Together reach more

Cognor S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2014

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2014	31.12.2013	31.12.2012
Assets				
Property, plant and equipment	*14*	289 565	293 145	317 671
Intangible assets	*15*	11 338	12 163	15 435
Investment property	*16*	-	-	603
Investment in associates	*17*	3 232	4 946	-
Other investments	*18*	13 768	6 352	7 117
Other receivables	*22*	34	41 500	40 943
Prepaid perpetual usufruct of land	*19*	22 794	18 535	18 954
Deferred tax assets	*20*	81 932	74 319	71 744
Total non-current assets		**422 663**	**450 960**	**472 467**
Inventories	*21*	283 058	234 816	179 201
Other investments	*18*	4 607	5 190	5 131
Current income tax receivables	*12*	10	12	82
Trade and other receivables	*22*	187 421	186 553	181 691
Prepayments	*24*	-	9 205	-
Cash and cash equivalents	*25*	35 648	14 778	64 151
Non-current assets classified as held for sale	*26*	7 110	8 951	11 786
Total current assets		**517 854**	**459 505**	**442 042**
Total assets		**940 517**	**910 465**	**914 509**

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

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2014	31.12.2013	31.12.2012
Equity				
Issued share capital	*27*	132 444	132 444	132 444
Reserves		202 193	149 575	141 312
Foreign currency translation reserves		(540)	(477)	(471)
Accumulated losses from previous years and net result of the current year		(168 074)	(166 107)	(109 274)
Total equity attributable to owners of the Parent Company		**166 023**	**115 435**	**164 011**
Non-controlling interests	*27*	21 263	13 699	12 831
Total equity		**187 286**	**129 134**	**176 842**
Liabilities				
Interest-bearing loans and borrowings	*29*	408 896	6 677	487 020
Employee benefits obligation	*30*	9 597	7 313	6 735
Other liabilities	*32*	34 294	-	-
Deferred tax liabilities	*20*	11 011	11 637	6 618
Total non-current liabilities		**463 798**	**25 627**	**500 373**
Bank overdraft	*29*	6 969	-	15 495
Interest-bearing loans and borrowings	*29*	87 402	562 906	75 333
Employee benefits obligation	*30*	4 588	3 250	2 815
Current income tax liabilities	*12*	105	152	315
Provisions for liabilities	*31*	6 535	516	430
Trade and other liabilities	*32*	183 717	188 763	142 170
Government grants and other deferred income		117	117	736
Total current liabilities		**289 433**	**755 704**	**237 294**
Total liabilites		**753 231**	**781 331**	**737 667**
Total equity and liabilities		**940 517**	**910 465**	**914 509**

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Continuing operations				
Sales revenue	5	1 422 546	1 294 269	1 399 674
Costs of products, goods and materials sold	6	(1 275 863)	(1 191 124)	(1 303 894)
Gross profit		**146 683**	**103 145**	**95 780**
Other income	7	11 383	10 956	11 571
Distribution expenses	6	(43 033)	(39 518)	(33 950)
Administrative expenses	6	(38 496)	(34 964)	(34 691)
Other gains/(losses) - net	8	647	1 979	(2 224)
Other expenses	9	(11 159)	(13 485)	(11 636)
Operating profit		**66 025**	**28 113**	**24 850**
Financial income	10	1 789	-	36 675
Financial expenses	10	(69 092)	(75 955)	(62 424)
Net financing costs		**(67 303)**	**(75 955)**	**(25 749)**
Share of (loss)/profit of associates	17	(626)	2 759	-
Gain on bargain purchase	4	5 859	-	-
Profit/(loss) before tax		**3 955**	**(45 083)**	**(899)**
Income tax expense	11	5 790	(2 619)	1 086
Profit/(loss) for the period from continuing operations		**9 745**	**(47 702)**	**187**
Discontinued operations				
Loss for the period from discontinued operations, net of tax	13	(4 047)	-	-
Profit/(loss) for the period		**5 698**	**(47 702)**	**187**
Profit/(loss) for the period attributable to:				
Owners of the Parent Company		34	(48 570)	(443)
Non-controlling interests	27	5 664	868	630
Profit/(loss) for the period		**5 698**	**(47 702)**	**187**

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

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

in PLN thousand	*Note*	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		(63)	(6)	214
Other comprehensive income for the year, net of tax		**(63)**	**(6)**	**214**
Total comprehensive income for the period		**5 635**	**(47 708)**	**401**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		(29)	(48 576)	(229)
Non-controlling interests	*27*	5 664	868	630
Total comprehensive income for the period		**5 635**	**(47 708)**	**401**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*28*	**0,0**	**(0,73)**	**(0,01)**
- from continuing operations		0,06	(0,73)	(0,01)
- from discontinued operations		(0,06)	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*28*	**0,0**	**(0,73)**	**(0,01)**
- from continuing operations		0,04	(0,73)	(0,01)
- from discontinued operations		(0,04)	-	-

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

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Cash flows from operating activities				
Continuing operations				
Profit/(loss) before tax from continuing operations		3 955	(45 083)	(899)
Adjustments				
Depreciation	*14, 19*	33 989	34 401	38 240
Amortization	*15*	1 083	2 677	3 292
Impairment losses and valuation allowances of property, plant and equipment, intangible assets and assets classified as held for sale		-	31	-
Foreign exchange losses/(gains)		14 562	6 642	(40 523)
Net gains on investment activities		-	-	(1 478)
Net losses/(gains) on disposal of property, plant and equipment, intangible assets and assets classified as held for sale		772	(440)	(4 558)
Interest, transaction costs (related to loans and borrowings) and dividends, net		44 202	67 032	45 873
Change in receivables and prepayments		20 172	(4 871)	22 152
Change in inventories		(41 308)	(55 615)	(729)
Change in trade and other payables		(20 881)	44 240	(23 842)
Change in provisions		5 892	32	10
Change in employee benefits obligation		391	1 013	(4 097)
Change in government grants and other deferred income		(233)	(619)	(748)
Share of (loss)/profit of associates		626	(2 759)	-
Gain on bargain purchase		(5 859)	-	-
Other adjustments	*4*	(496)	-	17
Cash generated from continuing operations		**56 867**	**46 681**	**32 710**
Discontinued operations				
Loss before tax from discontinued operations	*13*	**(4 252)**	**-**	**-**
Adjustments				
Net gains on disposal of property, plant and equipment, intangible assets and assets classified as held for sale		1 408	-	-
Change in receivables		(2 278)	-	-
Cash outflows from discontinued operations		**(5 122)**	**-**	**-**
Cash generated from operating activities		**51 745**	**46 681**	**32 710**
Income tax (paid)/returned, incl.		50	(214)	6 572
- continuing operations		*50*	*(214)*	*6 572*
- discontinued operations		*-*	*-*	*-*
Net cash from operating activities		**51 795**	**46 467**	**39 282**

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

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		5 767	1 684	8 241
Proceeds from sale of intangible assets		9	742	2 027
Proceeds from sale of investment properties		-	525	671
Proceeds from sale of prepaid perpetual usufruct of land		1 999	-	96
Proceeds from sale of assets held for sale		2 003	3 091	4 141
Acquisition of subsidiaries, net of cash transferred		(362)	-	-
Proceeds from sale of other investments		-	-	5 985
Interest received		341	564	580
Dividends received		-	25	-
Repayment of loans granted		633	328	21 607
Other inflows from investing activities		-	4 000	-
Acquisition of property, plant and equipment		(15 662)	(7 171)	(12 951)
Acquisition of intangible assets		(194)	(78)	(1 832)
Acquisition of assets held for sale		(406)	-	-
Acquisition of shares in other companies		-	(2 187)	-
Loans granted		-	(3 265)	-
Acquisition of other investments		-	-	(5 318)
Cash generated on investing activities from continuing operations		**(5 872)**	**(1 742)**	**23 247**
Cash generated on investing activities from discontinued operations		6 500	-	-
Net cash from investing activities		**628**	**(1 742)**	**23 247**
Cash flows from financing activities				
Proceeds from interest-bearing loans and borrowings		634	-	25 084
Proceeds from factoring		11 634	12 285	-
Repayment of interest-bearing loans and borrowings		(531)	(25 000)	(125)
Payment of finance lease liabilities		(5 502)	(2 118)	(7 592)
Interest and transaction costs (related to loans and borrowings) paid		(44 278)	(59 258)	(46 453)
Other transactions with the Owner		(500)	(4 500)	(6 715)
Cash outflows on financing activities from continuing operations		**(38 543)**	**(78 591)**	**(35 801)**
Cash outflows from discontinued operations		-	-	-
Net cash from financing activities		**(38 543)**	**(78 591)**	**(35 801)**
Net change in cash and cash equivalents		**13 880**	**(33 866)**	**26 728**
Cash and cash equivalents net of bank overdraft, at 1 January	*25*	14 778	48 656	21 930
- effect of exchange rate fluctuations on cash held		*21*	*(12)*	*(2)*
Cash and cash equivalents net of bank overdraft, at 31 December	*25*	**28 679**	**14 778**	**48 656**
- including cash restricted for use		-	-	*15 732*

