of the Group in 2023. The average exchange rate of the National Bank of Poland of January 2, 2023 PLN/CZK 0.1936 was used to convert the acquired net assets as well as to pay for it. There are no settlements with the selling party regarding the purchase price depending on the fulfillment of any conditions.

	Fair values (preliminary)		Total
	JAP Industries s.r.o.	SPED-EX Trinec s.r.o.	
<b>Acquired net assets</b>			
Property, plant and equipment	38 953	179	39 132
Intangible assets	8 091	0	8 091
Inventories	83 723	0	83 723
Trade and other receivables	25 762	1 764	27 526
Other assets	361	0	361
Deferred tax assets	308	67	375
Cash and cash equivalents	26 436	376	26 812
Trade and other liabilities	-14 282	-626	-14 908
Employee benefits obligation	-53	-20	-73
Deferred tax liabilities	-7 072	-2	-7 074
<b>Total identifiable assets acquired and liabilities assumed</b>	<b>162 227</b>	<b>1 738</b>	<b>163 965</b>
<b>The consideration transferred, of which:</b>			<b>51 597</b>
- in the form of cash 60% of the price (CZK 168 million)			32 525
- 20% of the price (CZK 56 million) within 1 year from the date of closing the transaction (discounted value)			9 947
- 20% of the price (CZK 56 million) within 2 years from the date of closing the transaction (discounted value)			9 125
<b>Gain from a bargain purchase</b>			<b>112 368</b>

Due to the need of the selling party to quickly close and finalize the transaction, the Management Board expects to realize a profit on a bargain purchase in the estimated amount of PLN 112,368 thousand. Due to the significant amounts of profit on a bargain purchase, the Management Board of the Group reassessed the correctness of identification and valuation of acquired assets and liabilities. There are no contingent liabilities in the acquired companies.

In connection with the abovementioned agreement, Cognor Holding S.A. transferred in 2022 PLN 32,558 thousand as payment for the shares and presented them in other short-term receivables. The Management Board expects to recover the full amount of receivables shown above.

The final value of the gain on the bargain purchase as well as the acquired net assets will be included in the consolidated financial statements in 2023.

The Group incurred the costs of legal services and due diligence related to the above mentioned acquisition in the amount of PLN 245 thousand and recognized them as an expense in 2022.

#### 4 Transformation of comparable data in the consolidated statement

The Group decided to present lease liabilities in a separate item in the balance sheet and to separate them from the previous combined presentation with other liabilities due to loans, borrowings and other debt instruments. Appropriate transformations were made in the notes.

##### Change in the presentation of lease liabilities

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

<i>in PLN thousand</i>	according to the approved report for 2020	adjustments	data restated
Interest-bearing loans and borrowings	209 774	(84 340)	125 434
Lease liabilities	-	84 340	84 340
<b>Total non-current liabilities</b>	<b>244 437</b>	<b>-</b>	<b>244 437</b>
Interest-bearing loans and borrowings	56 882	(17 966)	38 916
Lease liabilities	-	17 966	17 966
<b>Total current liabilities</b>	<b>479 748</b>	<b>-</b>	<b>479 748</b>

Excerpt from the consolidated statement of financial position as at December 31, 2021

<i>in PLN thousand</i>	according to the approved report for 2021	adjustments	data restated
Interest-bearing loans and borrowings	249 987	(92 086)	157 901
Lease liabilities	-	92 086	92 086
<b>Total non-current liabilities</b>	<b>269 631</b>	<b>-</b>	<b>269 631</b>
Interest-bearing loans and borrowings	70 816	(19 550)	51 266
Lease liabilities	-	19 550	19 550
<b>Total current liabilities</b>	<b>591 672</b>	<b>-</b>	<b>591 672</b>

## 5 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 following types of segments:

- scrap metal: comprising purchasing, sorting, processing, refining and subsequent shipment and sale 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 shipment and sale to external customers,
- other: including transportation services, property development, revenues from the sale of electricity and gas (details in note 6) 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.

## 5 Segment reporting - continued

### Business segments

in PLN thousand

	31.12.2022	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		260 555	383 090	335 631	1 157 889	936 539	107 492	122 216	348 915	10 622		
Inter-segment revenue		401 984	122 828	95 053	49 164	66 733	28 384	-	28 265	25 297		
<b>Total revenue</b>		<b>662 539</b>	<b>505 918</b>	<b>430 684</b>	<b>1 207 053</b>	<b>1 003 272</b>	<b>135 876</b>	<b>122 216</b>	<b>377 180</b>	<b>35 919</b>	<b>(813 967)</b>	<b>3 666 690</b>
Cost of sales to external customers		(237 719)	(335 798)	(277 921)	(876 430)	(798 000)	(99 282)	(103 603)	(142 331)	(9 522)		
Inter-segment cost of sales		(385 663)	(100 309)	(66 688)	(34 456)	(50 121)	(26 204)	-	(24 689)	(3 604)		
<b>Total cost of sales</b>		<b>(623 382)</b>	<b>(436 107)</b>	<b>(344 609)</b>	<b>(910 886)</b>	<b>(848 121)</b>	<b>(125 486)</b>	<b>(103 603)</b>	<b>(167 020)</b>	<b>(13 126)</b>	<b>799 930</b>	<b>(2 772 410)</b>
<b>Segment result</b>		<b>39 157</b>	<b>69 811</b>	<b>86 075</b>	<b>296 167</b>	<b>155 151</b>	<b>10 390</b>	<b>18 613</b>	<b>210 160</b>	<b>22 793</b>	<b>(14 037)</b>	<b>894 280</b>
Other income		326	5 948	6 443	19 693	15 028	74	324	7 292	1 417	(1 793)	54 752
Distribution and administrative expenses		(25 522)	(18 909)	(9 280)	(60 036)	(47 392)	(5 253)	(5 505)	(10 362)	(48 150)	13 323	(217 086)
Other gain/(losses) net		170	-	(23)	(13)	(77)	40	252	214	(1 527)	622	(342)
Other expenses		(222)	(581)	(1 134)	(1 909)	(2 854)	(53)	(35)	(1 334)	(1 584)	828	(8 878)
<b>Operating profit/(loss)</b>		<b>13 909</b>	<b>56 269</b>	<b>82 081</b>	<b>253 902</b>	<b>119 856</b>	<b>5 198</b>	<b>13 649</b>	<b>205 970</b>	<b>(27 051)</b>	<b>(1 057)</b>	<b>722 726</b>
Net financing costs										5 683	73	5 756
Share of profit of associates, net of tax												222
Income tax expense												(118 331)
<b>Profit for the period</b>												<b>610 373</b>

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non- ferrous scrap metal	Non- ferrous finished products	Other	Unallocated	Eliminations	Consolidated
<b>31.12.2021</b>											
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		
<b>Total revenue</b>	<b>544 857</b>	<b>304 899</b>	<b>266 284</b>	<b>777 533</b>	<b>1 168 054</b>	<b>117 132</b>	<b>83 547</b>	<b>84 510</b>	<b>20 240</b>	<b>(555 905)</b>	<b>2 811 151</b>
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)		
<b>Total cost of sales</b>	<b>(501 919)</b>	<b>(275 955)</b>	<b>(209 149)</b>	<b>(624 078)</b>	<b>(906 963)</b>	<b>(105 287)</b>	<b>(68 435)</b>	<b>(68 523)</b>	<b>(11 274)</b>	<b>549 346</b>	<b>(2 222 237)</b>
<b>Segment result</b>	<b>42 938</b>	<b>28 944</b>	<b>57 135</b>	<b>153 455</b>	<b>261 091</b>	<b>11 845</b>	<b>15 112</b>	<b>15 987</b>	<b>8 966</b>	<b>(6 559)</b>	<b>588 914</b>
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)
<b>Operating profit</b>	<b>17 979</b>	<b>20 794</b>	<b>56 524</b>	<b>121 405</b>	<b>245 611</b>	<b>6 422</b>	<b>8 807</b>	<b>12 781</b>	<b>(16 102)</b>	<b>(6 467)</b>	<b>467 754</b>
Net financing costs									(10 288)	(4 866)	(15 154)
Share of profit of associates, net of tax											30
Income tax expense											(89 104)
<b>Profit for the period</b>											<b>363 526</b>

in PLN thousand

31.12.2020	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	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		
<b>Total revenue</b>	<b>274 408</b>	<b>217 936</b>	<b>160 205</b>	<b>478 691</b>	<b>746 982</b>	<b>69 673</b>	<b>50 697</b>	<b>63 982</b>	<b>15 454</b>	<b>(344 807)</b>	<b>1 733 221</b>
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)		
<b>Total cost of sales</b>	<b>(256 659)</b>	<b>(205 816)</b>	<b>(145 125)</b>	<b>(424 965)</b>	<b>(711 700)</b>	<b>(64 369)</b>	<b>(42 808)</b>	<b>(56 176)</b>	<b>(4 459)</b>	<b>337 753</b>	<b>(1 574 324)</b>
<b>Segment result</b>	<b>17 749</b>	<b>12 120</b>	<b>15 080</b>	<b>53 726</b>	<b>35 282</b>	<b>5 304</b>	<b>7 889</b>	<b>7 806</b>	<b>10 995</b>	<b>(7 054)</b>	<b>158 897</b>
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)
<b>Operating profit/(loss)</b>	<b>3 641</b>	<b>1 189</b>	<b>14 925</b>	<b>25 390</b>	<b>20 641</b>	<b>1 718</b>	<b>5 103</b>	<b>5 595</b>	<b>(9 759)</b>	<b>(1 916)</b>	<b>66 527</b>
Net financing costs									(45 021)	10 704	(34 317)
Share of profit of associates, net of tax											60
Income tax expense											1 276
<b>Profit for the period</b>											<b>33 546</b>

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
<b>31.12.2022</b>											
Segment assets	93 215	101 898	150 116	320 098	751 546	18 011	37 714	50 658	604 309	(44 549)	<b>2 083 016</b>
Segment liabilities	27 148	50 749	52 716	159 490	123 466	5 615	6 997	29 217	487 868	(88 681)	<b>854 585</b>
Depreciation and amortisation	(4 664)	(4 792)	(2 723)	(14 918)	(13 240)	(966)	(1 248)	(1 013)	(811)	124	<b>(44 251)</b>
Capital expenditures	2 800	1 966	31 093	6 056	128 250	579	738	5 451	-	-	<b>176 933</b>

in PLN thousand

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

in PLN thousand

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



### Unallocated assets

in PLN thousand

Long-term and short-term investments	
Deferred tax assets	
Investment property	
Financial assets due to valuation of derivative instruments	
Income tax receivable	
Cash and cash equivalents	
Assets held for sale	
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	
Assets of central office	

31.12.2022	31.12.2021	31.12.2020
1 164	1 109	1 316
14 339	24 537	49 380
117	119	7 136
57 393	17 534	-
16 172	38	226
335 761	107 810	100 555
6 971	6 993	-
107 213	121 423	57 760
65 179	37 268	21 313
<b>604 309</b>	<b>316 831</b>	<b>237 686</b>

### Unallocated liabilities

in PLN thousand

Interest-bearing loans and borrowings	
Lease liabilities	
Bank overdraft	
Provisions	
Government grants and other deferred income	
Current income tax payables	
Other liabilities	
Other financial liabilities	
Liabilities related to non-current assets held for sale	
Liabilities of central office	

31.12.2022	31.12.2021	31.12.2020
283 936	209 167	164 350
114 041	111 636	102 306
46	17 200	-
1 330	1 800	25
8 096	9 839	5 925
783	2 936	460
57 419	24 378	47 158
-	-	4 011
1 545	1 548	-
20 672	7 584	19 214
<b>487 868</b>	<b>386 088</b>	<b>343 449</b>

## 5 Segment reporting (continued)

### Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenue from external customers	2 385 792	2 084 057	1 216 529	654 457	434 239	231 696	626 441	292 855	284 996	3 666 690	2 811 151	1 733 221
Capital expenditures	176 933	87 468	56 719	-	-	-	-	-	-	176 933	87 468	56 719
Increase in fixed assets in the form of leasing	21 666	30 928	20 368	-	-	-	-	-	-	21 666	30 928	20 368
	<b>198 599</b>	<b>118 396</b>	<b>77 087</b>							<b>198 599</b>	<b>118 396</b>	<b>77 087</b>

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 2022, none of the Group's customers exceeded 10% of consolidated revenues (in 2021 and 2020 none of the Group's customers exceeded 10% of consolidated revenues).

## 6 Revenues from contracts with customers

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Revenues from sale of products	2 953 561	2 390 370	1 500 571
Revenues from sale of services	45 555	89 394	31 842
Revenues from sale of goods and energy	665 452	308 161	182 610
Revenues from sale of raw materials	2 122	23 226	18 198
	<b>3 666 690</b>	<b>2 811 151</b>	<b>1 733 221</b>
<i>including:</i>			
- revenue from sale of goods or services transferred to customers at a point in time	3 656 111	2 805 333	1 728 866
- revenue from sale of goods or services transferred to customers over time	10 579	5 818	4 355
<b>Revenues are generated from the following sources:</b>			
-sale of steel scrap and non-ferrous metals scrap	368 047	338 297	174 651
-sale of slabs, ingots	718 721	466 261	306 665
-sale of rolled bars, rolled slabs and sheets	1 157 889	762 145	468 891
-sale of ribbed, flat, round, square bars, angles, tees, channels, sections	936 539	1 079 729	670 515
-sale of bronze and zinc casting alloys shafts and sleeves	122 216	83 547	49 625
-sale of transport services	24 143	21 572	20 970
-sale of houses and apartments	32 254	12 151	-
-sale resulting from the construction contract	10 579	5 818	4 355
-sale of electricity and gas	260 139	-	-
-other sale	36 163	41 631	37 549

As revenues recognized over time, revenues resulting from the construction contract of an exhibition and conference center in the vicinity of Krakow, which the Group builds on commission, are recognized. Other revenues are recognized at a point in time.