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

Consolidated statement of changes in equity

in PLN thousand	Note	Attributable to owners of the Parent Company: Issued share capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	Total	Non-controlling interests	Total equity
Equity as at 1 January 2012		**132 444**	**131 452**	**(685)**	**(98 971)**	**164 240**	**12 201**	**176 441**
Total comprehensive income		-	-	214	(443)	**(229)**	630	**401**
- (loss)/profit for the period		*-*	*-*	*-*	*(443)*	***(443)***	*630*	***187***
- foreign currency translation differences relating to foreign operations		*-*	*-*	*214*	*-*	***214***	*-*	***214***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	10 000	-	(10 000)	-	-	-
Transaction with owners (including sale of own shares)		*-*	*10 000*		*(10 000)*	*-*	*-*	*-*
Covering of loss		-	(140)	-	140	-	-	-
Equity as at 31 December 2012		**132 444**	**141 312**	**(471)**	**(109 274)**	**164 011**	**12 831**	**176 842**
Equity as at 1 January 2013		**132 444**	**141 312**	**(471)**	**(109 274)**	**164 011**	**12 831**	**176 842**
Total comprehensive income		-	-	(6)	(48 570)	**(48 576)**	868	**(47 708)**
- (loss)/profit for the period		*-*	*-*	*-*	*(48 570)*	***(48 570)***	*868*	***(47 702)***
- foreign currency translation differences relating to foreign operations		*-*	*-*	*(6)*	*-*	***(6)***	*-*	***(6)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	-	-	-	-	-	-
Transfer of profit		-	8 263	-	(8 263)	-	-	-
Equity as at 31 December 2013		**132 444**	**149 575**	**(477)**	**(166 107)**	**115 435**	**13 699**	**129 134**
Equity as at 1 January 2014		**132 444**	**149 575**	**(477)**	**(166 107)**	**115 435**	**13 699**	**129 134**
Total comprehensive income		-	-	*(63)*	*34*	***(29)***	*5 664*	***5 635***
- profit for the period		*-*	*-*	*-*	*34*	***34***	*5 664*	***5 698***
- foreign currency translation differences relating to foreign operations		*-*	*-*	*(63)*	*-*	***(63)***	*-*	***(63)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	46 914	-	(2 561)	**44 353**	-	**44 353**
Options for own equity instruments	*27*	*-*	*(14 256)*	*-*	*-*	***(14 256)***	*-*	***(14 256)***
Issuing of exchangeable notes	*29*	*-*	*100 385*	*-*		***100 385***	*-*	***100 385***
Interests on exchangeable notes in the period		*-*	*-*	*-*	*(2 561)*	***(2 561)***	*-*	***(2 561)***
Other settlements with the Owner	*27*	*-*	*(39 215)*	*-*	*-*	***(39 215)***	*-*	***(39 215)***
Changes in ownership interests		-	-	-	6 523	**6 523**	1 882	**8 405**
Obtaining control over previously equity-accounted investee and other		*-*	*-*	*-*	*6 523*	***6 523***	*1 882*	***8 405***
Transfer of profit		-	5 704	-	(5 704)	-	-	-
Other		-	-	-	(259)	(259)	18	(241)
Equity as at 31 December 2014		**132 444**	**202 193**	**(540)**	**(168 074)**	**166 023**	**21 263**	**187 286**

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

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

Cognor S.A. ("Cognor", "the Company", "the Parent Company") with its seat in Poraj, 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. 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 and other activities.

The consolidated financial statements as at and for the year ended 31 December 2014 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 2014 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control
Cognor Blachy Dachowe S.A.	Poland	77.4%	2007-08-01
Business Support Services Sp. z o.o.	Poland	100.0%	2006-05-15*
Kapitał S.A.	Poland	100.0%	2004-06-13
Ferrostal Łabędy Sp. z o.o.	Poland	92.4%	2004-02-19*
ZW Walcownia Bruzdowa Sp. z o.o.	Poland	100.0%**	2005-01-13*
Huta Stali Jakościowych S.A.	Poland	100.0%	2006-01-27*
Zlomrex International Finance S.A. in liquidation	France	100.0%	2006-10-23*
Złomrex Metal Sp. z o.o.	Poland	100.0%	2007-04-02*
AB Stahl AG	Germany	100.0%	2006-08-03*
4 Groups Sp. z o.o.	Poland	30.0% (associate)	2013-01-21
Kapitał S.A. sp.k.	Poland	51.0%	2008-03-25
Cognor International Finance plc	Great Britain	100.0%	2013-10-24
ZW Profil S.A.	Poland	95.72%**	2014-04-11

* date of obtaining control by Złomrex S.A. Group
** interest and voting rights owned by Ferrostal Łabędy Sp. z o.o.

(in PLN thousand, unless stated otherwise)

ZW Profil S.A. is the parent company of the ZW Profil S.A. Group. Details of the subsidiaries that comprise ZW Profil S.A. Group at 31 December 2014 are presented in the following table:

Name of the entity	Seat of entity	Ownership interest and voting rights owned by ZW Profil S.A.	Ownership interest and voting rights in Cognor Group
Przedsiębiorstwo Transportu Samochodowego S.A.	Poland	80.0%	70.8%
Profil Centrum Sp. z o.o.	Poland	100.0%	88.5%
Madrohut Sp. z o.o.	Poland	20.0% (associate)	17.7%

During 2012, the following changes occurred in the Cognor S.A. Group:

- on April 19, 2012 the subsidiary Stalexport Metalzbyt Sp. z o.o. was liquidated according to the decision of the District Court in Bialystok.
- on April 30, 2012 Cognor Finanse Sp. z o.o. merged with Cognor Services Sp. z o.o.
- on October 10, 2012 Kapitał S.A. merged with Centrostal Sp. z o.o.
- on November 28, 2012 Cognor S.A. merged with Złomrex Centrum Sp. z o.o.

On 21 January 2013, Business Support Services Sp. z o.o. (a subsidiary of Cognor S.A.) acquired 90 shares in 4 Groups Sp. z o.o. Following this transaction, Business Support Services Sp. z o.o. holds 30% of shares in 4 Groups Sp. z o.o. Consequently, 4 Groups Sp. z o.o. became an associate of the Cognor Group.

On 24 October 2013, Huta Stali Jakościowych S.A. (a subsidiary of Cognor S.A.) established Cognor International Finance plc seated in London, Great Britain with a contribution in cash of PLN 256 thousand for 100% of the shares in this entity. The activity of Cognor International Finance plc is financial services providing including bond issues.

On 25 March 2014, Ferrostal Łabędy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. After this purchase Ferrostal Łabędy Sp. z o.o. had total of 5 240 shares representing 53.06% of the share capital of the company (for details see note 4). As a result of subsequent purchases of shares in ZW Profil S.A. and the increase of share capital - Ferrostal Łabędy Sp. z o.o. has 82 063 shares (in total), which represent 95.72% of the share capital of the company (indirect participation of Cognor capital group is 88.48%).

On 26 June 2014, the District Court in Częstochowa registered the merger of Cognor S.A. (the acquiring entity) with a subsidiary Cognor Finanse Sp. z o.o. (the acquired entity).

On 30 September 2014, Zlomrex International Finance S.A. has started the process of voluntary liquidation of the company.

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 2014 have been prepared on the going concern basis.

As a result of a successfully conducted issue of two series of bonds on 4 February 2014 (see note 29), including bonds convertible on shares, the Cognor S.A. Group acquired new, stable and long-term source of financing its operations. In the opinion of the Management Board of Cognor S.A. on the date of preparation of these consolidated financial statements, there are no threats that might affect the ability of the Group to continue its activities in the next reporting period.

(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 classified as available for sale and financial instruments measured at fair value through profit or loss.

These consolidated financial statements were approved by the Board of Directors on 20 March 2015.

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.

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 31 December 2014, and have not been applied in preparing these consolidated financial statements. Except for IFRS 9 Financial Instruments for which the effective date has not yet been announced, none of these is expected to have a significant impact on the consolidated financial statements of the Group. The Group is not planning to voluntary implement the new standard and is preparing an analsis of the impact the standard will have on the Group's financial statements. The implementation of the new standard could affect the classification and valuation of financial assets.

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 basis of accounting
- 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
- note 23 – significant impairment losses on receivables
- note 27 – settlements with the owner
- note 30 – employee benefits obligations
- note 31 and 35 – provisions and contingencies
- note 33 – financial instruments
- note 34 – capital commitments

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.

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.

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

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

The Group classifies perpetual usufruct of land as operating lease. Prepayments for perpetual usufruct of land are disclosed separately in the statement of financial position. Prepayments for perpetual usufruct are expensed to profit or loss during the period of the lease.

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.

Other development expenditures are recognized in profit or loss as incurred. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization and impairment losses.

CO2 emission rights

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

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

Other intangible assets

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

Subsequent expenditures

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

Amortization

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

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

f) Investment property

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

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

Financial instruments

Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (incl. assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

Held-to-maturity financial assets include assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost calculated using the effective interest rate method.

Assets in this category are recognized as non-current assets, if the realization date exceeds 12 months from the reporting date.

Financial assets measured at fair value through profit or loss

Financial assets acquired for the purpose of generating a profit from short-term price fluctuations are classified as financial assets measured at fair value through profit or loss. They are measured at fair value, without transaction costs, and considering the market value at reporting date. Changes in fair value are recognized in profit or loss within other net gains/(losses). Assets in this category are classified as current assets, if the management of the Group has the positive intention to realize them within 12 months.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

An allowance for trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair values plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debts instruments, are recognized in other comprehensive income and presented in the equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Valuation of financial instruments at reporting date

Investments in debt and equity securities

The fair value of financial assets measured at fair value through profit or loss, investments held to maturity and financial assets available for sale, is evaluated on the basis of the market value as at reporting date (if the market value is available). The fair value of the investments held to maturity is evaluated only for disclosure purposes.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are accounted for as trading instruments and are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are valued at fair value and changes therein are recognized immediately in the profit and loss. The fair value of forward exchange contracts is the quoted market price at the reporting date, being the present value of the forward quoted price.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the instrument is considered as an indicator for impairment.

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. Impairment losses on available for sale financial asset are estimated by reference to current fair value at the reporting date.

The carrying amount of the Group's financial assets with significant value is reviewed at each reporting date to determine whether there is any indication of impairment. Other financial assets are evaluated for impairment in groups that contain a similar level of credit risk.

Impairment losses are recognized in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized.

An impairment loss is reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit and loss.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Inventories

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

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

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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 and treasury shares. Supplementary capital is allocated from net profit according to the Commercial Code. Other reserves are allocated from net profit for future dividends payments.

Dividends

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

Repurchase and reissue of treasury shares

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

m) Interest bearing loans and borrowings

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

Fair value, evaluated for disclosure purposes, is calculated on the basis of current value of future cash flows from capital and returns discounted at market interest rate at the reporting day. In case of financial lease, the market interest rate is estimated on the basis of the percentage rate of similar lease agreements. In case of bonds, the fair value is estimated on the basis of market transactions of purchase of the bonds issued by Cognor International Finance plc in the period on or close to the reporting day.

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 Labor 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 onthe basis of projected increase in the benefit and over length of service of a given employee. The calculated amount is discounted to the reporting date.

Short-term employee benefits

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

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

o) Provisions

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

p) Trade and other liabilities

Trade and other liabilities are recognised initially at fair value and subsequently measured at amortized cost. Current liabilities are not discounted.

q) Deferred government grants and other deferred income

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

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:
(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the finished goods,
(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control the goods sold,
(c) the amount of revenue can be measured reliably,
(d) it is probable that the economic benefits associated with the transaction will flow to the entity and,
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(a) the amount of revenue can be measured reliably,
(b) it is probable that the economic benefits associated with the transaction will flow to the entity,
(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

s) Leases

Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

t) 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.

u) 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 Segment reporting

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

The Management Board considers the business from both a geographic and operating perspective. Geographically, management considers sales in Poland, Germany and other countries.

The reportable operating segments derive their revenue primarily from the following divisions:

1. scrap division – this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division – this segment includes activities of processing scrap metal into steel billets, steel billets into finished products, and selling them; processing of non-ferrous scrap into finished products and selling them;
3. distribution division – this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other – this segment includes other activities such as holding activities, financial activities, recycling materials, including plastic foils, paper and other products.

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 profit or loss and other comprehensive income.

Business segments

in PLN thousand **31.12.2014**	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	190 593	1 190 578	14 074	27 301			
Inter-segment revenue	259 713	68 450	91	43 519			
Total revenue	**450 306**	**1 259 028**	**14 165**	**70 820**	**-**	(371 773)	**1 422 546**
Cost of sales to external customers	(186 055)	(1 054 971)	(12 594)	(22 243)			
Inter-segment cost of sales	(245 130)	(55 933)	(78)	(23 528)			
Total cost of sales	**(431 185)**	**(1 110 904)**	**(12 672)**	**(45 771)**	**-**	324 669	**(1 275 863)**
Segment result	**19 121**	**148 124**	**1 493**	**25 049**	**-**	**(47 104)**	**146 683**
Other income	1 967	3 956	156	4 576	73 017	(72 289)	11 383
Distribution and administrative expenses	(21 695)	(62 943)	(1 397)	(1 207)	(15 135)	20 848	(81 529)
Other gain/(losses) net	798	3 562	(20)	(32)	(15 874)	12 213	647
Other expenses	(657)	(4 459)	(157)	(3 641)	(49 190)	46 945	(11 159)
Operating profit/(loss)	**(466)**	**88 240**	**75**	**24 745**	**(7 182)**	**(39 387)**	**66 025**
Net financing costs	(1 740)	(6 090)	(41)	(1 536)	(136 683)	78 787	(67 303)
Share of profit of associates, net of tax							(626)
Gain on bargain purchase							5 859
Income tax expense							5 790
Profit for the period (continuing operations)							**9 745**

in PLN thousand 31.12.2013	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	186 037	1 096 613	10 491	1 128			
Inter-segment revenue	295 059	31 757	5	23 519			
Total revenue	**481 096**	**1 128 370**	**10 496**	**24 647**	**-**	(350 340)	**1 294 269**
Cost of sales to external customers	(166 850)	(1 014 551)	(9 678)	(45)			
Inter-segment cost of sales	(298 075)	(27 182)	(5)	(304)			
Total cost of sales	**(464 925)**	**(1 041 733)**	**(9 683)**	**(349)**	**-**	325 566	**(1 191 124)**
Segment result	**16 171**	**86 637**	**813**	**24 298**	**-**	**(24 774)**	**103 145**
Other income	2 351	3 313	201	4 872	108 550	(108 331)	10 956
Distribution and administrative expenses	(22 086)	(55 392)	(1 324)	(798)	(15 214)	20 332	(74 482)
Other gain/(losses) net	881	2 801	(30)	276	46 192	(48 141)	1 979
Other expenses	(772)	(5 710)	(252)	(306)	(24 940)	18 495	(13 485)
Operating profit/(loss)	**(3 455)**	**31 649**	**(592)**	**28 342**	**114 588**	**(142 419)**	**28 113**
Net financing costs	(2 108)	(6 511)	(31)	(2 976)	(152 344)	88 015	(75 955)
Share of profit of associates, net of tax							2 759
Income tax expense							(2 619)
Loss for the period							**(47 702)**

in PLN thousand 31.12.2012	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	264 668	1 113 440	18 947	2 619			
Inter-segment revenue	280 789	27 203	14	17 420			
Total revenue	**545 457**	**1 140 643**	**18 961**	**20 039**	**-**	**(325 426)**	**1 399 674**
Cost of sales to external customers	(239 034)	(1 043 315)	(18 197)	(3 348)			
Inter-segment cost of sales	(284 515)	(26 174)	(11)	(432)			
Total cost of sales	**(523 549)**	**(1 069 489)**	**(18 208)**	**(3 780)**	**-**	**311 132**	**(1 303 894)**
Segment result	**21 908**	**71 154**	**753**	**16 259**	**-**	**(14 294)**	**95 780**
Other income	2 248	3 055	272	7 043	89 482	(90 529)	11 571
Distribution and administrative expenses	(23 558)	(44 510)	(2 225)	(855)	(13 555)	16 062	(68 641)
Other gain/(losses) net	(660)	(1 615)	5 592	(271)	586	(5 856)	(2 224)
Other expenses	(2 651)	(2 676)	(256)	(303)	(8 604)	2 854	(11 636)
Operating profit/(loss)	**(2 713)**	**25 408**	**4 136**	**21 873**	**67 909**	**(91 763)**	**24 850**
Net financing costs	(692)	(6 931)	(182)	(3 611)	(92 650)	78 317	(25 749)
Income tax expense							1 086
Profit for the period							**187**

in PLN thousand 31.12.2014	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	71 543	660 006	5 652	34 281	169 035	**940 517**
Segment liabilities	20 286	136 672	191	8 364	587 718	**753 231**
Capital expenditures	2 742	18 904	116	1 874	-	**23 636**
Major non-cash items:						
Depreciation/amortization	(2 916)	(26 931)	(289)	(2 044)	(3 222)	**(35 402)**
Impairment losses and valuation allowances	(29)	(1 027)	59	44	(3 408)	**(4 361)**
Total major non-cash items	**(2 945)**	**(27 958)**	**(230)**	**(2 000)**	**(6 630)**	**(39 763)**