In 2020, the Group concluded 2-3-year futures contracts for the purchase of electricity and gas for own needs, of which for a subsidiary Cognor S.A., Ferrostal Łabędy division, these were base contracts requiring daily balancing on the stock exchange due to the daily demand for these utilities being uneven over time. In the second half of this year, there were long-term production downtimes of individual plants, resulting from a significant reduction in demand, as well as from the implementation of modernization projects. As a result, Cognor S.A. was obliged to resell unused significant volumes of electricity and gas on the exchange. As the market prices of these media in 2022 were significantly higher than the purchase forward prices under the contracts concluded in 2020, and the unused volumes were significant, this year the Company generated sales revenues on these transactions in the total amount of PLN 260,139 thousand (PLN 236,842 thousand for electricity, PLN 23,297 thousand for gas) and a profit in total amount of PLN 155,091 thousand (PLN 131,794 thousand for electricity, PLN 23,297 thousand for gas). The purchase of electricity and gas is made with the assumption of consumption for own needs, resale takes place as a result of production downtime. There are no obligations to return on account of the transactions carried out. On the basis of the conducted analyzes, due to the described situation and the purchase of energy with the intention of using it for own needs, the Group does not measure open contracts for the purchase of energy and gas to fair value.

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, 2022 in the amount of PLN 25 045 thousand (including PLN 10 579 thousand in 2022, PLN 5 818 thousand in 2021, PLN 4 355 thousand in 2020), which is the equivalent of expenditure incurred increased by margin in amount PLN 3 267 thousand (of which recognized in 2022: PLN 1 380 thousand, in 2021 PLN 759 thousand, in 2020 PLN 568 thousand). To recognize the revenue in future years under this contract, the amount of c.a. PLN 5 000 thousand remains, however, due to high price volatility, this value may change. 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 coming year.

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.

## 7 Expenses by type

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Depreciation and amortisation (note 14 and 15)	(44 251)	(51 828)	(47 708)
Energy and materials consumption	(2 041 050)	(1 729 223)	(1 098 881)
External services	(277 238)	(214 828)	(167 692)
Taxes and charges	(11 914)	(9 528)	(9 600)
Wages and salaries	(198 049)	(166 742)	(139 999)
Social security contributions and other benefits	(44 086)	(38 279)	(34 046)
Other expenses	(8 458)	(7 096)	(6 295)
<b>Total expenses by type</b>	<b>(2 625 046)</b>	<b>(2 217 524)</b>	<b>(1 504 221)</b>
Cost of goods for resale and materials	(426 225)	(303 973)	(161 944)
Changes in inventories, prepayments, accruals and costs settled	61 775	133 096	(36 607)
<b>Costs of products, goods and materials sold, administrative and distribution expenses, including:</b>	<b>(2 989 496)</b>	<b>(2 388 401)</b>	<b>(1 702 772)</b>
Costs of products, goods and materials sold	(2 772 410)	(2 222 237)	(1 574 324)
Distribution expenses	(128 778)	(101 065)	(81 753)
Administrative expenses	(88 308)	(65 099)	(46 695)

## 8 Other income

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Compensations and penalties received	1 178	383	464
Insurance compensations	255	620	985
Forgiven liabilities	123	151	2 551
Reimbursed costs of court proceedings	337	70	316
Donations and grants, including:	43 640	38 290	31 624
-CO2 compensations*	40 965	36 245	12 033
-Aid for maintaining jobs (anti-COVID shield)	-	-	11 800
-Other	2 675	2 045	7 791
Interest income relating to trade receivables	2 237	130	506
Reversal of allowance for interest and other receivables	355	347	683
Revenues from readiness to reduce power of energy	5 413	7 500	3 681
Other	1 214	409	383
	<b>54 752</b>	<b>47 900</b>	<b>41 193</b>

\* In 2022, the Group's Management Board decided to include PLN 42 445 thousand in other operating income, which the Group expects to obtain for this period in 2023 as compensation for the increase in quotations of CO2 emission rights, which was regulated in the act adopted by the Polish parliament in 2020. On the basis of it, some carbon dioxide emitters will be able to claim partial compensation for its higher prices. When calculating the amount of recompensation due to the Group for 2022 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 247,18 per tonne, and (ii) no reduction (if the limit is exceeded on a national scale, a reduction mechanism is introduced - in previous years there was no reduction). The compensations calculated in this way for 2022 amounted to PLN 42 445 thousand. This item also includes the adjustment between the compensation calculated in 2021 and the actual compensation received by the Group in 2022 in the amount of PLN -1 480 thousand. The value of compensation for 2021 received in 2022 amounted to PLN 22 660 thousand.

## 9 Other gains/(losses) - net

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Net gain/ (loss) on disposal of property, plant and equipment	816	4 126	575
Net gain/(loss) on disposal of intangible assets	-	-	7
Net gain/(loss) on sales of shares in associates valued at equity method	-	13	-
Net gain/(loss) on the sale of energy certificates	598	112	-
Net foreign exchange gain relating to operating activities	1 537	(236)	690
Net foreign exchange (loss)/gain relating to financial assets	(3 293)	(1 534)	(38)
	<b>(342)</b>	<b>2 481</b>	<b>1 234</b>

## 10 Other expenses

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Interest expenses relating to non-financial liabilities	(164)	(811)	(2 448)
Uncollectible receivables	(875)	(430)	(484)
Costs of court proceedings	(951)	(272)	(128)
Contractual penalties	(1 501)	(1 285)	(1 248)
Receivables written off	(417)	(166)	(192)
Donations	(1 428)	(1 094)	(13)
Other	(3 542)	(1 319)	(1 836)
	<b>(8 878)</b>	<b>(5 377)</b>	<b>(6 349)</b>

## 11 Net financing costs/income

in PLN thousand

### Financial income

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Interests on financial assets	357	2	-
Revenue from settlement of IRS instruments	8 508	-	-
Net foreign exchange gain	360	1 771	-
Valuation of derivatives	39 859	21 544	-
Forgiven financial liabilities	98	1 285	-
<b>Financial income, total</b>	<b>49 182</b>	<b>24 602</b>	<b>-</b>

### Financial costs

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Interest expense relating to financial liabilities	(36 964)	(25 696)	(19 094)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(6 066)	(6 912)	(4 784)
Net foreign exchange loss	(375)	(25)	(8 072)
Valuation of derivatives	-	-	(1 142)
Fee relating to withholding tax relating to financial activity	-	(6 023)	-
Other	(21)	(1 100)	(1 225)
<b>Financial expenses, total</b>	<b>(43 426)</b>	<b>(39 756)</b>	<b>(34 317)</b>
<b>Net financing costs/income</b>	<b>5 756</b>	<b>(15 154)</b>	<b>(34 317)</b>

## 12 Income tax expense

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

<i>in PLN thousand</i>	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
<b>Current tax expense</b>			
Current year	(108 133)	(64 261)	(898)
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	(10 198)	(24 843)	2 174
<b>Total income tax expense in the profit or loss and other comprehensive income</b>	<b>(118 331)</b>	<b>(89 104)</b>	<b>1 276</b>

### Reconciliation of effective tax rate

<i>in PLN thousand</i>	01.01.2022 - 31.12.2022	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.12.2020
(Loss)/profit before tax	100,0%	728 704	100,0%	452 630	100,0%	32 270
Income tax using the domestic corporation tax rate	(19,0%)	(138 454)	(19,0%)	(86 000)	(19,0%)	(6 131)
Effect of tax rates in foreign jurisdictions	-	-	(0,0%)	(40)	(0,1%)	(24)
Non-deductible costs	(0,5%)	(3 672)	(1,3%)	(5 905)	(8,9%)	(2 856)
Tax exempt income	0,2%	1 713	0,3%	1 540	13,2%	4 254
Utilisation of tax losses not recognised in previous years	-	-	-	-	-	-
Tax losses for which no deferred tax asset was recognised	(0,0%)	(6)	-	-	3,8%	1 236
R&D tax credit	1,5%	10 699	0,6%	2 767	8,9%	2 874
Adjustment to prior years' income tax	0,0%	253	-	-	-	-
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	1,3%	9 465	(0,2%)	(1 037)	-	-
Recognition of deferred tax assets previously not recognised	-	-	-	-	5,2%	1 694
Other	0,2%	1 671	0,1%	511	0,7%	229
	<b>(16,2%)</b>	<b>(118 331)</b>	<b>(19,7%)</b>	<b>(89 104)</b>	<b>4,0%</b>	<b>1 276</b>

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.

## 13 Current tax assets and liabilities

The current tax receivables as at 31.12.2022 amounted to PLN 16 172 thousand (31.12.2021: PLN 38 thousand, 31.12.2020: PLN 226 thousand).

As at 31.12.2022 the current tax liabilities amounted to PLN 783 thousand (31.12.2021: PLN 2 936 thousand, 31.12.2020: PLN 460 thousand).

## 14 Property, plant and equipment

in PLN thousand

	Land and perpetual usufruct of land	Buildings	Plant and equipment	Vehicles	Fixtures and fittings	Under construction	Total
<b>Cost</b>							
Balance at 01.01.2020	97 777	215 741	542 244	43 131	11 622	74 231	<b>984 746</b>
Additions	8 723	931	11 065	731	424	50 098	<b>71 972</b>
Transfer from intangible assets	-	-	-	-	-	1 470	<b>1 470</b>
Transfer to investment properties	(7 059)	-	-	-	-	-	<b>(7 059)</b>
Reclassification	-	-	-	-	-	-	-
Transfer from fixed assets under construction	-	5 788	31 508	376	175	(37 847)	-
Disposals	(362)	(2 896)	(5 271)	(2 032)	(199)	-	<b>(10 760)</b>
<b>Balance at 31.12.2020</b>	<b>99 079</b>	<b>219 564</b>	<b>579 546</b>	<b>42 206</b>	<b>12 022</b>	<b>87 952</b>	<b>1 040 369</b>
Balance at 01.01.2021	99 079	219 564	579 546	42 206	12 022	87 952	<b>1 040 369</b>
Additions	6 507	1 050	21 761	1 544	86	85 986	<b>116 934</b>
Transfer from intangible assets	-	-	-	-	-	20	<b>20</b>
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)	<b>(15 052)</b>
<b>Balance at 31.12.2021</b>	<b>103 816</b>	<b>234 888</b>	<b>602 641</b>	<b>42 484</b>	<b>12 445</b>	<b>145 997</b>	<b>1 142 271</b>
Balance at 01.01.2022	103 816	234 888	602 641	42 484	12 445	145 997	<b>1 142 271</b>
Additions	3 144	647	6 398	11 033	444	176 504	<b>198 170</b>
Transfer from fixed assets under construction	14 938	2 521	15 804	1 383	511	(35 157)	-
Disposals	-	(769)	(6 069)	(2 103)	(6)	-	<b>(8 947)</b>
<b>Balance at 31.12.2022</b>	<b>121 898</b>	<b>237 287</b>	<b>618 774</b>	<b>52 797</b>	<b>13 394</b>	<b>287 344</b>	<b>1 331 494</b>
<b>Depreciation and impairment losses</b>							
Balance at 01.01.2020	(53 206)	(91 378)	(398 840)	(20 931)	(8 511)	319	<b>(572 547)</b>
Depreciation charge for the year	(1 258)	(7 815)	(32 117)	(4 413)	(881)	-	<b>(46 484)</b>
Reversal of impairment loss	-	-	4	-	-	-	<b>4</b>
Transfer to investment properties	22	-	-	-	-	-	<b>22</b>
Disposals	55	1 290	4 880	1 986	197	(3)	<b>8 405</b>
<b>Balance at 31.12.2020</b>	<b>(54 387)</b>	<b>(97 903)</b>	<b>(426 073)</b>	<b>(23 358)</b>	<b>(9 195)</b>	<b>316</b>	<b>(610 600)</b>
Balance at 01.01.2021	(54 387)	(97 903)	(426 073)	(23 358)	(9 195)	316	<b>(610 600)</b>
Depreciation charge for the year	(1 960)	(7 877)	(35 746)	(4 139)	(874)	-	<b>(50 596)</b>
Disposals	230	2 445	7 718	1 671	41	40	<b>12 145</b>
<b>Balance at 31.12.2021</b>	<b>(56 117)</b>	<b>(103 335)</b>	<b>(454 101)</b>	<b>(25 826)</b>	<b>(10 028)</b>	<b>356</b>	<b>(649 051)</b>
Balance at 01.01.2022	(56 117)	(103 335)	(454 101)	(25 826)	(10 028)	356	<b>(649 051)</b>
Depreciation charge for the year	(1 743)	(8 106)	(27 569)	(4 687)	(931)	-	<b>(43 036)</b>
Reversal of impairment loss	-	-	1 009	-	-	-	<b>1 009</b>
Disposals	-	302	4 693	2 022	6	-	<b>7 023</b>
<b>Balance at 31.12.2022</b>	<b>(57 860)</b>	<b>(111 139)</b>	<b>(475 968)</b>	<b>(28 491)</b>	<b>(10 953)</b>	<b>356</b>	<b>(684 055)</b>