in PLN thousand 31.12.2013	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	73 106	630 559	6 700	18 645	181 455	**910 465**
Segment liabilities	33 698	123 461	1 901	8 202	614 069	**781 331**
Capital expenditures	1 336	8 303	10	1 407	-	**11 056**
Major non-cash items:						
Depreciation/amortization	(3 224)	(32 136)	(310)	(1 408)	-	**(37 078)**
Impairment losses and valuation allowances	20	(8)	128	(144)	(2 211)	**(2 215)**
Total major non-cash items	**(3 204)**	**(32 144)**	**(182)**	**(1 552)**	**(2 211)**	**(39 293)**

in PLN thousand 31.12.2012	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	85 170	597 324	5 252	14 009	212 754	**914 509**
Segment liabilities	32 964	90 921	173	1 372	612 237	**737 667**
Capital expenditures	1 477	12 840	92	4 447	-	**18 856**
Major non-cash items:						
Depreciation/amortization	(3 951)	(34 835)	(381)	(1 942)	-	**(41 109)**
Impairment losses and valuation allowances	77	619	(489)	976	53	**1 236**
Total major non-cash items	**(3 874)**	**(34 216)**	**(870)**	**(966)**	**53**	**(39 873)**

Unallocated assets *in PLN thousand*	**31.12.2014**	**31.12.2013**	**31.12.2012**
Long-term and short-term investments	21 607	16 488	12 248
Deferred tax assets	81 932	74 319	71 744
Investment property	-	-	603
Current income tax receivable	10	12	82
Cash and cash equivalents	35 648	14 778	64 151
Assets held for sale	7 110	8 951	11 786
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	22 728	66 907	52 140
	169 035	**181 455**	**212 754**

Unallocated liabilities *in PLN thousand*	**31.12.2014**	**31.12.2013**	**31.12.2012**
Interest-bearing loans and borrowings	496 298	569 583	562 353
Bank overdraft	6 969	-	15 495
Deferred tax liabilities	11 011	11 637	6 618
Employee benefits	14 185	10 563	9 550
Government grants and other deferred income	117	117	736
Current income tax payables	105	152	315
Other liabilities	59 033	22 017	17 170
	587 718	**614 069**	**612 237**

3 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Revenue from external customers	990 778	891 442	1 004 887	248 525	261 960	167 536	183 243	140 867	227 251	1 422 546	1 294 269	1 399 674
Capital expenditures	23 636	11 056	18 856	-	-	-	-	-	-	23 636	11 056	18 856

The Group's non-current assets other than financial instruments and deferred tax assets are located in Poland.

Major customer

In 2014, none of the Group’s customers exceeded 10% of consolidated revenues (in 2013 and 2012 none of the Group's customers exceeded 10% of consolidated revenues).

4 Acquisitions of subsidiaries

On 10 September 2013, Ferrostal Łabędy Sp. z o.o. (subsidiary) entered into a number of agreements to purchase 32.81% (from the Group's perspective - effectively 30.32%) of the shares in ZW Profil S.A. in Kraków for PLN 175 thousand. The transaction was finalized at the beginning of October 2013. ZW Profil S.A. is a parent company in ZW Profil S.A. Group, which comprises two subsidiaries: Przedsiębiorstwo Transportu Samochodowego S.A. and Profil Centrum Sp. z o.o. and one associate: Madrohut Sp. z o.o.

On 25 March 2014, Ferrostal Łabędy Sp. z o.o. obtained the permission of the Office of Competition and Consumer Protection to take over the controlling stake of shares of ZW Profil S.A. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares of ZW Profil S.A. for PLN 121 thousand. After this transaction Ferrostal Łabędy Sp. z o.o. became the owner of 5 240 shares representing 53.06% (from the Group's perspective - effectively 49.03%) of the share capital in ZW Profil S.A. and voting rights.

Ferrostal Łabędy Sp. z o.o. paid in cash for all purchased shares of ZW Profil S.A. No significant acquisition-related costs have occurred.

The purpose of the acquisition of ZW Profil S.A. by Cognor S.A. Group was a maximum utilization of the production capacity of steel plant in Ferrostal Łabędy Sp. z o.o. and thus a reduction of the unit fixed costs as well as an increase of the market share by Cognor S.A. Group through the acquisition of a significant competitor - ZW Profil S.A.

As a result of the acquisition of ZW Profil S.A. a surplus of the share in the fair value of identifiable net assets acquired over the consideration transferred in the total amount of PLN 9 074 thousand was recognised (including PLN 5 859 thousand recognised in the consolidated financial statements for the year 2014). The gain on bargain purchase results, among other things, from fair value remeasurement of property, plant and equipment and perpetual usufruct of land. An adjustment to fair values was based mainly on an expert's valuation of buildings, structures and perpetual usufruct of land. In respect of other assets, the Company estimated their fair values based on market prices and expected useful life.

From the acquisition date up to 31 December 2014, ZW Profil S.A. Group generated sales revenue of PLN 59 256 thousand and a net profit of PLN 10 507 thousand that were included in the consolidated financial statements of Cognor S.A. Group. The Management of the Group assessed that if the acquisition had occurred on 1 January 2014, the consolidated sales revenue would have increased by PLN 6 884 thousand in 2014 and the consolidated profit would have increased by PLN 366 thousand. In determining these amounts, the Management has assumed that the fair value adjustments made at the acquisition date would have been the same if the acquisition had occured on 1 January 2014.

The following summaries the final recognised amounts of the assets acquired and liabilities assumed:

in PLN thousand	**Fair value at the acquisition date**
Property, plant and equipment	15 883
Intangible assets	70
Other investments	241
Prepaid perpetual usufruct of land	6 390
Deferred tax assets	(714)
Inventories	690
Trade and other receivables	14 591
Cash and cash equivalents	1 773
Bank overdraft	(1 969)
Interest-bearing loans and borrowings	(4 338)
Employee benefits obligation	(3 231)
Trade and other payables	(13 387)
Government grants and other deferred income	(233)
Fair value of indentified net assets	**15 766**

At the acquisition date the trade and other receivables comprised gross contractual amounts due of PLN 17 786 thousand, of which PLN 3 195 thousand was expected to be uncollectible.

Gain on bargain purchase	
Consideration transferred for additional 18.71% shares	121
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	8 318
Fair value of existing interest at the date of obtaining control	4 767
Fair value of identifiable net assets	(15 766)
Gain on bargain purchase recognized during 2014	**2 560**
Remeasurement to fair value*	3 299
Gain on bargain purchase recognized in the statement of profit or loss and other comprehensive income	**5 859**

* The remeasurement to fair value of the Group's existing 30.32% shares in ZW Profil S.A. Group resulted in a gain of PLN 3 299 thousand mainly due to the final settlement of the acquisition of 30.32% shares based on the fair value of acquired assets and liabilities. This gain has been included as gain on bargain purchase in the consolidated financial statements for 2014.

Till 31 December 2014 a subsidiary Ferrostal Łabędy Sp. z o.o. continued to purchase additional shares of ZW Profil S.A. from existing shareholders. After the last acquisition in December 2014 Ferrostal Łabędy held 6 340 shares representing 64.02% of the share capital of the company. On 18 December 2014, ZW Profil S.A. based on the resoludion of the General Meeting increased its share capital by PLN 4 million through private placement of 72 728 registered shares at a subscription price of PLN 55 per share. The placement was addressed only to Ferrostal Łabędy Sp. z o.o. After the share capital increase Ferrostal Łabędy Sp. z o.o. holds 95.72% of ZW Profil S.A. shares.

In 2013 and 2012 no acquisitions of subsidiaries occurred.

5 Revenues from sale

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Revenues from sale of products	1 212 225	1 097 747	1 148 997
Revenues form sale of services	20 094	4 069	5 158
Revenues from sale of goods	181 941	183 611	242 407
Revenues from sale of raw materials	8 286	8 842	3 112
	1 422 546	**1 294 269**	**1 399 674**

6 Expenses by type

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Depreciation and amortisation (note 14 and 15)	(34 843)	(36 659)	(41 109)
Energy and materials consumption	(895 915)	(863 817)	(933 550)
External services	(200 399)	(154 188)	(97 231)
Taxes and charges	(11 826)	(7 725)	(8 093)
Wages and salaries	(87 925)	(63 937)	(68 167)
Social security contributions and other benefits	(21 107)	(15 101)	(15 546)
Other expenses	(4 311)	(3 605)	(3 798)
Amortisation of prepaid perpetual usufruct of land	(559)	(419)	(423)
Total expenses by type	**(1 256 885)**	**(1 145 451)**	**(1 167 917)**
Cost of goods for resale and materials	(158 900)	(172 216)	(230 387)
Changes in inventories, prepayments, accruals and costs settled	58 393	52 061	25 769
Costs of products, goods and materials sold, administrative and distribution expenses	**(1 357 392)**	**(1 265 606)**	**(1 372 535)**

7 Other income

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Compensations and penalties received	2 610	2 750	195
Insurance compensations	337	101	98
Forgiven liabilities	4 205	201	5
Reimbursed costs of court proceedings	105	1 364	186
Donations	307	619	745
Interest income relating to trade receivables	2 173	2 968	4 680
Fees and commissions	554	11	25
Reversal of allowance for interest and other receivables	583	767	1 371
CER/EUA swap	-	-	1 149
Other	509	2 175	3 117
	11 383	**10 956**	**11 571**

8 Other gains/(losses) - net

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Net (loss)/gain on disposal of property, plant and equipment	(1 521)	169	3 861
Net gain on disposal of intangible assets	3	62	1 855
Net loss on disposal of investment properties	-	(78)	-
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	429	-	(377)
Net gain/(loss) on disposal of assets held for sale	317	287	(781)
Net loss on sales of other investments	-	-	(4)
Reversal of impairment loss on other investments	149	-	-
Net foreign exchange gain/(loss) relating to operating activities	587	924	(6 778)
Net foreign exchange gain relating to financial assets	683	615	-
	647	**1 979**	**(2 224)**

9 Other expenses

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Interest expenses relating to non-financial liabilities	(3 827)	(3 533)	(2 588)
Uncollectible receivables	(472)	(1 294)	(1 075)
Costs of court proceedings	(1 294)	(1 613)	(272)
Contractual penalties	(3 189)	(2 307)	(3 351)
Receivables written off	(246)	(262)	(1 842)
Unused production capacities	-	(3 225)	(572)
Other	(2 131)	(1 251)	(1 936)
	(11 159)	**(13 485)**	**(11 636)**

10 Net financing costs

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Financial income			
Net gain on purchase of own bonds	1 789	-	1 482
Net foreign exchange gain	-	-	35 193
Financial income, total	**1 789**	**-**	**36 675**

Financial costs

Interest expense relating to financial liabilities	(51 323)	(63 515)	(56 392)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(4 408)	(4 495)	(5 045)
Net foreign exchange loss	(12 420)	(7 123)	-
Other	(941)	(822)	(987)
Financial expenses, total	**(69 092)**	**(75 955)**	**(62 424)**
Net financing costs	**(67 303)**	**(75 955)**	**(25 749)**

11 Income tax expense

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

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Current tax expense			
Current year			
- continuing operations	97	(121)	(1 112)
incl. adjustment to prior years' income tax	*-*	*-*	*98*
	97	**(121)**	**(1 112)**
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	5 693	(2 498)	2 198
- discontinued operations	205	-	-
	5 898	**(2 498)**	**2 198**
Total income tax expense in the profit or loss and other comprehensive income	**5 995**	**(2 619)**	**1 086**

Reconciliation of effective tax rate

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012	01.01.2012 - 31.12.2012
Profit/(loss) before tax	**100.0%**	**3 955**	**100.0%**	**(45 083)**	**100.0%**	**(899)**
Income tax using the domestic corporation tax rate	(19.0%)	(751)	(19.0%)	8 566	(19.0%)	171
Effect of tax rates in foreign jurisdictions	(0.3%)	(13)	(0.2%)	80	(8.3%)	75
Non-deductible costs	(22.1%)	(876)	6.4%	(2 884)	809.3%	(7 276)
Tax exempt income	41.3%	1 634	(3.7%)	1 651	(520.0%)	4 675
Utilisation of tax losses not recognised in previous years	67.9%	2 684	-	-	-	-
Temporary differences for which no deferred tax asset was recognised	(15.9%)	(627)	19.0%	(8 550)	-	-
Tax losses for which no deferred tax asset was recognised	0.8%	32	0.3%	(118)	20.9%	(188)
Adjustment to prior years’ income tax	8.2%	323	6.6%	(2 968)	(10.9%)	98
Recognition of deferred tax assets previously not recognised	89.5%	3 538	(3.1%)	1 403	(383.3%)	3 446
Other	1.3%	51	(0.4%)	201	(9.5%)	85
	151.6%	**5 995**	**5.8%**	**(2 619)**	**(120.8%)**	**1 086**

12 Current tax assets and liabilities

The current tax receivables as at 31.12.2014 amounted to PLN 10 thousand (31.12.2013: PLN 12 thousand, 31.12.2012: PLN 82 thousand).

As at 31.12.2014 the current tax liabilities amounted to PLN 105 thousand (31.12.2013: PLN 152 thousand, 31.12.2012: PLN 315 thousand).

13 Discontinued operations

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Result on sale of cranes	(955)	-
Costs relating to rental of plant	(1 019)	-
Costs relating to the price adjustment for the sale of Cognor Stahlhandel GmbH (Austria)	(2 278)	-
Loss for the period from discontinued operations, before tax	**(4 252)**	**-**
Income tax expense from discontinued operations	205	-
Loss for the period from discontinued operations, net of tax	**(4 047)**	**-**

On 5 May 2011 as a result of the sale of the majority of the assets related to distribution activity in Poland to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland, the Group discontinued operations in Cognor Finanse Sp. z o.o. in Gliwice (formerly Cognor Stahlhandel Sp. z o.o.). In 2014, the cranes were sold and the Group recognized a loss of PLN 955 thousand. On the basis of a court sentence, Cognor Finanse Sp. z o.o. and later Cognor S.A. as the legal successor were obliged to pay in 2014 the rent costs for the leased production plant in Gliwice, and these costs amounted to PLN 1 019 thousand.

In 2010, the Group Management has also decided to sell its shares in Cognor Stahlhandel GmbH (Austria) which comprised all the Group’s distribution operations outside Poland. The conditional share purchase agreement was concluded in December 2010 and the transaction was closed on 4 February 2011. On 4 November 2014, Cognor S.A. signed an agreement with the Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH (group Mechel) in connection with a dispute concerning a contract on sale of shares mentioned above and the outstanding amount of PLN 7 260 thousand to be paid. Taking into account the estimated time and cost of further arbitration procedures, as well as uncertainty about the Mechel group's ability to pay this commitment in the future, the Management Board decided to sign an agreement on the terms of which Cognor S.A. received EUR 1 215 thousand, as the final payment resulting from the agreement. Accordingly, the parties decided to waive all claims and rights arising from this contract, and thus the remaining receivable has been written off resulting in a loss of PLN 2 278 thousand.

14 Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2012	842	173 073	412 158	32 973	7 569	2 254	**628 869**
Additions	-	-	2 413	1 711	-	12 900	**17 024**
Transfer from fixed assets under construction	168	494	3 322	469	184	(4 637)	**-**
Disposals	-	(3 336)	(4 120)	(904)	(628)	(45)	**(9 033)**
Balance at 31.12.2012	**1 010**	**170 231**	**413 773**	**34 249**	**7 125**	**10 472**	**636 860**
Balance at 01.01.2013	1 010	170 231	413 773	34 249	7 125	10 472	**636 860**
Additions	-	-	1 997	1 849	-	7 125	**10 971**
Transfer from fixed assets under construction	-	471	8 808	92	22	(9 393)	**-**
Disposals	-	(202)	(2 907)	(3 547)	(9)	(72)	**(6 737)**
Balance at 31.12.2013	**1 010**	**170 500**	**421 671**	**32 643**	**7 138**	**8 132**	**641 094**
Balance at 01.01.2014	1 010	170 500	421 671	32 643	7 138	8 132	**641 094**
Acquisitions through business combinations	-	6 935	6 315	2 502	25	174	**15 951**
Additions	-	-	3 377	4 318	85	15 662	**23 442**
Transfer to non-current assets held for sale	-	(350)	(5 027)	-	-	-	**(5 377)**
Transfer from fixed assets under construction	-	1 752	5 550	571	418	(8 291)	**-**
Disposals	(9)	(8 644)	(4 788)	(3 559)	(562)	(25)	**(17 587)**
Balance at 31.12.2014	**1 001**	**170 193**	**427 098**	**36 475**	**7 104**	**15 652**	**657 523**
Depreciation and impairment losses							
Balance at 01.01.2012	(11)	(50 158)	(200 629)	(30 399)	(4 938)	-	**(286 135)**
Depreciation charge for the year	-	(5 884)	(29 382)	(1 828)	(723)	-	**(37 817)**
Impairment loss	-	-	(13)	-	-	-	**(13)**
Disposals	-	516	2 960	884	416	-	**4 776**
Balance at 31.12.2012	**(11)**	**(55 526)**	**(227 064)**	**(31 343)**	**(5 245)**	**-**	**(319 189)**
Balance at 01.01.2013	(11)	(55 526)	(227 064)	(31 343)	(5 245)	-	**(319 189)**
Depreciation charge for the year	-	(5 659)	(26 735)	(1 203)	(385)	-	**(33 982)**
Reversal of impairment loss	-	-	264	-	-	-	**264**
Disposals	-	32	1 472	3 448	6	-	**4 958**
Balance at 31.12.2013	**(11)**	**(61 153)**	**(252 063)**	**(29 098)**	**(5 624)**	**-**	**(347 949)**
Balance at 01.01.2014	(11)	(61 153)	(252 063)	(29 098)	(5 624)	-	**(347 949)**
Depreciation charge for the year	-	(6 153)	(24 739)	(2 137)	(401)	-	**(33 430)**
Reversal of impairment loss	-	-	400	-	-	-	**400**
Transfer to non-current assets held for sale	-	9	3 902	-	-	-	**3 911**
Disposals	-	3 148	2 251	3 151	560	-	**9 110**
Balance at 31.12.2014	**(11)**	**(64 149)**	**(270 249)**	**(28 084)**	**(5 465)**	**-**	**(367 958)**
Carrying amounts							
Balance at 01.01.2012	831	122 915	211 529	2 574	2 631	2 254	342 734
Balance at 31.12.2012	**999**	**114 705**	**186 709**	**2 906**	**1 880**	**10 472**	**317 671**
Balance at 01.01.2013	999	114 705	186 709	2 906	1 880	10 472	317 671
Balance at 31.12.2013	**999**	**109 347**	**169 608**	**3 545**	**1 514**	**8 132**	**293 145**
Balance at 01.01.2014	999	109 347	169 608	3 545	1 514	8 132	293 145
Balance at 31.12.2014	**990**	**106 044**	**156 849**	**8 391**	**1 639**	**15 652**	**289 565**