### Carrying amounts

Balance at 01.01.2020	44 571	124 363	143 404	22 200	3 111	74 550	412 199
<b>Balance at 31.12.2020</b>	<b>44 692</b>	<b>121 661</b>	<b>153 473</b>	<b>18 848</b>	<b>2 827</b>	<b>88 268</b>	<b>429 769</b>
Balance at 01.01.2021	44 692	121 661	153 473	18 848	2 827	88 268	429 769
<b>Balance at 31.12.2021</b>	<b>47 699</b>	<b>131 553</b>	<b>148 540</b>	<b>16 658</b>	<b>2 417</b>	<b>146 353</b>	<b>493 220</b>
Balance at 01.01.2022	47 699	131 553	148 540	16 658	2 417	146 353	493 220
<b>Balance at 31.12.2022</b>	<b>64 038</b>	<b>126 148</b>	<b>142 806</b>	<b>24 306</b>	<b>2 441</b>	<b>287 700</b>	<b>647 439</b>

### including right-of-use assets

<b>Cost</b>							
Balance at 01.01.2020	38 108	30 134	42 679	28 920	2 022	-	<b>141 863</b>
Additions	9 892	931	11 065	731	424	-	<b>23 043</b>
Disposals	(1 531)	(1 740)	(6 842)	(1 702)	-	-	<b>(11 815)</b>
<b>Balance at 31.12.2020</b>	<b>46 469</b>	<b>29 325</b>	<b>46 902</b>	<b>27 949</b>	<b>2 446</b>	-	<b>153 091</b>
Balance at 01.01.2021	46 469	29 325	46 902	27 949	2 446	-	<b>153 091</b>
Additions	6 230	1 051	21 724	1 543	86	-	<b>30 634</b>
Disposals	-	(989)	(9 747)	(7 269)	(1 143)	-	<b>(19 148)</b>
<b>Balance at 31.12.2021</b>	<b>52 699</b>	<b>29 387</b>	<b>58 879</b>	<b>22 223</b>	<b>1 389</b>	-	<b>164 577</b>
Balance at 01.01.2022	52 699	29 387	58 879	22 223	1 389	-	<b>164 577</b>
Additions	18 081	647	8 706	10 369	444	-	<b>38 247</b>
Disposals	-	-	(4 265)	(4 829)	-	-	<b>(9 094)</b>
<b>Balance at 31.12.2022</b>	<b>70 780</b>	<b>30 034</b>	<b>63 320</b>	<b>27 763</b>	<b>1 833</b>	-	<b>193 730</b>

### Depreciation

Balance at 01.01.2020	(5 566)	(3 023)	(15 308)	(7 480)	(658)	-	<b>(32 035)</b>
Depreciation charge for the year	(1 203)	(2 906)	(7 044)	(3 503)	(383)	-	<b>(15 039)</b>
Disposals	-	273	5 659	1 467	-	-	<b>7 399</b>
<b>Balance at 31.12.2020</b>	<b>(6 769)</b>	<b>(5 656)</b>	<b>(16 693)</b>	<b>(9 516)</b>	<b>(1 041)</b>	-	<b>(39 675)</b>
Balance at 01.01.2021	(6 769)	(5 656)	(16 693)	(9 516)	(1 041)	-	<b>(39 675)</b>
Depreciation charge for the year	(1 945)	(2 719)	(6 192)	(3 199)	(379)	-	<b>(14 434)</b>
Disposals	-	951	8 402	4 186	860	-	<b>14 399</b>
<b>Balance at 31.12.2021</b>	<b>(8 714)</b>	<b>(7 424)</b>	<b>(14 483)</b>	<b>(8 529)</b>	<b>(560)</b>	-	<b>(39 710)</b>
Balance at 01.01.2022	(8 714)	(7 424)	(14 483)	(8 529)	(560)	-	<b>(39 710)</b>
Depreciation charge for the year	(1 743)	(2 659)	(4 929)	(2 896)	(312)	-	<b>(12 539)</b>
Disposals	-	-	3 127	3 573	-	-	<b>6 700</b>
<b>Balance at 31.12.2022</b>	<b>(10 457)</b>	<b>(10 083)</b>	<b>(16 285)</b>	<b>(7 852)</b>	<b>(872)</b>	-	<b>(45 549)</b>

### Carrying amounts

Balance at 01.01.2020	32 542	27 111	27 371	21 440	1 364	-	109 828
<b>Balance at 31.12.2020</b>	<b>39 700</b>	<b>23 669</b>	<b>30 209</b>	<b>18 433</b>	<b>1 405</b>	-	<b>113 416</b>
Balance at 01.01.2021	39 700	23 669	30 209	18 433	1 405	-	113 416
<b>Balance at 31.12.2021</b>	<b>43 985</b>	<b>21 963</b>	<b>44 396</b>	<b>13 694</b>	<b>829</b>	-	<b>124 867</b>
Balance at 01.01.2022	43 985	21 963	44 396	13 694	829	-	124 867
<b>Balance at 31.12.2022</b>	<b>60 323</b>	<b>19 951</b>	<b>47 035</b>	<b>19 911</b>	<b>961</b>	-	<b>148 181</b>



## Property, plant and equipment

	31.12.2022	31.12.2021	31.12.2020
Land	64 038	47 699	44 692
Buildings	126 148	131 553	121 661
Plant and equipment	142 806	148 540	153 473
Vehicles	24 306	16 658	18 848
Fixtures and fittings	2 441	2 417	2 827
Under construction	287 700	146 353	88 268
<b>Total</b>	<b>647 439</b>	<b>493 220</b>	<b>429 769</b>

	31.12.2022	31.12.2021	31.12.2020
Property, plant and equipment pledged as security for liabilities	170 802	194 283	225 146

## Collateral

As at 31.12.2021 property, plant and equipment with a carrying amount of PLN 170 802 thousand (31.12.2021: PLN 194 283 thousand, 31.12.2020: PLN 225 146 thousand) was provided as collateral for bonds and bank loans (see note 29).

## Depreciation

The depreciation is recognised in the following captions:

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Cost of sales	(38 762)	(47 164)	(43 567)
Distribution expenses	(1 611)	(570)	(486)
Administration expenses	(2 663)	(2 862)	(2 431)
	<b>(43 036)</b>	<b>(50 596)</b>	<b>(46 484)</b>

## Impairment loss

	31.12.2022	31.12.2021	31.12.2020
Buildings	-	-	-
Plant and equipment	-	(1 010)	(1 010)
Under construction	-	-	-
<b>Total</b>	<b>-</b>	<b>(1 010)</b>	<b>(1 010)</b>

As at 31.12.2022, there were no impairment losses (31.12.2021: impairment loss PLN 1 010 thousand and 31.12.2020: PLN 1 010 thousand).

The analyzes based on the Group's financial forecasts, did not show any indications of further 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 43.

## Borrowing costs

The Group capitalizes the value of external financing costs related to the investment loan and the costs of letters of credit in the value of fixed assets under construction. In 2022, the Group recognized PLN 6 926 thousand in the value of fixed assets under construction. In 2020-2021, the Group did not capitalize borrowing costs in the value of fixed assets.

## 15 Intangible assets

in PLN thousand

	Goodwill	Develop- ment costs	CO2 emission rights	Software and other	Total
<b>Cost</b>					
Balance at 01.01.2020	15 159	24 283	1 149	25 947	<b>66 538</b>
Additions	-	3 653	-	1 462	<b>5 115</b>
Disposals	-	(6 626)	-	(15)	<b>(6 641)</b>
Transfer to property, plant and equipment	-	(1 476)	-	6	<b>(1 470)</b>
<b>Balance at 31.12.2020</b>	<b>15 159</b>	<b>19 834</b>	<b>1 149</b>	<b>27 400</b>	<b>63 542</b>
Balance at 01.01.2021	15 159	19 834	1 149	27 400	<b>63 542</b>
Additions	-	848	-	614	<b>1 462</b>
Disposals	-	(3 117)	(1 149)	(84)	<b>(4 350)</b>
Transfer to property, plant and equipment	-	30	-	(50)	<b>(20)</b>
<b>Balance at 31.12.2021</b>	<b>15 159</b>	<b>17 595</b>	<b>-</b>	<b>27 880</b>	<b>60 634</b>
Balance at 01.01.2022	15 159	17 595	-	27 880	<b>60 634</b>
Additions	-	183	-	246	<b>429</b>
Reclassifications	-	1 301	-	(1 301)	<b>-</b>
Disposals	-	(1 526)	-	(368)	<b>(1 894)</b>
<b>Balance at 31.12.2022</b>	<b>15 159</b>	<b>17 553</b>	<b>-</b>	<b>26 457</b>	<b>59 169</b>
<b>Amortisation and impairment losses</b>					
Balance at 01.01.2020	(6 230)	(14 242)	(1 149)	(22 621)	<b>(44 242)</b>
Amortisation for the year	-	(441)	-	(761)	<b>(1 202)</b>
Disposals	-	-	-	2	<b>2</b>
<b>Balance at 31.12.2020</b>	<b>(6 230)</b>	<b>(14 683)</b>	<b>(1 149)</b>	<b>(23 380)</b>	<b>(45 442)</b>
Balance at 01.01.2021	(6 230)	(14 683)	(1 149)	(23 380)	<b>(45 442)</b>
Amortisation for the year	-	(416)	-	(792)	<b>(1 208)</b>
Disposals	-	-	1 149	6	<b>1 155</b>
<b>Balance at 31.12.2021</b>	<b>(6 230)</b>	<b>(15 099)</b>	<b>-</b>	<b>(24 166)</b>	<b>(45 495)</b>
Balance at 01.01.2022	(6 230)	(15 099)	-	(24 166)	<b>(45 495)</b>
Amortisation for the year	-	(309)	-	(882)	<b>(1 191)</b>
Reclassifications	-	(76)	-	76	<b>-</b>
Disposals	-	-	-	368	<b>368</b>
<b>Balance at 31.12.2022</b>	<b>(6 230)</b>	<b>(15 484)</b>	<b>-</b>	<b>(24 604)</b>	<b>(46 318)</b>
<b>Carrying amounts</b>					
Balance at 01.01.2020	8 929	10 041	-	3 326	22 296
<b>Balance at 31.12.2020</b>	<b>8 929</b>	<b>5 151</b>	<b>-</b>	<b>4 020</b>	<b>18 100</b>
Balance at 01.01.2021	8 929	5 151	-	4 020	18 100
<b>Balance at 31.12.2021</b>	<b>8 929</b>	<b>2 496</b>	<b>-</b>	<b>3 714</b>	<b>15 139</b>
Balance at 01.01.2022	8 929	2 496	-	3 714	15 139
<b>Balance at 31.12.2022</b>	<b>8 929</b>	<b>2 069</b>	<b>-</b>	<b>1 853</b>	<b>12 851</b>

## Intangible assets

	31.12.2022	31.12.2021	31.12.2020
Goodwill	8 929	8 929	8 929
Development costs	2 069	2 496	5 151
Software and other	1 853	3 714	4 020
<b>Total</b>	<b>12 851</b>	<b>15 139</b>	<b>18 100</b>

## Impairment losses

As at 31.12.2022, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 0 thousand (31.12.2021: PLN 0 thousand; 31.12.2020: PLN 0 thousand).

## Amortisation and impairment loss charge

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

<i>in PLN thousand</i>	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Cost of sales	(922)	(987)	(923)
Distribution expenses	(11)	(7)	(6)
Administration expenses	(258)	(214)	(273)
	<b>(1 191)</b>	<b>(1 208)</b>	<b>(1 202)</b>

## Impairment tests for cash-generating units containing goodwill

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

	31.12.2022	31.12.2021	31.12.2020
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
	<b>8 929</b>	<b>8 929</b>	<b>8 929</b>

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 2022 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	9.76%	9.76%
Growth rate	2.0%	2.0%

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 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 31.12.2022, 31.12.2021 and 31.12.2020 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.

## 16 Investment property

*in PLN thousand*

	2022	2021	2020
Balance at 1 January	119	7 136	121
Transfer from property, plant and equipment	-	-	7 037
Transfer to fixed assets held for sale	-	(7 016)	-
Amortization for the period	(2)	(1)	(22)
<b>Balance at 31 December</b>	<b>117</b>	<b>119</b>	<b>7 136</b>

*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)
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>	<b>7 016</b>

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 2022, the Group recognized PLN 31 thousand income from the rental of investment real estate (2021: PLN 35 thousand, 2020: PLN 198 thousand) and incurred PLN 5 thousand operating costs related to these properties (2021: PLN 5 thousand, 2020: PLN 236 thousand).

## 17 Investment in associates

*in PLN thousand*

	31.12.2022	31.12.2021	31.12.2020
Madrohut Sp. z o.o. (associate)	1 087	1 015	1 025
4Groups Sp. Z o.o. (associate)	-	-	170
	<b>1 087</b>	<b>1 015</b>	<b>1 195</b>

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	1 087	25%	25%
<b>Total shares in associates:</b>				<b>1 087</b>		

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.