Property, plant and equipment

	31.12.2014	31.12.2013	31.12.2012
Land	990	999	999
Buildings	106 044	109 347	114 705
Plant and equipment	156 849	169 608	186 709
Vehicles	8 391	3 545	2 906
Fixtures and fittings	1 639	1 514	1 880
Under construction	15 652	8 132	10 472
Total	**289 565**	**293 145**	**317 671**

	31.12.2014	31.12.2013	31.12.2012
Property, plant and equipment pledged as security for liabilities	110 616	39 536	61 803

Leased property, plant and equipment

The Group leases certain production equipment and vehicles under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase these fixed assets at a favorable price.

As at 31.12.2014 the net carrying amount of leased property, plant and equipment was PLN 34 101 thousand (31.12.2013: PLN 33 015 thousand, 31.12.2012: PLN 31 736 thousand).

The leased assets secure lease obligations (see note 29).

Collateral

As at 31.12.2014 property, plant and equipment with a carrying amount of PLN 76 515 thousand (31.12.2013: PLN 6 521 thousand, 31.12.2012: PLN 30 067 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 29).

Additionally, as described above, leased assets secure lease obligations.

Impairment loss

	31.12.2014	31.12.2013	31.12.2012
Buildings	(242)	(242)	(242)
Plant and equipment	(2 895)	(3 295)	(3 559)
Under construction	(859)	(859)	(859)
Total	**(3 996)**	**(4 396)**	**(4 660)**

As at 31.12.2014, the Group recognized an impairment losses of PLN 3 996 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2013: PLN 4 396 thousand and 31.12.2012: PLN 4 660 thousand).

15 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2012	15 255	13 680	448	23 072	**52 455**
Additions	-	69	1 694	69	**1 832**
Disposals	-	-	(61)	(197)	**(258)**
Balance at 31.12.2012	**15 255**	**13 749**	**2 081**	**22 944**	**54 029**
Balance at 01.01.2013	15 255	13 749	2 081	22 944	**54 029**
Additions	-	41	14	30	**85**
Disposals	-	-	(679)	(1)	**(680)**
Balance at 31.12.2013	**15 255**	**13 790**	**1 416**	**22 973**	**53 434**
Balance at 01.01.2014	15 255	13 790	1 416	22 973	**53 434**
Acquisitions through business combinations	-	35	-	35	**70**
Additions	-	39	87	68	**194**
Disposals	-	-	(6)	(213)	**(219)**
Balance at 31.12.2014	**15 255**	**13 864**	**1 497**	**22 863**	**53 479**

Amortisation and impairment losses					
Balance at 01.01.2012	(6 230)	(10 089)	(55)	(19 014)	**(35 388)**
Amortisation for the year	-	(1 802)	(16)	(1 474)	**(3 292)**
Disposals	-	-	-	86	**86**
Balance at 31.12.2012	**(6 230)**	**(11 891)**	**(71)**	**(20 402)**	**(38 594)**
Balance at 01.01.2013	(6 230)	(11 891)	(71)	(20 402)	**(38 594)**
Amortisation for the year	-	(1 497)	(16)	(1 164)	**(2 677)**
Balance at 31.12.2013	**(6 230)**	**(13 388)**	**(87)**	**(21 566)**	**(41 271)**
Balance at 01.01.2014	(6 230)	(13 388)	(87)	(21 566)	**(41 271)**
Amortisation for the year	-	(52)	(69)	(962)	**(1 083)**
Disposals	-	-	-	213	**213**
Balance at 31.12.2014	**(6 230)**	**(13 440)**	**(156)**	**(22 315)**	**(42 141)**
Carrying amounts					
Balance at 01.01.2012	9 025	3 591	393	4 058	17 067
Balance at 31.12.2012	**9 025**	**1 858**	**2 010**	**2 542**	**15 435**
Balance at 01.01.2013	9 025	1 858	2 010	2 542	15 435
Balance at 31.12.2013	**9 025**	**402**	**1 329**	**1 407**	**12 163**
Balance at 01.01.2014	9 025	402	1 329	1 407	12 163
Balance at 31.12.2014	**9 025**	**424**	**1 341**	**548**	**11 338**

Intangible assets

	31.12.2014	31.12.2013	31.12.2012
Goodwill	9 025	9 025	9 025
Development costs	424	402	1 858
CO2 emission rights	1 341	1 329	2 010
Software and other	548	1 407	2 542
Total	**11 338**	**12 163**	**15 435**

Impairment losses

As at 31.12.2014, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 1 040 thousand (31.12.2013: PLN 1 040 thousand; 31.12.2012: PLN 1 040 thousand). Recognized impairment losses are related to software.

Leased intangible assets

As at 31.12.2014, as at 31.12.2013 and as at 31.12.2012 there were no leased intangible assets.

Amortisation and impairment loss charge

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

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Cost of sales	(17)	-	-
Administration expenses	(663)	(862)	(433)
Other expenses	(403)	(1 815)	(2 859)
	(1 083)	**(2 677)**	**(3 292)**

Impairment tests for cash-generating units containing goodwill

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

	31.12.2014	31.12.2013	31.12.2012
Scrap division	5 029	5 029	5 029
Production division	3 996	3 996	3 996
	9 025	**9 025**	**9 025**

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 management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the 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 2014 are as follows:

	Scrap division	Production division
Discount rate	8.5%	8.5%
Growth rate	3.0%	3.0%

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Scrap division	Production division
Discount rate	11.24%	11.24%
Growth rate	3.0%	3.0%

The key assumptions used for value-in-use calculations in 2012 are as follows:

	Scrap division	Production division
Discount rate	11.94%	11.94%
Growth rate	2.9%	2.9%

Management 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 31.12.2014, 31.12.2013 and 31.12.2012 there was no need to recognize additional impairment on goodwill relating to the scrap division and production division.

16 Investment property

in PLN thousand	2014	2013	2012
Balance at 1 January	-	603	1 291
Amortization for the period	-	-	(17)
Disposals	-	(603)	(671)
Balance at 31 December	**-**	**-**	**603**

17 Investments in associates

in PLN thousand	Shares in associates	Assets	Liabilities	Equity	Revenues	Loss for the period	% of shares in associates	Loss attributable to the Parent Company
4 Groups Sp. z o.o.	1 885	1 672	69	1 603	554	(205)	30.0%	(62)
Madrohut Sp. z o.o.	1 347	6 881	1 523	5 358	12 025	(299)	17.7%	(53)
ZW Profil S.A. Group	*	*	*	*	*	*	*	(511)*
Balance at 31 December 2014	**3 232**	**8 553**	**1 592**	**6 961**	**12 579**	**(504)**		**(626)**

* for the period from January to March 2014, in connection with the acquisition of control over ZW Profil S.A. on 25 March 2014.

in PLN thousand	Shares in associates	Assets	Liabilities	Equity	Revenues	Loss for the period	% of shares in associates	Loss attributable to the Parent Company
4 Groups Sp. z o.o.	1 947	1 877	69	1 808	516	(217)	30.0%	(65)
ZW Profil S.A. Group	2 999	30 455	19 139	11 316	79 163	(4 292)	32.8%	(390)*
Balance at 31 December 2013	**4 946**	**32 332**	**19 208**	**13 124**	**79 679**	**(4 509)**		**(455)**

* for the period from October to December 2013

As at 31.12.2012 the Group had no investments in associates.

18 Other investments

in PLN thousand	31.12.2014	31.12.2013	31.12.2012
Non-current investments			
Loans granted	-	3 265	30
Options for own equity instruments**	13 513	-	-
Shares in unconsolidated entities	255	3 087	3 087
Other	-	-	4 000
	13 768	**6 352**	**7 117**
Current investments			
Loans granted	4 092	4 573	3 813
Other	515	617	1 318
	4 607	**5 190**	**5 131**

** see note 27 regarding the details of the transactions with PS Holdco Sp. z o.o.

An impairment loss amounting to PLN 145 456 thousand (incl. impairment loss for shares in Zeljezara Split of PLN 139 991 thousand) was recognised at 31.12.2014 due to financial difficulties of the borrowers. In previous years an impairment loss was recognized with respect to loans (31.12.2013: PLN 6 thousand) and with respect to shares (31.12.2013: PLN 139 991 thousand, 31.12.2012: PLN 139 997 thousand).

Shares in consolidated entities are pledged as collateral on the bonds listed on the Stock Exchange in Luxembourg (Euro MTF) issued by the Cognor International Finance plc. For details, see note 29.

19 Perpetual usufruct of land

in PLN thousand	2014	2013	2012
Balance at 1 January	18 535	18 954	19 850
Acquisitions through business combinations	6 389	-	-
Transfer to non-current assets held for sale	(1 263)	-	-
Disposals	(308)	-	(473)
Amortization for the period	(559)	(419)	(423)
Balance at 31 December	**22 794**	**18 535**	**18 954**

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		
	31.12.2014	31.12.2013	31.12.2012	31.12.2014	31.12.2013	31.12.2012	31.12.2014	31.12.2013	31.12.2012
Property, plant and equipment	10 534	6 569	3 862	(10 299)	(10 210)	(13 926)	235	(3 641)	(10 064)
Intangible assets	25	355	266	-	-	-	25	355	266
Other investments	779	527	1 037	(615)	(346)	(827)	164	181	210
Prepaid perpetual usufruct of land	1 270	1 815	1 858	(102)	-	-	1 168	1 815	1 858
Inventories	2 626	2 490	2 216	-	-	-	2 626	2 490	2 216
Trade and other receivables	1 428	1 298	1 052	(8 574)	(9 503)	(4 245)	(7 146)	(8 205)	(3 193)
Interest bearing loans and borrowings	46 755	41 194	24 778	-	(8 930)	(5 061)	46 755	32 264	19 717
Employee benefits	2 706	2 731	2 020	-	-	-	2 706	2 731	2 020
Provisions	694	285	10	-	-	-	694	285	10
Trade and other payables	12 522	10 278	6 039	-	(19)	(25)	12 522	10 259	6 014
Other items	705	1 802	2 084	(5)	-	-	700	1 802	2 084
Tax value of loss carry-forward expected to be utilised	10 472	22 346	43 988	-	-	-	10 472	22 346	43 988
Tax assets/(liabilities)	**90 516**	**91 690**	**89 210**	**(19 595)**	**(29 008)**	**(24 084)**	**70 921**	**62 682**	**65 126**
Set off of tax assets/ liabilities	(8 584)	(17 371)	(17 466)	8 584	17 371	17 466			
Net deferred tax assets/ liabilities	**81 932**	**74 319**	**71 744**	**(11 011)**	**(11 637)**	**(6 618)**			

Movement in temporary differences during the year

in PLN thousand	01.01.2014	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2014
Property, plant and equipment	(3 641)	4 999	(1 123)	235
Intangible assets	355	(325)	(5)	25
Other investments	181	241	(258)	164
Prepaid perpetual usufruct of land	1 815	(128)	(519)	1 168
Inventories	2 490	(16)	152	2 626
Trade and other receivables	(8 205)	1 058	1	(7 146)
Interest bearing loans and borrowings	32 264	14 491	-	46 755
Employee benefits	2 731	(125)	100	2 706
Provisions	285	(249)	658	694
Trade and other payables	10 259	(1 103)	3 366*	12 522
Other items	1 802	(1 097)	(5)	700
Tax value of loss carry-forwards expected to be utilised	22 346	(11 908)	34	10 472
	62 682	**5 838**	**2 401**	**70 921**
Foreign exchange rate differences		60		
Transfer to discontinued operations		(205)		
Recognised in the profit or loss		**5 693**		
	62 682	**5 838**	**2 401**	**70 921**

* contains PLN 3 343 thousand concerning transaction with PS Holdco Sp. z o.o., for details see note 27.

in PLN thousand	01.01.2013	Recognised in profit or loss	Recognised through business combinations	31.12.2013
Property, plant and equipment	(10 064)	6 423	-	(3 641)
Intangible assets	266	89	-	355
Other investments	210	(29)	-	181
Prepaid perpetual usufruct of land	1 858	(43)	-	1 815
Inventories	2 216	274	-	2 490
Trade and other receivables	(3 193)	(5 012)	-	(8 205)
Interest bearing loans and borrowings	19 717	12 547	-	32 264
Employee benefits	2 020	711	-	2 731
Provisions	10	275	-	285
Trade and other payables	6 014	4 245	-	10 259
Other items	2 084	(282)	-	1 802
Tax value of loss carry-forward expected to be utilised	43 988	(21 642)	-	22 346
	65 126	**(2 444)**	**-**	**62 682**
Foreign exchange rate differences		(54)		
Recognised in the profit or loss		**(2 498)**		
	65 126	**(2 444)**	**-**	**62 682**

in PLN thousand	01.01.2012	Recognised in profit or loss	Recognised through business combinations	31.12.2012
Property, plant and equipment	(13 884)	3 820	-	(10 064)
Intangible assets	1 580	(1 314)	-	266
Investment property	75	(75)	-	-
Other investments	2 551	(2 341)	-	210
Prepaid perpetual usufruct of land	1 809	49	-	1 858
Inventories	2 383	(167)	-	2 216
Trade and other receivables	(7 042)	3 849	-	(3 193)
Interest bearing loans and borrowings	16 144	3 573	-	19 717
Employee benefits	2 875	(855)	-	2 020
Provisions	19	(9)	-	10
Trade and other payables	6 256	(242)	-	6 014
Other items	-	2 084	-	2 084
Tax value of loss carry-forward expected to be utilised	50 123	(6 135)	-	43 988
	62 889	**2 237**	**-**	**65 126**
Foreign exchange rate differences		(39)		
Recognised in the profit or loss		**2 198**		
	62 889	**2 237**	**-**	**65 126**

Unrecognised deferred tax assets

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

in PLN thousand	2014	2013	2012
Intangible assets	8 326	8 550	-
Tax losses	2 541	2 927	1 981
Total	**10 867**	**11 477**	**1 981**

Deferred tax assets have not been recognized in respect of these items due to uncertainty that future taxable profit will be available against which the temporary differences and tax losses can be utilized.
The tax losses as at 31.12.2014 presented in the above table expire in 2015 (PLN 138 thousand), in 2016 (PLN 593 thousand), in 2017 (PLN 562 thousand), in 2018 (PLN 653 thousand) and in 2019 (PLN 595 thousand).

21 Inventories

in PLN thousand	31.12.2014	31.12.2013	31.12.2012
Raw materials	63 721	68 277	47 996
Semi-finished goods and work in progress	93 274	65 248	50 138
Finished products	103 643	79 357	59 170
Goods for resale	22 420	21 934	21 897
	283 058	**234 816**	**179 201**

Movements in allowances for inventories

in PLN thousand	2014	2013	2012
Balance at 1 January	(12 326)	(12 297)	(12 054)
Recognised through business combinations	(213)	-	-
Recognition	(147)	(477)	(892)
Utilization	52	348	-
Reversal	72	100	649
Balance at 31 December	**(12 562)**	**(12 326)**	**(12 297)**

As at 31.12.2014, inventories are presented net of allowances of PLN 12 562 thousand (31.12.2013: PLN 12 326 thousand; 31.12.2012: PLN 12 297 thousand). Allowances related mainly to goods for resale and finished goods with a net realisable value below cost. The write-down and reversal are recognized in cost of sales.

As at 31.12.2014, inventories with a carrying value of PLN 12 500 thousand (31.12.2013: PLN 12 500 thousand; 31.12.2012: PLN 118 772 thousand) were subject to pledges as collateral for bank loans and overdrafts.