## 18 Other investments

in PLN thousand

### Other non-current investments

Loans granted

31.12.2022	31.12.2021	31.12.2020
77	94	121
<b>77</b>	<b>94</b>	<b>121</b>

## 19 Assets and liabilities due to valuation of derivative instruments

Non-current financial assets due to valuation of derivative instruments

Current financial assets due to valuation of derivative instruments

-interest rate swaps and interest rate option

31.12.2022	31.12.2021	31.12.2020
50 551	15 689	-
6 842	1 845	-
<b>57 393</b>	<b>17 534</b>	-
57 393	17 534	-

Non-current financial liabilities due to valuation of derivative instruments

Current financial liabilities due to valuation of derivative instruments

-interest rate swaps

31.12.2022	31.12.2021	31.12.2020
-	-	-
-	-	4 011
<b>-</b>	<b>-</b>	<b>4 011</b>
-	-	4 011

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		
				31.12.2022	31.12.2021	31.12.2020
mBank S.A.	IRS (interest rate swap)	200 000	PLN	13 879	9 222	-
Santander S.A.	IRS (interest rate swap)	240 000	PLN	28 565	4 903	-
Santander S.A.	IRG (interest rate option)	30 500	EUR	7 539	(1 942)	-
PEKAO S.A.	IRS (interest rate swap)	100 000	PLN	7 410	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)
				<b>57 393</b>	<b>17 534</b>	<b>(4 011)</b>

The transactions as at December 31, 2020 were related to the syndicated loan repaid in 2021, while the transactions as at December 31, 2022 and December 31, 2021 were related to the issued bonds and the concluded loan agreement (for more details, see note 29).

## 20 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		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Property, plant and equipment	7 207	8 389	11 136	(17 979)	(14 942)	(14 416)	(10 772)	(6 553)	(3 280)
Intangible assets	4 228	1 012	1 354	(386)	(254)	(45)	3 842	758	1 309
Investment property	653	649	645	-	-	-	653	649	645
Other investments	-	-	879	(75)	(45)	(1)	(75)	(45)	878
Financial assets due to valuation of derivative instruments	-	-	-	(10 905)	(3 331)	-	(10 905)	(3 331)	-
Inventories	5 831	3 925	3 818	-	(131)	-	5 831	3 794	3 818
Trade and other receivables	172	95	-	(13 349)	(7 035)	(3 507)	(13 177)	(6 940)	(3 507)
Interest bearing loans, borrowings and lease liabilities	22 060	20 134	29 074	-	-	-	22 060	20 134	29 074
Other financial liabilities	-	-	762	-	-	-	-	-	762
Employee benefits	2 610	3 133	2 771	-	-	-	2 610	3 133	2 771
Provisions	566	728	181	-	-	-	566	728	181
Trade and other payables	10 592	5 412	7 129	-	-	(688)	10 592	5 412	6 441
Other items	-	2 839	5 213	529	312	-	529	3 151	5 213
Tax value of loss carry-forward expected to be utilised	287	797	3 244	-	-	-	287	797	3 244
Debt financing costs to be recognized in the following years	2 298	2 850	-	-	-	-	2 298	2 850	-
R&D tax credit	-	-	1 831	-	-	-	-	-	1 831
<b>Tax assets/(liabilities)</b>	<b>56 504</b>	<b>49 963</b>	<b>68 037</b>	<b>(42 165)</b>	<b>(25 426)</b>	<b>(18 657)</b>	<b>14 339</b>	<b>24 537</b>	<b>49 380</b>
-to be used after 12 months	31 363	41 034	35 830	(11 843)	(22 605)	(13 790)	19 520	18 429	22 040
-for use within 12 months	25 141	8 929	32 207	(30 322)	(2 821)	(4 867)	(5 181)	6 108	27 340
Set off of tax assets/ liabilities	(42 165)	(25 426)	(18 657)	42 165	25 426	18 657			
<b>Net deferred tax assets/ liabilities</b>	<b>14 339</b>	<b>24 537</b>	<b>49 380</b>	<b>-</b>	<b>-</b>	<b>-</b>			

## Movement in temporary differences during the year

	01.01.2022	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2022
<i>in PLN thousand</i>				
Property, plant and equipment	(6 553)	(4 219)	-	(10 772)
Intangible assets	758	3 084	-	3 842
Investment property	649	4	-	653
Other investments	(45)	(30)	-	(75)
Financial assets due to valuation of derivative instruments	(3 331)	(7 574)	-	(10 905)
Inventories	3 794	2 037	-	5 831
Trade and other receivables	(6 940)	(6 237)	-	(13 177)
Interest bearing loans, borrowings and lease liabilities	20 134	1 926	-	22 060
Other financial liabilities	-	-	-	-
Employee benefits	3 133	(523)	-	2 610
Provisions	728	(162)	-	566
Trade and other payables	5 412	5 180	-	10 592
Other items	3 151	(2 622)	-	529
Tax value of loss carry-forwards expected to be utilised	797	(510)	-	287
Debt financing costs to be recognized in the following years	2 850	(552)	-	2 298
R&D tax credit	-	-	-	-
	<b>24 537</b>	<b>(10 198)</b>	<b>-</b>	<b>14 339</b>

	01.01.2021	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2021
<i>in PLN thousand</i>				
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-forward 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)	-	-
	<b>49 380</b>	<b>(24 843)</b>	<b>-</b>	<b>24 537</b>

	01.01.2020	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2020
<i>in PLN thousand</i>				
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
	<b>47 206</b>	<b>2 174</b>	<b>-</b>	<b>49 380</b>

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:

<i>in PLN thousand</i>	2022	2021	2020
Intangible assets	-	9 098	9 098
Debt financing costs	-	940	-
Tax losses	-	-	595
<b>Total</b>	<b>-</b>	<b>10 038</b>	<b>9 693</b>

## 21 Inventories

<i>in PLN thousand</i>	31.12.2022	31.12.2021	31.12.2020
Raw materials	196 043	99 943	87 566
Semi-finished goods and work in progress	60 509	120 245	73 994
Finished products	263 059	177 182	94 428
Goods for resale	29 467	28 431	18 113
	<b>549 078</b>	<b>425 801</b>	<b>274 101</b>



## Movements in allowances for inventories

in PLN thousand

	2022	2021	2020
Balance at 1 January	(12 535)	(16 759)	(17 799)
Recognition	(880)	(758)	(889)
Utilization	2 333	4 811	-
Reversal	2	171	1 929
Balance at 31 December	<b>(11 080)</b>	<b>(12 535)</b>	<b>(16 759)</b>

As at 31.12.2022, inventories are presented net of allowances of PLN 11 080 thousand (31.12.2021: PLN 12 535 thousand; 31.12.2020: PLN 16 759 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, 2022, the Group presents PLN 15 589 thousand as a development project implemented by a subsidiary Cognor Holding S.A. Sp. k. (31 December 2021: PLN 38 585 thousand, 31 December 2020: PLN 12 138 thousand).

In 2022, the Group capitalized the interest on the loan into the value of inventories in the amount of PLN 86 thousand (2021: PLN 195 thousand, 2020: PLN 0 thousand).

The value of used inventories recognized as an expense in the consolidated statement of comprehensive income amounted to PLN 1 632 599 thousand (in 2021: PLN 1 367 936 thousand, in 2020: PLN 932 997 thousand).

As at 31.12.2022, inventories with a carrying value of PLN 219 932 thousand (31.12.2021: PLN 237 722 thousand; 31.12.2020: PLN 5 400 thousand) were subject to pledges as collateral for liabilities.

## 22 Trade and other receivables

### Short-term receivables

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Trade receivables	185 436	229 475	71 666
Receivables under a construction contract*	25 045	-	-
Statutory receivables excluding income tax**	80 054	36 254	37 253
Prepayments for services and inventories	9 169	4 739	1 890
Prepayments for fixed assets***	65 941	40 356	8 444
Factoring receivables	25 995	82 255	19 639
Payment for purchase of shares****	32 558	-	-
Other receivables	3 562	5 016	2 786
	<b>427 760</b>	<b>398 095</b>	<b>141 678</b>

\* service provided to Przemysław Sztuczkowski, Chairmen of the Management Board - details in note 40

\*\* under this item, the Group discloses the estimated revenue related to compensations related to the increase in quotations of CO2 emission rights (December 31, 2022: PLN 42 245 thousand, December 31, 2020: PLN 24 139 thousand, December 31, 2020: PLN 12 033 thousand) - details note no. 8, VAT receivables included in this item as at 31 December 2022 amounted to PLN 36 439 thousand

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

\*\*\*\* payments for the future purchase of shares constitute cash transferred by the Group towards payment of the price for shares in JAP Industries s.r.o. and SPED-EX Trinec s.r.o. More details in note 3.

## Long-term receivables

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Receivables under a construction contract*	-	14 466	8 648
Other receivables**	13 971	311	290
	<b>13 971</b>	<b>14 777</b>	<b>8 938</b>

\* service provided to Przemysław Sztuczowski, Chairmen of the Management Board - details in note 40

\*\* Costs of launching an investment loan at Banco Santander. Due to the partial use of the loan, the Group assigns the costs of disbursement proportionally to the drawn loan tranches. The credit period lasts until December 21, 2023 and, ultimately, the launch costs will be included in liabilities that will be repaid in the long term.

As at 31.12.2022, receivables with a carrying value of PLN 0 thousand (31.12.2021: 0 PLN thousand; 31.12.2020: PLN 0 thousand) were provided as collateral for liabilities.

## Factoring receivables

As at 31 December 2022 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 2022 were as follows:

<u>Factoree</u>	<u>Effective date</u>	<u>Factor:</u>	<u>Limit:</u>	<u>Type of factoring</u>
Cognor S.A. (branch HSJ)	indefinite	mFaktoring S.A.	PLN 40 000 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 98 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	Pekao Faktoring	PLN 30 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	mFaktoring S.A.	PLN 40 000 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 120 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex)	indefinite	mFaktoring S.A.	PLN 62 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex)	indefinite	Santander S.A.	PLN 62 000 thousand	non-recourse
Cognor S.A. (branch OM)	indefinite	mFaktoring S.A.	PLN 3 000 thousand	non-recourse

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

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2022 PLN 25 995 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:

<i>in PLN thousand</i>	31.12.2022	31.12.2021	31.12.2020
Trade receivables in total	403 317	240 751	301 679
Receivables subject to factoring without recourse	(191 886)	(149 446)	(157 722)
<b>Trade receivables net disclosed in the statement of financial position</b>	<b>185 436</b>	<b>229 475</b>	<b>71 666</b>
Receivables subject to factoring without recourse in the part not financed by the factor (factoring receivables)	25 995	82 255	19 639

## 23 Cash and cash equivalents

<i>in PLN thousand</i>	31.12.2022	31.12.2021	31.12.2020
Cash in bank	215 936	43 961	96 270
Cash in bank restricted in use	119 639	62 855	4 099
Cash in hand	186	195	186
Short-term bank deposits	-	799	-
Other	-	-	-
<b>Cash and cash equivalents in statement of financial position</b>	<b>335 761</b>	<b>107 810</b>	<b>100 555</b>
Bank overdrafts	(46)	(17 200)	-
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>335 715</b>	<b>90 610</b>	<b>100 555</b>

As at December 31, 2022, cash in the amount of PLN 112 056 thousand constituted security for liabilities (letter of credit). As at December 31, 2021 cash worth PLN 2 151 thousand served as security for liabilities and as at December 31, 2020, cash and cash equivalents did not serve as security for liabilities. As at December 31, 2022, restricted cash includes: a letter of credit in the amount of PLN 112,056 thousand issued in connection with the investment in Siemianowice Śląskie and cash accumulated on VAT accounts in the amount of PLN 7,583 thousand (as at 31 December 2021, the balance concerned cash worth PLN 60,704 thousand deposited as collateral for an investment loan that has not yet been disbursed).

Detailed information regarding bank overdrafts is presented in note 29.

## 24 Assets classified as held for sale

<i>in PLN thousand</i>	2022	2021	2020
Balance at 1 January	6 993	-	-
Transfer from investment property	-	7 016	-
Amortization for the period	(22)	(23)	-
<b>Balance at 31 December</b>	<b>6 971</b>	<b>6 993</b>	-
Liabilities related to non-current assets held for sale	<b>1 545</b>	<b>1 548</b>	-

Subsidiary Cognor S.A. decided to sell the perpetual usufruct of land to the real estate located in Chorzów. On December 21, 2022, a preliminary sales agreement was signed, in which the net sale price was set at PLN 7 477 thousand. The final agreement is to be concluded by July 31, 2023. The net value of the asset as at December 31, 2022 amounted to PLN 6 971 thousand, while the discounted payments related to the perpetual usufruct fees of land (in accordance with IFRS 16) amounted to PLN 1 545 thousand.

In 2022, the Group incurred PLN 22 thousand depreciation costs of the said asset (2021: PLN 23 thousand), recognized PLN 88 thousand interest costs on account of the discounted liability settlement (2021: PLN 88 thousand), and incurred property tax costs in the amount of PLN 154 thousand (2021: PLN 148 thousand). In 2022, it did not recognize revenues from the lease of the property in question (2021: PLN 41 thousand of revenues from lease of this property).

## 25 Equity

### Issued share capital

	31.12.2022	31.12.2021	31.12.2020
Registered shares number at reporting date	171 420 663	171 420 663	123 940 417
Number of issued warrants	94	94	51 030 446
<b>Nominal value of 1 share</b>	<b>1,5 PLN</b>	<b>1,5 PLN</b>	<b>1,5 PLN</b>

On 31 December 2022 the Parent Company's share capital comprised of 171 420 663 ordinary shares (2021: 171 420 663; 2020: 123 940 417).

The company does not hold preferred shares. Holders of ordinary shares are entitled to receive approved dividends and have the right to one vote per share at the General Meeting of the Company.

### Dividend

On June 30, 2022, 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 from the net profit for 2021. The dividend payment date was set for August 31, 2022.

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

In 2011, Cognor Holding S.A. acquired from PS HoldCo Sp. z o.o. shares of Złomrex S.A. The parties concluded an agreement on the financing of the acquisition of these shares in a manner that conditioned the repayment of the liability for the purchase of shares prior to increasing the equity of Cognor Holding S.A. by PS HoldCo Sp. z o.o.

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 (as a result of the expiry of the validity period 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.

On January 3, 2022, there was a cash inflow to the Company in the amount of PLN 106 000 thousand for the above mentioned share issue. On the same day, the liability of Cognor Holding S.A. towards PS HoldCo Sp. z o.o. for the purchase of Złomrex S.A. shares was regulated in the amount of PLN 107 415 thousand and PLN 61 thousand as interest on this liability.

As at December 31, 2022, the Group has no liabilities due to purchase of shares in Złomrex S.A. and all liabilities in this respect have been settled.

### Warrants

As of December 31, 2022, 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.

### Issue of bonds convertible into shares and conditional capital increase

On November 23, 2022, the extraordinary shareholders' meeting adopted a resolution:

a) on the issue of series A registered bonds convertible into ordinary bearer shares of the Company of issue No. 13 with a total value not exceeding PLN 100,000 thousand with a nominal value of PLN 1,000.00 each bond. Bonds will bear interest at the level of WIBOR 6M increased by 2.6 percentage points. The bondholder shall have the right to: pay interest on the interest payment dates provided for in the terms and conditions of the issue; payment on the redemption date or on the early redemption date of the nominal value of each bond subject to redemption (including accrued and unpaid interest until that date); taking up the Company's ordinary bearer shares of issue no 13 with a nominal value of PLN 1.50 each bond, which will be issued as part of the conditional increase of the Company's share capital, in exchange for the bonds held on the terms set out in the resolution.

The conversion of bonds will take place according to the conversion factor of 200 shares per 1 bond. The minimum amount of converting bonds into shares is 1 bond. The shares shall be acquired by the bondholder at the issue price of PLN 5.00 each share. The bonds will be issued for a period of 5-10 years from the issue date. The details of the bond issue will be determined by the Management Board in the Bond Issue Terms.

b) on a conditional increase in the company's capital by an amount not exceeding PLN 30,000 thousand by issuing no more than 20,000 thousand ordinary bearer shares of issue No. 13 with a nominal value of PLN 1.50 each share. The issue price was set at PLN 5.00 per share. No special rights will be associated with the shares. The Company's share capital is increased in order to grant the series A bond holders the right to take up shares in the Company's increased share capital.

c) to deprive all shareholders of the Company of pre-emptive rights in relation to the series A bonds and the shares of issue no 13.

Until the date of publication of this report, there was no issue of bonds or an increase in capital resulting from the abovementioned resolution.

### The Shareholders' structure

The Shareholders' structure as at 31 December 2022 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.*	124 997 691	72.92%	124 997 691	72.92%
Przemysław Sztuczowski	617 781	0.36%	617 781	0.36%
Other shareholders	45 805 191	26.72%	45 805 191	26.72%
<b>Total</b>	<b>171 420 663</b>	<b>100.00%</b>	<b>171 420 663</b>	<b>100.00%</b>

\* Przemysław Sztuczowski 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 Sztuczowski 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).

## 26 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.

<i>in PLN thousand</i>	31.12.2022	31.12.2021	31.12.2020
<b>Cognor S.A. (seat in Poraj, Poland)</b>			
Share in capital owned by capital group	94,40%	94,39%	94,38%
Non-controlling interests	5,60%	5,61%	5,62%
Non-current assets	736 896	567 586	514 033
Current assets	1 320 352	889 007	494 869
Non-current liabilities	346 103	270 187	235 982
Current liabilities	546 834	598 110	554 185
Capital attributable to the parent company	1 092 285	548 518	199 666
Non-controlling interests	72 026	39 778	19 069
Revenues	3 738 424	2 876 076	1 770 566
Expenses	(3 040 798)	(2 419 971)	(1 752 728)
Income tax expense	(121 611)	(86 544)	(2 577)
(Loss)/profit for the period attributable to:	576 015	369 561	15 261
Owners of the Parent Company	543 662	348 826	14 383
Non-controlling interests	32 353	20 735	878
Net cash from operating activities	485 524	132 078	185 048
Net cash from investing activities	(233 255)	(97 170)	(64 010)
Net cash from financing activities	(1 114)	(47 501)	(102 148)
Net change in cash and cash equivalents	251 155	(12 593)	18 890
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Non-controlling interests at 1 January	39 778	19 069	18 191
Share in profit for the period	32 353	20 735	878
Change as a result of a decrease in non-controlling interest	(105)	(26)	-
Non-controlling interests at 31 December	72 026	39 778	19 069

## 27 Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 577 917 thousand (2021: profit of PLN 342 770 thousand; 2020: profit of PLN 32 675 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2022 of 171 421 thousand (2021: 167 164 thousand, 2020: 123 940 thousand).

### Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year 2022 was 171 421 thousand (2021: 171 520 thousand, 2020: 171 649 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.

## 28 Lease liabilities

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Non current lease liabilities	92 491	92 086	84 340
Current portion of lease liabilities	21 550	19 550	17 966
	<b>114 041</b>	<b>111 636</b>	<b>102 306</b>

### Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	31.12.2022			31.12.2021			31.12.2020		
Less than one year	27 000	5 450	21 550	24 016	4 466	19 550	22 099	4 133	17 966
Between 1 and 5 years	79 323	15 839	63 484	65 913	12 696	53 217	57 416	13 411	44 005
More than 5 years	70 648	41 641	29 007	91 819	52 950	38 869	92 536	52 201	40 335
	<b>176 971</b>	<b>62 930</b>	<b>114 041</b>	<b>181 748</b>	<b>70 112</b>	<b>111 636</b>	<b>172 051</b>	<b>69 745</b>	<b>102 306</b>

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

In 2022, the Group incurred costs in the amount of PLN 4 756 thousand for the lease of fixed assets not recognised in accordance with IFRS16 (short-term contracts and low-value fixed assets) in 2021: PLN 2 685 thousand, 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 lease liabilities

in PLN thousand

	2022	2021	2020
<b>Opening balance</b>	<b>111 636</b>	<b>102 306</b>	<b>97 215</b>
Liability paid	(22 135)	(20 569)	(17 078)
Conclusion of leasing contracts	24 588	30 948	23 856
Derecognition of lease liability due the change in the scope of the contract	-	(277)	(2 051)
Interests paid	(6 329)	(4 377)	(4 419)
Interests accrued	6 329	4 377	4 419
Compensation/reclassification	-	(684)	-
Foreign currency differences	(48)	(88)	364
<b>Closing balance</b>	<b>114 041</b>	<b>111 636</b>	<b>102 306</b>



#### Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Date of granting	Repayment date	Interest	Security
mLeasing S.A.	14 436	8 186	2018-02	2027-09	WIBOR 1M + margin, EURIBOR 1M + margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	5 321	2 167	2019-03	2027-10	WIBOR 1M + margin, EURIBOR 1M + margin	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp. z o.o.	8 472	2 322	2019-03	2027-12	WIBOR 1M + margin, EURIBOR 1M + margin	- blank bill of exchange, - leased equipment.
Alior Leasing Sp. z o.o.	282	245	2018-01	2025-02	WIBOR 1M + margin	- blank bill of exchange, - leased equipment.
Santander Leasing S.A.	2 217	857	2018-12	2026-03	WIBOR 1M + margin	- blank bill of exchange, - leased equipment.
Millenium Leasing S.A.	3 960	1 151	2021-05	2027-03	WIBOR 1M + margin	- blank bill of exchange, - leased equipment.
Other lessors	1 704	680	2019-10	2027-05	WIBOR 1M + margin	- blank bill of exchange, - leased equipment.
Perpetual usufruct of land	25 663	-	n/d	2096	5,66% - 6,5%	no collateral
ArcelorMittal Poland S.A.	26 406	3 422	1997-04	2030-06	6,50%	no collateral
Other lessors	4 030	2 520	2006-05	2030-12	3,5%-7,7%	no collateral
<b>Total</b>	<b>92 491</b>	<b>21 550</b>				

## 29 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 33.

in PLN thousand

#### Non-current liabilities

	31.12.2022	31.12.2021	31.12.2020
Secured bank loans	116 144	-	123 139
Secured bond liabilities	118 901	157 787	-
Other borrowings	-	114	2 295
	<b>235 045</b>	<b>157 901</b>	<b>125 434</b>

#### Current liabilities

Current portion of secured bank loans	2 426	-	38 650
Current portion of secured bond liabilities	46 449	42 163	-
Other borrowings	16	9 103	266
	<b>48 891</b>	<b>51 266</b>	<b>38 916</b>
Bank overdrafts	46	17 200	-
	<b>48 937</b>	<b>68 466</b>	<b>38 916</b>

#### Repayment schedule of secured bank loans and other borrowings as at 31 December 2022

in PLN thousand

Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Bank overdrafts	46	46	-	-
Secured bond liabilities	165 350	46 449	79 067	39 834
Secured bank loans	118 570	2 426	25 810	64 524
Other borrowings	16	16	-	-
	<b>283 982</b>	<b>48 937</b>	<b>104 877</b>	<b>65 644</b>
				<b>64 524</b>



#### Repayment schedule of secured bank loans and other borrowings as at 31 December 2021

	<b>Total</b>	<b>Less than 1 year</b>	<b>Between 1 and 3 years</b>	<b>Between 3 and 5</b>	<b>Over 5 years</b>
Bank overdrafts	17 200	17 200	-	-	-
Secured bond liabilities	199 950	42 163	78 390	79 397	-
Other borrowings	9 217	9 103	114	-	-
	<b>226 367</b>	<b>68 466</b>	<b>78 504</b>	<b>79 397</b>	<b>-</b>

#### Repayment schedule of secured bank loans and other borrowings as at 31 December 2020

in PLN thousand

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

#### Changes in debt

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

	<b>Total</b>	<b>Secured bank loans</b>	<b>Secured fixed interest rate debt</b>	<b>Other borrowings</b>
<i>in PLN thousand</i>				
<b>Balance as at 1 January 2020</b>	207 458	205 632	-	1 826
Liability paid	(52 732)	(52 138)	-	(594)
Forgiven liabilities	(780)	-	-	(780)
Recognition of bill of exchange liability	2 116	-	-	2 116
Interests paid	(9 802)	(9 750)	-	(52)
Interests accrued	9 352	9 307	-	45
Settlement of provision costs	1 925	1 925	-	-
Foreign currency differences	6 813	6 813	-	-
<b>Balance as at 31 December 2020</b>	<b>164 350</b>	<b>161 789</b>	<b>-</b>	<b>2 561</b>
<b>Balance as at 1 January 2021</b>	164 350	161 789	-	2 561
Liability paid	(166 387)	(164 007)	-	(2 380)
Increase of liability*	226 200	17 200	200 000	9 000
Emission costs	(3 394)	-	(3 394)	-
Interests paid	(7 732)	(7 497)	-	(235)
Interests accrued	11 486	7 871	3 344	271
Settlement of provision costs	2 693	2 693	-	-
Foreign currency differences	(849)	(849)	-	-
<b>Balance as at 31 December 2021</b>	<b>226 367</b>	<b>17 200</b>	<b>199 950</b>	<b>9 217</b>
<b>Balance as at 1 January 2022</b>	226 367	17 200	199 950	9 217
Liability paid**	(76 219)	(17 154)	(40 000)	(19 065)
Increase of liability	132 038	122 038	-	10 000
Forgiven liability	(98)	-	-	(98)
Emission costs	(5 608)	(5 608)	-	-
Interests paid	(12 920)	(2 747)	(10 006)	(167)
Interests accrued	19 558	5 174	14 255	129
Settlement of provision costs	1 151	-	1 151	-
Compensation/reclassification	-	-	-	-
Foreign currency differences	(287)	(287)	-	-
<b>Balance as at 31 December 2022</b>	<b>283 982</b>	<b>118 616</b>	<b>165 350</b>	<b>16</b>

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

\*\* In secured bank loans, in the item 'Liability paid', the Group presents, per balance, the repayment of liability due to overdraft facility

As at 31 December 2022

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.	118 901	46 449	corporate bonds in PLN serie 1/2021	2021.07.21	2026.07.15	WIBOR 6M + margin	<ul style="list-style-type: none"> <li>- surety of Cognor Holding S.A. and Cognor Holding S.A. Sp. k.;</li> <li>- joint contractual mortgage on specific real estate owned or in perpetual usufruct of Cognor S.A.;</li> <li>- 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.</li> <li>- registered pledge on a set of items and rights (part of inventories) belonging to Cognor S.A.</li> <li>- declaration of submission to enforcement submitted by the companies Cognor S.A., Cognor Holding S.A. and Cognor Holding S.A. Sp. k.</li> </ul>
Banco Santander S.A.	116 144	2 426	Investment loan	2021.12.21	2031.12.21	WIBOR 6M + margin EURIBOR 6M + margin	<ul style="list-style-type: none"> <li>- guarantee of Cognor Holding S.A.,</li> <li>- registered pledge on assets constituting the subject of the investment,</li> <li>- mortgage on real estate on which the investment will be carried out,</li> <li>- transfer of receivables from contracts related to the investment,</li> <li>- statements on submission to enforcement of Cognor S.A. and Cognor Holding S.A.</li> </ul>

Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	-	16	loan	2014.07.31	2023.06.15	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
mBank S.A.	-	46	credit cards				
<b>Total</b>	<b>235 045</b>	<b>48 937</b>					

### 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%,

### 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.).

On March 15, 2022, the subsidiary Cognor S.A. released the first tranche in the amount of EUR 12 865 thousand. On May 12, 2022, the Company released another tranche in the amount of PLN 61 502 thousand. Liability due to the above-mentioned loan amounted to PLN 117 313 thousand as at December 31, 2022 (December 31, 2021: PLN 0 thousand).

Cognor S.A. (subsidiary) entered into derivative instruments (interest rate swap) in order to hedge the costs of the above debt at a constant level. The valuation of derivative instruments on this account is disclosed in a separate item in the statement of financial position (Financial assets due to the valuation of financial instruments) divided into long-term and short-term parts.

### 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 dated July 18, 2018 (with mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego oraz Europejski Bank Odbudowy i Rozwoju) in full - made on July 22, 2021 and to finance investment plans.

As at December 31, 2022, the liability resulted from above bonds amounted to PLN 165 350 thousand (December 31, 2021: PLN 199 950 thousand).

Cognor S.A. (subsidiary) entered into derivative instruments (interest rate swap) in order to hedge the costs of the above debt at a constant level. The valuation of derivative instruments on this account is disclosed in a separate item in the statement of financial position (Financial assets due to the valuation of financial instruments) divided into long-term and short-term parts.

### Overdraft facilities

The 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 was valid until July 31, 2022. By Annex No. 1 of July 29, 2022, the overdraft amount was increased to PLN 60 000 thousand and the period of validity was extended to July 28, 2023. By Annex No. 2 of December 22, 2022, the loan amount was reduced to PLN 40 000 thousand and the validity period was extended until December 21, 2023. 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 48 000 thousand. Utilization as at December 31, 2022 in the amount of PLN 0 thousand.

The 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. Utilization as at December 31, 2022 in the amount of PLN 0 thousand.

The 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. Utilization as at December 31, 2022 in the amount of PLN 0 thousand.

The subsidiary - Cognor S.A. signed an overdraft facility agreement with Bank Ochrony Środowiska S.A. on February 7, 2022, 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. Utilization as at December 31, 2022 in the amount of PLN 0 thousand.

The subsidiary - Cognor S.A. signed a loan agreement with Alior Bank S.A. on September 30, 2022 in PLN with a limit of PLN 50 000 thousand. Within the limit, the Company may use an overdraft facility as well as letters of credit and guarantees. The credit use period expires on September 28, 2024. The loan interest rate is set at WIBOR 1M + margin. The security is a power of attorney to a bank account, a pledge on finished products up to the amount of PLN 40 000 thousand and a declaration of submission to enforcement. Utilization as at September 30, 2022 in the amount of PLN 0 thousand.

As part of the overdraft facility, the Group shows debt on credit cards in the amount of PLN 46 thousand.

### 30 Employee benefits obligations

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Long-term provisions for retirement and jubilee awards	11 878	14 343	13 011
Short-term provisions for retirement and jubilee awards	1 863	2 139	1 583
	<b>13 741</b>	<b>16 482</b>	<b>14 594</b>

#### Employee benefits

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

	31.12.2022	31.12.2021	31.12.2020
Discount rate	6,8%	3,9%	1,5%
Future Salary Increase	4,5%-13,7%	3,5% - 7,0%	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	Total
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)
<b>At 31 December 2020</b>	<b>4 541</b>	<b>10 053</b>	<b>14 594</b>
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)
<b>At 31 December 2021</b>	<b>4 782</b>	<b>11 700</b>	<b>16 482</b>

At 1 January 2022	4 782	11 700	16 482
Current service cost	365	1 099	1 464
Interest cost	182	425	607
Actuarial (gain)/loss due to changes in assumptions, including:	(628)	(1 636)	(2 264)
-ex post actuarial assumptions	332	(187)	145
-changes in demographic assumptions	63	1	64
-changes in financial assumptions	(1 023)	(1 450)	(2 473)
Actual benefits paid	(495)	(1 846)	(2 341)
Release of provisions	-	(207)	(207)
<b>At 31 December 2022, including</b>	<b>4 206</b>	<b>9 535</b>	<b>13 741</b>
- up to 1 year	604	1 259	1 863
- over 1 to 5 years	1 390	4 063	5 453
- over 5 years	2 212	4 213	6 425

### Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2022

	Change in assumption		Influence on obligations			
	Decrease 0.5%	Increase 0.5%	Decrease	%	Increase	%
Discount rate						
-provisions for employee benefits			142	3.4%	(134)	-3.2%
-jubilee awards			268	2.8%	(254)	-2.7%
Future Salary Increase	1%	1%				
-provisions for employee benefits			(267)	-6.3%	297	7.1%
-jubilee awards			(485)	-5.1%	530	5.6%
Probability of resignation	1%	1%				
-provisions for employee benefits			220	5.2%	(198)	-4.7%
-jubilee awards			592	6.2%	(538)	-5.6%

The expense relating to the movement in employee benefits obligations is recognised as administrative expenses and other costs in profit or loss.

As part of employee benefits, jubilee bonuses as well as retirement, disability and death benefits are included.

### 31 Short-term provisions

in PLN thousand

	2022	2021	2020
Balance at 1 January	1 800	25	226
Provisions raised during the year	30	1 800	-
Provisions utilised during the year	(500)	-	(201)
Provisions released during the year	-	(25)	-
Reclassifications to accrued expenses	-	-	-
<b>Balance at 31 December</b>	<b>1 330</b>	<b>1 800</b>	<b>25</b>

### 32 Trade and other payables

#### Short term

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Trade payables	297 676	403 985	343 296
Statutory payables*	46 287	10 478	12 655
Investment payables	21 344	26 462	7 590
Prepayments for services and deliveries of goods**	7 771	23 726	10 142
Liabilities due to Shareholder***	-	1 415	-
Accrued expenses relating to bonuses for the Management Board****	23 115	10 564	2 290
Payroll liabilities	10 535	622	8 318
Accrued expenses relating to employees	11 536	7 784	6 654
Accrued expenses on the energy certificates (2022, 2021, 2020) and CO2 emission rights (2022, 2020)	12 206	3 725	15 384
Other payables	597	1 934	5 517
	<b>431 067</b>	<b>490 695</b>	<b>411 846</b>

## Long term

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Liabilities due to Shareholder***	-	-	20 668
	-	-	<b>20 668</b>

\* In this item, the Group presents a write-down in the amount of PLN 30,238 thousand for the Price Difference Payment Fund resulting from the Act of October 27, 2022 on emergency measures aimed at limiting electricity prices and support for certain recipients in 2023, in connection with energy sales transactions carried out by the Group in 2022

\*\* Prepayments from December 31, 2021 were executed in 2022, prepayments from December 31, 2020 were executed in 2021 and sales revenue recognized in 2021 was included

\*\*\* see note 25 for details relating to the transactions with PS Holdco Sp. z o.o.

\*\*\*\* the Group presents a provision for a bonus for the Management Board in the amount of PLN 23.115 thousand as an accrual. The incentive program for the Management Board provides for a bonus limit for the Management Board at the level of 300% of the fixed remuneration of the Management Board received for a given year, however, the final decision on the payment of bonuses for the Management Board is subject to the assessment of the Supervisory Board and will be made after the audit of the financial statements.

## 33 Financial instruments

### Classification of financial instruments

#### Assets

As at 31.12.2022

in PLN thousand

#### Assets according to statement of financial position

##### a) Non-current assets

Financial assets due to valuation of derivative instruments

##### b) Current assets

Financial assets due to valuation of derivative instruments

Trade and other receivables

Factoring receivables

Other investments (excl.shares)

Cash and cash equivalents

#### Total

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Financial assets due to valuation of derivative instruments	-	50 551	50 551
Financial assets due to valuation of derivative instruments	-	6 842	6 842
Trade and other receivables	185 436	-	185 436
Factoring receivables	-	25 995	25 995
Other investments (excl.shares)	77	-	77
Cash and cash equivalents	335 761	-	335 761
<b>Total</b>	<b>521 274</b>	<b>83 388</b>	<b>604 662</b>

As at 31.12.2021

in PLN thousand

#### Assets according to statement of financial position

##### a) Non-current assets

Financial assets due to valuation of derivative instruments

##### b) Current assets

Financial assets due to valuation of derivative instruments

Trade and other receivables

Factoring receivables

Other investments (excl.shares)

Cash and cash equivalents

#### Total

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Financial assets due to valuation of derivative instruments	-	15 689	15 689
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 (excl.shares)	94	-	94
Cash and cash equivalents	107 810	-	107 810
<b>Total</b>	<b>337 379</b>	<b>99 789</b>	<b>437 168</b>

As at 31.12.2020

in PLN thousand

**Assets according to statement of financial position**

*a) Non-current assets*

*b) Current assets*

Trade and other receivables

Factoring receivables

Other investments (excl.shares)

Cash and cash equivalents

**Total**

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
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
<b>Total</b>	<b>172 342</b>	<b>19 639</b>	<b>191 981</b>

**Liabilities**

As at 31.12.2022

in PLN thousand

**Liabilities according to statement of financial position**

*a) Long-term liabilities*

Interest-bearing loans and borrowings

Other liabilities

*b) Short-term liabilities*

Interest-bearing loans and borrowings

Bank overdraft

Trade and other payables excluding tax payables

**Total**

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Interest-bearing loans and borrowings	235 045	-	235 045
Other liabilities	-	-	-
Interest-bearing loans and borrowings	48 891	-	48 891
Bank overdraft	46	-	46
Trade and other payables excluding tax payables	319 020	-	319 020
<b>Total</b>	<b>603 002</b>	<b>-</b>	<b>603 002</b>

As at 31.12.2021

in PLN thousand

**Liabilities according to statement of financial position**

*a) Long-term liabilities*

Interest-bearing loans and borrowings

*b) Short-term liabilities*

Interest-bearing loans and borrowings

Bank overdraft

Trade and other payables excluding tax payables

**Total**

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Interest-bearing loans and borrowings	157 901	-	157 901
Interest-bearing loans and borrowings	51 266	-	51 266
Bank overdraft	17 200	-	17 200
Trade and other payables excluding tax payables	431 862	-	431 862
<b>Total</b>	<b>658 229</b>	<b>-</b>	<b>658 229</b>

As at 31.12.2020

in PLN thousand

**Liabilities according to statement of financial position**

*a) Long-term liabilities*

Interest-bearing loans and borrowings

Trade and other payables

*b) Short-term liabilities*

Interest-bearing loans and borrowings

Trade and other payables excluding tax payables

Liability resulting from derivative instruments (IRS)

**Total**

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Interest-bearing loans and borrowings	125 434	-	125 434
Trade and other payables	20 668	-	20 668
Interest-bearing loans and borrowings	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
<b>Total</b>	<b>535 904</b>	<b>4 011</b>	<b>539 915</b>

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).

## 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).

	31.12.2022	31.12.2021	31.12.2020
financial assets (level 2)	57 393	17 534	-
factoring receivables (level 2)	25 995	82 255	19 639
financial liabilities (level 2)	-	-	(4 011)

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 2022 PLN 118 586 thousand (31 December 2021: PLN 179 thousand, 31 December 2020: PLN 162 234 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 2022 PLN 0 thousand (31 December 2021: PLN 1 415 thousand, 31 December 2020: PLN 20 668 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 2022 PLN 0 thousand (31 December 2021: PLN 0 thousand, 31 December 2020: PLN 2 116 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, 2022 was PLN 160 000 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 (level 2). As at 31 December 2022 the fair value relating to IRS amounted PLN 57 393 thousand and is disclosed as asset (31 December 2021 asset PLN 17 534 thousand, 31 December 2020 liability PLN 4 011 thousand).

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

## Market risk

### Foreign currency risk

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

### Exposure to foreign currency risk

The Group exposure to foreign currency risk was as follows:

## Information on balances denominated in foreign currencies

As at 31.12.2022  
in PLN thousand

	in EUR	in USD	in other currencies	Total
Trade and other receivables	97 416	-	-	97 416
Interest-bearing loans and borrowings	(89 931)	-	-	(89 931)
Trade and other payables	(58 304)	(11 147)	-	(69 451)
<b>Exposure to currency risk on balances denominated in foreign currencies</b>	<b>(50 819)</b>	<b>(11 147)</b>	<b>-</b>	<b>(61 966)</b>

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)
<b>Exposure to currency risk on balances denominated in foreign currencies</b>	<b>30 531</b>	<b>(6 149)</b>	<b>-</b>	<b>24 382</b>

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)
<b>Exposure to currency risk on balances denominated in foreign currencies</b>	<b>(90 259)</b>	<b>(3 369)</b>	<b>(29)</b>	<b>(93 657)</b>

## 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 2022 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 2021 and 2020 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%
31.12.2022	(6 197)	6 197	(6 197)	6 197
31.12.2021	2 438	(2 438)	2 438	(2 438)
31.12.2020	(9 366)	9 366	(9 366)	9 366

### 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, 2022, the Group has the vast majority of financial liabilities based on the WIBOR rate (corporate bonds and approx. 50% of investment loan, the other part of loan is based on EURIBOR), as at December 31, 2021 corporate bonds and December 31, 2020, 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

#### Fixed rate instruments

	31.12.2022	31.12.2021	31.12.2020
Financial assets	77	94	121
Financial liabilities	(62 041)	(72 089)	(56 439)
	<b>(61 964)</b>	<b>(71 995)</b>	<b>(56 318)</b>

in PLN thousand

#### Floating rate instruments

	31.12.2022	31.12.2021	31.12.2020
Financial assets	57 393	17 534	-
Financial liabilities	(339 128)	(265 914)	(214 228)
	<b>(281 735)</b>	<b>(248 380)</b>	<b>(214 228)</b>

### 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 2021 and 2020.

### 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%
31.12.2022	(4 226)	4 226	(4 226)	4 226
31.12.2021	(3 726)	3 726	(3 726)	3 726
31.12.2020	(3 213)	3 213	(3 213)	3 213

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

	31.12.2022	31.12.2021	31.12.2020
mBank S.A.	158 489	36 862	22 368
Santander S.A.	169 729	65 759	5 310
PKO BP S.A.	-	1 761	3 190
ING Bank Śląski S.A.	512	1 911	2 304
Pekao S.A.	6 157	1 318	2 913
Bank Gospodarstwa Krajowego	-	-	59 293
Millenium S.A.	18	4	4 991
Alior Bank S.A.	664	-	-
Other	6	-	-
	<b>335 575</b>	<b>107 615</b>	<b>100 369</b>

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*

	31.12.2022	31.12.2021	31.12.2020
Financial assets designated at fair value through profit or loss	83 388	99 789	19 639
Receivables at amortised cost	185 513	229 569	71 787
Cash and cash equivalents (excluding cash in hand)	335 575	107 615	100 369
	<b>604 476</b>	<b>436 973</b>	<b>191 795</b>

As at 31 December 2022, loans in the amount of PLN 77 thousand (2021: PLN 94 thousand, 2020: PLN 121 thousand) were not overdue and were not impaired.

**Insured trade receivables**

	31.12.2022	31.12.2021	31.12.2020
from other entities	188 780	148 569	64 674

**Ageing structure of trade and interest receivables:**

**Gross value**

	31.12.2022	31.12.2021	31.12.2020
Not past due	139 214	209 830	60 562
<b>Past due</b>	<b>74 948</b>	<b>48 581</b>	<b>35 348</b>
1-30 days	39 461	29 117	14 522
31-90 days	5 197	2 480	1 597
91-180 days	15 954	745	610
181-365 days	297	456	834
more than one year	14 039	15 783	17 785
	<b>214 162</b>	<b>258 411</b>	<b>95 910</b>

**Impairment loss**

	31.12.2022	31.12.2021	31.12.2020
Not past due	(567)	(213)	(33)
<b>Past due</b>	<b>(28 159)</b>	<b>(14 257)</b>	<b>(15 563)</b>
1-30 days	-	(38)	-
31-90 days	(63)	(36)	(17)
91-180 days*	(15 166)	(268)	(117)
181-365 days	(49)	(248)	(133)
more than one year	(12 881)	(13 667)	(15 296)
	<b>(28 726)</b>	<b>(14 470)</b>	<b>(15 596)</b>

## Net carrying value

in PLN thousand

	31.12.2022	31.12.2021	31.12.2020
Not past due	138 647	209 617	60 529
<b>Past due</b>	<b>46 789</b>	<b>34 324</b>	<b>19 785</b>
1-30 days	39 461	29 079	14 522
31-90 days	5 134	2 444	1 580
91-180 days	788	477	493
181-365 days	248	208	701
more than one year	1 158	2 116	2 489
	<b>185 436</b>	<b>243 941</b>	<b>80 314</b>

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

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Balance at 1 January	(14 470)	(15 596)	(16 684)
Recognition*	(16 576)	(1 419)	(746)
Utilization	1 259	-	74
Release	1 061	2 545	1 760
<b>Balance at 31 December</b>	<b>(28 726)</b>	<b>(14 470)</b>	<b>(15 596)</b>
Gross value - trade receivables (Stage 2)	186 030	244 161	80 506
Impairment loss (Stage 2)	(594)	(220)	(192)
<b>Net carrying value - trade receivables (Stage 2)</b>	<b>185 436</b>	<b>243 941</b>	<b>80 314</b>
Gross value - trade receivables (Stage 3)**	28 132	14 250	15 404
Impairment loss (Stage 3)**	(28 132)	(14 250)	(15 404)
<b>Net carrying value - trade receivables (Stage 3)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*in this item in 2022, the Group presents a write-down not resulting from the customer's payment difficulties but due to the fact that the customer did not collect the contracted goods, the Group issued debit notes and covered them with a write-down in the amount of PLN 15,123 thousand

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, 2022, trade receivables in the amount of PLN 186 030 thousand were assigned to stage 2 and a write-off of PLN 594 thousand was recognized on them (2021 value of receivables: PLN 244 161 thousand, write-off: PLN 220 thousand, 2020 value of receivables: PLN 80 506 thousand, write-off: PLN 192 thousand).

\*\*As at December 31, 2022, trade receivables in the amount of PLN 13 009 thousand were in stage 3 (2021: PLN 14 250 thousand, 2020: PLN 15 404 thousand) and a full write-off was recognized on them. In addition in 2022, the write-down covered debit notes from customers who did not collect the contracted goods in the amount of PLN 15,123 thousand

## Liquidity risk

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

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.

	31.12.2022	31.12.2021	31.12.2020
[1] Current assets	1 342 661	940 676	516 681
[2] Current liabilities	508 473	591 672	479 748
[3] Current liquidity ratio [1]/[2]	2,64	1,59	1,08

*Contractual maturities of financial liabilities including interest payments*

As at 31.12.2022

in PLN thousand

**Financial liabilities**

Finance lease liabilities	114 041	166 827	27 000	45 243	23 936	70 648
Bank overdraft	46	46	46	-	-	-
Other interest-bearing liabilities	283 936	371 701	64 889	143 126	82 985	80 701
Trade and other payables (excluding current income tax payables)	319 020	319 020	319 020	-	-	-
	<b>717 043</b>	<b>857 594</b>	<b>410 955</b>	<b>188 369</b>	<b>106 921</b>	<b>151 349</b>

Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
114 041	166 827	27 000	45 243	23 936	70 648
46	46	46	-	-	-
283 936	371 701	64 889	143 126	82 985	80 701
319 020	319 020	319 020	-	-	-
<b>717 043</b>	<b>857 594</b>	<b>410 955</b>	<b>188 369</b>	<b>106 921</b>	<b>151 349</b>

As at 31.12.2021

in PLN thousand

**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	-	-	-
	<b>769 865</b>	<b>862 388</b>	<b>529 930</b>	<b>136 255</b>	<b>104 384</b>	<b>91 819</b>

Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
111 636	181 748	24 016	44 437	21 476	91 819
17 200	17 200	17 200	-	-	-
209 167	231 578	56 852	91 818	82 908	-
431 862	431 862	431 862	-	-	-
<b>769 865</b>	<b>862 388</b>	<b>529 930</b>	<b>136 255</b>	<b>104 384</b>	<b>91 819</b>

As at 31.12.2020

in PLN thousand

**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	-	-
	<b>638 210</b>	<b>725 769</b>	<b>420 561</b>	<b>194 866</b>	<b>17 806</b>	<b>92 536</b>

Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
102 306	172 051	22 099	39 610	17 806	92 536
164 350	177 101	45 286	131 815	-	-
371 554	376 617	353 176	23 441	-	-
<b>638 210</b>	<b>725 769</b>	<b>420 561</b>	<b>194 866</b>	<b>17 806</b>	<b>92 536</b>

### 34 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:

	31.12.2022	31.12.2021	31.12.2020
[1] Total liabilities (disclosed in statement of financial position)	854 585	861 303	724 185
[2] Cash and cash equivalents	335 761	107 810	100 555
[3] Net debt: [1]-[2]	518 824	753 493	623 630
[4] Total equity	1 228 431	643 869	307 014
[5] Total capital: [3]+[4]	1 747 255	1 397 362	930 644
Gearing ratio [3]/[5]	<b>29,7%</b>	<b>53,9%</b>	<b>67,0%</b>

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.

### 35 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 - Siemianowice Śl.)	126 997
Automatic storage warehouse (Siemianowice Śl.)	65 002
Purchase of cranes (Siemianowice Śl.)	16 196
Connection to the power network (gas, electricity - Siemianowice Śl.)	3 470
Contractor (Siemianowice Śl.)	2 992
Rod winding installation - spooler (Kraków)	8 012
Electricity and automation (Kraków)	33 017
Construction and installation works (Kraków)	44 708
4 gantry cranes (Kraków)	2 353
Modernization of a heating furnace (Kraków)	3 409
Dismantling the furnace (Kraków)	462
Installation of furnace (Kraków)	5 706
Equipment assembly (Kraków)	14 070
Building project (Kraków)	1 397
Supervision inspector (Kraków)	96
3 slag wagons (Gliwice)	2 195
Electrode arms (Gliwice)	585
Fire alarm system at the steelworks (Gliwice)	515
4MWp PV installation (Gliwice)	6 464
Skew roll straightener (Stalowa Wola)	14 355
EAF furnace power system (Stalowa Wola)	15 742
2 cranes (Stalowa Wola)	3 012
	<b>370 755</b>

#### b) contingencies

The Group has no contingent liabilities.

### 36 Impact of climate/ environmental issues on the Group's

Events and conditions resulting from climate change and the related risks have an increasing impact on the Group's operations, both in terms of the business model, processes taking place in the Group and its ability to obtain financing, as well as attracting investors and customers. Regulatory factors related to climate change are also significant, including in particular the changing provisions of EU and national law, which constantly increase environmental protection requirements and impose on enterprises the need to pay additional environmental fees or take adaptation measures in order to avoid them or minimization.

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 actions taken by the Group to modernize the machine park are aimed at reducing the consumption of electricity and gas in production processes. In addition, the Group undertakes investments in the installation of PV panels, which will result in further electricity savings, and thus increase care for the natural environment.

The report on non-financial information describes in detail the impact of climate and environmental matters on the Group's operations.



### 37 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 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 - project completed settled in time	22.06.2018	12 783	5 351
c) 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 - completed - project objectives have not been achieved	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.

### 38 Government grants and other deferred income

	31.12.2022	31.12.2021	31.12.2020
Grant from NCRD relating to project from note 37a (project completed)	2 464	2 621	2 661
Grant from NCRD relating to project from note 37b (project completed)	2 796	2 932	1 885
Grant from NCRD relating to project from note 37c (project completed)	-	615	260
Forgiven liability relating to loan from WFOŚiGW	790	913	1 037
Settlement of white certificates in time	1 985	2 686	-
Other	61	72	82
<b>Total</b>	<b>8 096</b>	<b>9 839</b>	<b>5 925</b>
-long term	6 698	5 301	984
-short term	1 398	4 538	4 941

### 39 Explanatory note to the statement of cash flows

in PLN thousand

#### Change in receivables and prepayments in statement of financial position

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Change of advances for acquisition of fixed assets	(28 859)	(262 256)	42 019
Payment for the purchase of shares in subsidiaries	25 585	31 912	(6 588)
Compensation of liabilities due to CIT with tax liabilities	32 558	-	-
Other	(46 373)	-	-
	418	864	(1 311)
<b>Change in receivables and prepayments in statement of cash flows</b>	<b>(16 671)</b>	<b>(229 480)</b>	<b>34 120</b>

in PLN thousand

#### Change in inventories in statement of financial position

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Interest on the loan capitalized to the inventory value	(123 277)	(151 700)	22 900
Other	86	195	-
	-	31	-
<b>Change in inventories in statement of cash flows</b>	<b>(123 191)</b>	<b>(151 474)</b>	<b>22 900</b>



in PLN thousand

**Change in trade and other payables statement of financial position**

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Change of investment payables	(59 628)	58 181	(8 298)
Change of dividends payables	5 118	(18 872)	15 255
Change of payables relating to factoring fees	-	-	34 554
Other	-	-	(166)
Other transactions with Owner	(1)	-	(170)
<b>Change in trade and other payables in statement of cash flows</b>	<b>1 415</b>	<b>14 143</b>	<b>-</b>
	<b>(53 096)</b>	<b>53 452</b>	<b>41 175</b>

in PLN thousand

**Change in provisions in statement of financial position**

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Change on deferred taxation	9 728	26 618	(2 375)
<b>Change in provisions in statement of cash flows</b>	<b>(10 198)</b>	<b>(24 843)</b>	<b>2 174</b>
	<b>(470)</b>	<b>1 775</b>	<b>(201)</b>

**Other adjustments in operating activities include:**

in PLN thousand

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Redemption of exchangeable notes	-	(1 103)	-
Loan cancellation	(98)	-	(779)
Intangible assets write-off	624	3 164	413
	<b>526</b>	<b>2 061</b>	<b>(366)</b>

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 Zlomrex S.A. shares - details in note 25.

Inflows from IRS settlements are recognized as part of cash flows from financing activities due to the hedging nature of interest payments, which are recognized as part of financing activities in the statement of cash flows.

## 40 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 Sztuczowski)

#### 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 and from August 23, 2021 till December 30, 2021)
- czystyefekt.pl Sp. z o.o.
- 4Groups Sp. z o.o. Sp. komandytowa (from June 22, 2022)
- PS Green Investments Sp. z o.o. (from October 3, 2022)

#### Entities personally related to Members of the Management Board

- PS Przemysław Sztuczowski
- Przemysław Grzesiak
- BMD Dominik Barszcz
- BMD Biuro Rachunkowo-Prawne Sp. z o.o. Sp.k. (till December 20, 2021)
- BMD Sp. z o.o. S.K.A.
- BMLaw Kancelaria Prawna
- BMLaw Kancelaria Prawna Marcin Barszcz S.K.A.
- Michał Kotas (limited partner Cognor Holding S.A. Sp. k.)
- Fundacja "Zdążyć na czas"

<i>in PLN thousand</i>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<i>Long-term receivables:</i>			
- entities personally related to Members of the Management	-	14 466	8 648
<i>Short-term receivables:</i>			
- controlling entities	9	10	48
- associates	312	315	319
- related companies to the controlling entities	6	-	-
- entities personally related to Members of the Management	25 795	-	-
<i>Liabilities</i>			
- controlling entities*	1 154	2 547	23 658
- related companies to the controlling entities	23 976	11 265	1
- entities personally related to Members of the Management	86	-	-
- associates	-	-	761
<i>Loans received</i>			
- controlling entities	-	9 038	-

\* liability to PS HoldCo Sp. z o.o. due to purchase of shares in Zlomrex 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) - for details see note 25

<i>in PLN thousand</i>	<b>01.01.2022 - 31.12.2022</b>	<b>01.01.2021 - 31.12.2021</b>	<b>01.01.2020 - 31.12.2020</b>
<i>Revenues from sale of services</i>			
- controlling entities	125	86	47
- related companies to the controlling entities	18	6	6
- associates	3 232	2 404	1 894
- entities personally related to Members of the Management Board	10 579	5 827	4 366
<i>Revenues from sale of raw materials and merchandise</i>			
- related companies to the controlling entities	4	1	-
- associates	362	-	196
<i>Purchase of merchandise and raw materials</i>			
- controlling entities	1 666	1 834	2 265
<i>Purchase of services</i>			
- controlling entities	5 523	4 190	3 115
- associates	-	6 961	4 466
- related companies to the controlling entities	27 835	6 160	1 704
- entities personally related to Members of the Management Board	1 540	659	577
<i>Other costs</i>			
- controlling entities	-	(6)	(13)
- entities personally related to Members of the Management Board	(109)	(120)	-
<i>Financial costs</i>			
- controlling entities	(96)	(5 455)	(3 045)

#### Transactions with the members of the Management and Supervisory Boards

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

<i>in PLN thousand</i>	<b>01.01.2022 - 31.12.2022</b>	<b>01.01.2021 - 31.12.2021</b>	<b>01.01.2020 - 31.12.2020</b>
Remuneration of Members of the Management Board of the Parent Company included in the costs of the period	8 937	10 616	6 275
Provision for a bonus for the Management Board of the Parent Company	23 115	10 564	2 290
Remuneration of Members of the Supervisory Board of the Parent Company, included in the costs of the period	905	423	420
	<b>32 957</b>	<b>21 603</b>	<b>8 985</b>

**The remuneration of Management Board of the Parent Company**

-received from the Parent Company (appointment, consulting agreements)	13 667	2 552	231
-received from the Parent Company (third party liability insurance)	-	36	34
-received from the subsidiaries (appointment, consulting agreements)	8 109	10 276	5 973
-received from the subsidiaries (medical care)	61	42	37
<b>Supervisory Board of the Parent Company</b>			
-received from the Parent Company (appointment)	847	378	378
-received from the Parent Company (third party liability insurance)	58	45	42
	<b>22 742</b>	<b>13 329</b>	<b>6 695</b>

Supervisory Board of the subsidiary Cognor S.A. on July 27, 2022 at the request and with the opinion of the management board and in connection with the adoption on June 30, 2022 of by the General Meeting of the subsidiary of the Remuneration Policy for Members of the Management Board and the Supervisory Board, decided to change the rules for remunerating members of the Management Board of the Company (which is the same as the Management Board of the Group), in particular, it resolved to increase the fixed remuneration of the Management Board to the total amount of PLN 600 thousand per month and adopted the Incentive Awards Scheme defining the rules for granting variable remuneration for the Management Board. This program is based on a comprehensive assessment of the performance of individual members of the management board, and the maximum bonus budget is 300% of the annual fixed salary. The above table does not include the provision for the bonus for the Management Board in the amount of PLN 23,115 thousand. The Supervisory Board determines the final amount of this bonus and its distribution among individual members of the Management Board after receiving the audited financial statements together with the auditor's report.

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, 2022**

	Number of Cognor Holding S.A. shares held as at 31.12.2022 in pcs	% ownership interest in Cognor Holding S.A.
Przemysław Sztuczowski*	617 781	0,36%
Przemysław Grzesiak	40 018	0,02%
Krzysztof Zoła	94 000	0,05%
Dominik Barszcz	10 000	0,01%
	<b>761 799</b>	

\* 100% of shares in PS Holdco Sp. z o.o. is owned indirectly by Przemysław Sztuczowski 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 Sztuczowski. Detailed information on the shareholding is presented in note 25.

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 Sztuczowski. 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 Sztuczowski 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 21 788 thousand (in 2022: PLN 9 199 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 25 045 thousand (of which in 2022 in the amount of PLN 10 579 thousand, in 2021: PLN 5 818 thousand), which is the equivalent of the expenditure incurred increased by PLN 3 267 thousand margin (of which PLN 1 380 thousand is in 2022, in 2021 PLN 759 thousand).

## 41 Key personnel

The Group treats Members of the Management Board of the Parent Company as key personnel (this Management Board is the same as the Management Board of the largest subsidiary, Cognor S.A.):

- Przemysław Sztuczowski – Chairmen of Management Board
- Przemysław Grzesiak – Vice-Chairmen of Management Board
- Krzysztof Zoła – Member of Management Board
- Dominik Barszcz – Member of Management Board

Directors and managers of branches of the subsidiary Cognor S.A. are also treated as key personnel.

## 42 Employment

### Average employment in regular posts

White collar workers  
Blue collar workers

01.01.2022 - 31.12.2022		
Women	Men	Total
198	217	415
94	1 393	1 487
<b>292</b>	<b>1 610</b>	<b>1 902</b>

### Average employment in regular posts

White collar workers  
Blue collar workers

01.01.2021 - 31.12.2021		
Women	Men	Total
199	212	411
107	1 406	1 513
<b>306</b>	<b>1 618</b>	<b>1 924</b>

### Average employment in regular posts

White collar workers  
Blue collar workers

01.01.2020 - 31.12.2020		
Women	Men	Total
197	213	410
93	1 411	1 504
<b>290</b>	<b>1 624</b>	<b>1 914</b>

### Average employment in persons

White collar workers  
Blue collar workers

01.01.2022 - 31.12.2022		
Women	Men	Total
205	226	431
97	1 409	1 506
<b>302</b>	<b>1 635</b>	<b>1 937</b>

### Average employment in persons

White collar workers  
Blue collar workers

01.01.2021 - 31.12.2021		
Women	Men	Total
208	225	433
111	1 407	1 518
<b>319</b>	<b>1 632</b>	<b>1 951</b>

### Average employment in persons

White collar workers  
Blue collar workers

01.01.2020 - 31.12.2020		
Women	Men	Total
208	229	437
96	1 418	1 514
<b>304</b>	<b>1 647</b>	<b>1 951</b>

#### 43 Remuneration of the statutory auditor

in PLN thousand

	2022	2021	2020
Audit of the separate and consolidated financial statements of Cognor Holding S.A. (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	75	70	40
Semi-annual reviews separate and consolidated financial statements of Cognor Holding S.A. (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	15	17	30
Audit of separate financial statements of subsidiary Cognor S.A. (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	203	174	200
Semi-annual reviews separate financial statements of Cognor S.A. (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.)	38	33	-
Audit of separate financial statements of subsidiaries (2020: Primefields Sp. z o.o.)	-	-	9
Audit of separate financial statements of subsidiaries (2020: FKCA Ltd)	-	-	25
Attestation service in the scope of verification of the intensity coefficient of electric energy consumption (Cognor S.A. ) (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	21	18	20
Attestation service in the scope of verification of financial ratios in the bonds/loan agreement (Cognor S.A. ) (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	-	-	24
Attestation service in the scope of verification of the remuneration report (2022-2021: Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., 2020: Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.)	16	14	14
	<b>368</b>	<b>326</b>	<b>362</b>

\*According to the contract, the service will be performed after the completion of the audit of the financial statements for 2022

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

As the COVID-19 pandemic, which we have mentioned multiple times in our previous reports and which negative impact on our business was fortunately limited, is no longer, in our opinion, an important element in the description and therefore we will not mention it in future reports.

The war situation in Ukraine continues to pose a threat to the stability of our business operations. The energy crisis, reinforced by the outbreak of war and sanctions imposed on the aggressor country, was and remains a serious threat. Fortunately, Cognor did not sell directly to the east, nor did our main customers depend on it. We were able to replace certain amounts of materials and raw materials that we imported from other sources without excessively affecting costs. Today, it seems that the countries of the European Union have managed to redirect energy supplies and no longer have to rely on supplies from Russia, which has been embargoed, but all at the expense of higher prices. Although this has an impact on the general increase in inflation and the cost of loans, nevertheless, in our situation as a low-indebted entity and using the economical and low-emission method of electric arc melting of steel (EAF), it creates a significant advantage over producers operating based on blast furnace technology (BOF/ BF), which dominates the structure of steel production in the European Union. The lack of supplies of raw materials critical for our operations is probably no longer a threat, but a further escalation of the war and the related consequences, which are difficult to estimate, cannot be ruled out. Further actions will be taken by the Management Board adequately to the development of the situation. In the meantime, we will continue to support a group of Ukrainian citizens, hoping that this conflict shall be resolved as soon as possible.

#### 45 Subsequent events

On January 1, 2023, under the agreement concluded on December 15, 2022, the Group acquired control of JAP Industries s.r.o. and SPED-EX Trinec s.r.o. Note 3 presents the basic data related to the above mentioned transaction.

On January 3, 2023, the Council of Ministers adopted a resolution on the adoption of the government program entitled "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022". Due to the fulfillment of the program conditions, the Group applied for funding in the maximum amount available, ie EUR 4 million. However, due to the adoption of the program in January 2023 (after the balance sheet date), the Group did not recognize receivables and related revenue in the statement for 2022.

Poraj, 2 March 2023

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	
	31.12.2022	Comparative data*	31.12.2022	Comparative data*
I. Sales revenue	3 666 690	2 811 151	782 094	614 124
II. Operating profit	722 726	467 754	154 155	102 185
III. Profit before tax	728 704	452 630	155 430	98 881
IV. Profit for the period	610 373	363 526	130 191	79 416
IV.a. Profit for the period attributable to owners of the Parent Company	577 917	342 770	123 268	74 881
IV.b. Profit for the period attributable to non-controlling interests	32 456	20 756	6 923	4 534
V. Net cash from operating activities	486 418	120 012	103 751	26 218
VI. Net cash from investing activities	-235 834	-92 121	-50 303	-20 125
VII. Net cash from financing activities	-5 479	-37 836	-1 169	-8 266
VIII. Net change in cash and cash equivalents	245 105	-9 945	52 280	-2 173
IX. Total assets	2 083 016	1 505 172	444 149	327 254
X. Total liabilities	854 585	861 303	182 218	187 264
XI. Total non-current liabilities	346 112	269 631	73 799	58 623
XII. Total current liabilities	508 473	591 672	108 419	128 641
XIII. Total equity	1 228 431	643 869	261 931	139 990
XIV. Issued share capital	257 131	257 131	54 827	55 905
XV. Number of shares (in thousands) as at 31 December	171 421	171 421		
XVI. Basic earnings per share (PLN/EUR)	3,56**	2,17**	0,76	0,47
XVII. Diluted earnings per share (PLN/EUR)	3,56***	2,12***	0,76	0,46
XVIII. Basic book value per share (PLN/EUR) as at 31 December	7,17	3,76	1,53	0,82
XIX. Diluted book value per share (PLN/EUR) as at 31 December	7,17***	3,75***	1,53	0,82
XX. Declared or paid dividend per share (PLN/EUR)	0,15	0,15	0,03	0,03

\*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 171 421 thousand pieces for 2022 and 167 164 thousand pieces for 2021

\*\*\* the average number of shares used to calculate the diluted book value and diluted earnings per share was 171 421 thousand pieces for 2022 and 171 520 thousand pieces for 2021

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, 2022, PLN 4.6899 / EUR and for comparative data as of December 31, 2021, PLN 4.5994 / 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 4.6883 / EUR (2022), 4.5775 PLN / EUR (2021), respectively.