22 Trade and other receivables

Short-term receivables

in PLN thousand	31.12.2014	31.12.2013	31.12.2012
Trade receivables	157 416	158 682	163 713
Bills of exchange	119	119	119
Statutory receivables excluding income tax	17 740	9 250	1 651
Prepayments for services and inventories	3 641	914	3 985
Receivables relating to the sale of Cognor Stahlhandel (see note 13)	-	7 260	7 156
Other receivables	8 505	10 328	5 067
	187 421	**186 553**	**181 691**

Long-term receivables

in PLN thousand	31.12.2014	31.12.2013	31.12.2012
Receivables relating to Zeljezara Split (see also note 23)	-	41 472	40 882
Other receivables	34	28	61
	34	**41 500**	**40 943**

As at 31.12.2014, trade and other receivables are presented net of impairment allowances amounting to PLN 79 499 thousand (31.12.2013: PLN 34 979 thousand; 31.12.2012: PLN 34 914 thousand).

As at 31.12.2014, receivables with a carrying value of PLN 26 257 thousand (31.12.2013: PLN 39 993 thousand; 31.12.2012: PLN 35 076 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secure factoring liabilities (see note 29).

23 Significant impairment losses on receivables

In 2009 Złomrex S.A. (currently HSJ S.A.) received an offer from the Republic of Croatia pertaining to the termination of share purchase agreement based on which Cognor S.A. in 2007 acquired shares in Zeljezara Split steelworks from the Croatian Privatisation Fund. By exercise of this offer the Government of Croatia was to repurchase all of the shares held by HSJ S.A. for the amount of EUR 1.00 and purchase all of the claims of HSJ S.A. owed by Zeljezara Split for the price of EUR 10.0 million. In spite of the acceptance of the offer by HSJ S.A. and the commencement of drafting of the respective documents, the Croatian Government at the turning of 2009 and 2010 asked to postpone drafting and signing of the agreements and later in 2010 finally decided to refuse to enter into agreement. In 2011 a bankruptcy of Zeljezara Split was declared.

In 2012 HSJ S.A. filed a notice of arbitration against the Republic of Croatia. In the notice HSJ S.A. stated the minimal value of the claim at the amount of EUR 10.0 million. Supported by the positive opinion of legal counsel, that value was previously recognized in Cognor's financial statements.

In response to the notice of arbitration, the government side entered into negotations on conciliatory solution of the dispute. Despite a number of meetings, the negotations did not lead to agreement. In 2014 Cognor S.A. decided to reassess its legal position and ordered additional analysis of legal advisors. In the light of received opinions, Cognor S.A. assessed that positive solution of the claim pertaining to the offer of EUR 10.0 million is unlikely. For the second basis for the claim, relying on the terms of the bilateral investment treaty between Poland and Croatia, where the maximal compensation for Cognor S.A. could reach up to approximately EUR 50.0 million, the probability of positive outcome for the Group has been determined up to 50%.

In this light, taking into consideration the elapsed time so far, the expected further duration of legal proceedings and change in assessment of positive outcome for Cognor S.A. to prevail, it was decided to recognise an impairment allowance of PLN 42 623 thousand. As the settlements with the Republic of Croatia have impact on the transactions with the owner of the Parent Company (for details see note 27) impairment allowance, in the part that was assumed as a correction of these transactions (PLN 39 215 thousand) has been recognised directly in the Group's equity. Despite current change of chances for success, the abovementioned decision does not have any impact on dedication of Cognor S.A. to continue litigation along both of the available paths.

24 Prepayments

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Prepayments	-	9 205	-

Prepayments include deferred costs related to consultancy services and other expenses associated with refinancing of bonds, which after completion of issue of bonds reduce secured fixed interest rate bonds and are recognised using effective interest rate method.

25 Cash and cash equivalents

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Cash in bank	24 137	10 452	42 032
Cash in bank restricted in use	395	655	15 732
Cash in hand	253	187	191
Short-term bank deposits	10 859	3 453	6 196
Other	4	31	-
Cash and cash equivalents in statement of financial position	**35 648**	**14 778**	**64 151**
Bank overdrafts	(6 969)	-	(15 495)
Cash and cash equivalents in the statement of cash flows	**28 679**	**14 778**	**48 656**

As at 31.12.2014, 31.12.2013 and 31.12.2012, cash and cash equivalents were not pledged as security for liabilities.

Detailed information regarding bank overdrafts is presented in note 29.

26 Assets classified as held for sale

in PLN thousand	2014	2013	2012
Balance at 1 January	8 951	11 786	16 708
Additions	387	-	-
Transfer from property, plant and equipment	1 466	-	-
Transfer from perpetual usufruct of land	1 263	-	-
Disposals	(4 988)	(2 804)	(4 922)
Impairment loss	31	(31)	-
Balance at 31 December	**7 110**	**8 951**	**11 786**

On November 26, 2010, Cognor S.A. entered into a conditional asset sale agreement with ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. The transaction related to Cognor's distribution operations in Poland and comprised in particular:

- transfer of 11 warehouses,
- transfer of leases pertaining to 2 warehouses,
- transfer of movable assets located on the above sites,
- transfer of inventories located on the above sites,
- transfer of certain IT licenses.

On May 5, 2011, in connection with the conditional asset sale agreement the tangible and intangible assets which were to be sold were classified as assets held for sale.
In May 2011, Cognor S.A. and its subsidiaries – Cognor Services Sp. z o.o., Cognor Finanse Sp. z o.o. and Złomrex Centrum Sp. z o.o. ("the Sellers") fulfilled conditions of the Assets Sale Agreement dated November 26, 2010. The Sellers concluded the Promised Sale Agreement with ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. ("the Purchasers"). The Sellers sold own warehouses, movable assets and inventories located in the above sites and transfered leases and sub leases pertaining to 2 warehouses. The net price for the real estate and movable assets amounted to PLN 148 700 thousand, including:

- for real estate: PLN 129 076 399.66
- for movable assets: PLN 19 623 600.34

The net price for inventories amounted to PLN 32 509 491.32. The total net price for assets and inventories amounted to PLN 181 209 491.32. The carrying value of these assets (real estate, movable assets and intangible assets) in the consolidated financial statements as at amounted to PLN 85 582 825.04 and inventories: PLN 31 321 551.

Payment for the sold assets occurred on the 6 May 2011, but part of the price in the amount of PLN 24 335 thousand was paid by the Buyers to an interest-bearing Escrow Account as security for any claims of the Buyers against the Sellers. After 12 months from signing the Promised Sale Agreement the amount of PLN 7 445 thousand was released from the Escrow Account and the rest of deposit was released after 24 months from the date of the Promised Sale Agreement. Interests on the Escrow deposit as a whole is attributable to the Sellers. The profit on this sale was presented in the 2011 consolidated statement of profit or loss and other comprehensive income in the line "Profit/(loss) from discontinued operations".

As at 31.12.2014, 31.12.2013 and 31.12.2012, the assets held for sale include land, buildings and movable assets, that represent the rest of distribution division not sold to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. The Management of the Parent Company is committed to a plan to sell the assets.

27 Equity

Issued share capital

	31.12.2014	31.12.2013	31.12.2012
Registered shares number at reporting date	66 222 248	66 222 248	66 222 248
Number of issued warrants	66 220 000	66 220 000	6 622
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

On 31 December 2014 the Parent Company's share capital was comprised of 66 222 248 ordinary shares (2013: 66 222 248; 2012: 66 222 248) with a nominal value of PLN 2 each.

(in PLN thousand, unless stated otherwise)

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

Following the restructuring of Cognor's indebtedness on 4 February 2014 PS Holdco Sp. z o.o. agreed to transfer all of its warrants series B for the purpose of the restructuring process (see note 29). Consequently, on 31 March 2014 PS Holdco Sp. z o.o. and Cognor S.A., concluded the amendment no. 3 to the Settlement Agreement in order to reflect the arrangement of the restructuring in its terms. In particular it was decided that the payment of Cognor's liability shall occur following subscription for warrants series B and series C by PS Holdco Sp. z o.o. and that the total amount of the subscription shall at least equal the price of Złomrex S.A. shares. The deadlines for the PS Holdco's undertaking to increase Cognor's equity and for the payment of the price for shares in Złomrex S.A. by Cognor S.A. were postponed to 31 December 2021 when the remaining number of warrants series B surviving the conversion of Cognor's convertible notes, will have become known.

On 13 March 2015, based on the amendment no. 4 to the Settlement Agreement, resulting from the lack of payment of receivable at the amount of EUR 10 million owned from the Republic of Croatia and in connection with impairment loss recognised for the total amount of that receivable in Cognor's consolidated financial statements as at 31 December 2014 (see note 23), the parties decided to appropriately reduce the price for shares in Złomrex S.A. by the amount of PLN 39 215 thousand and to adjust the interests for previous years on the reduced price for the shares in Złomrex S.A. Due to direct connection between the price for the shares in Złomrex S.A. with the value of the subscription for warrants series B and series C described in previous paragraph, the reduction of the price for the shares in Złomrex S.A. due to impairment loss recognized on receivables from Republic of Croatia was included in Group's equity as an adjustment of transactions with the Owner of the Parent Company.

The reduction of the price for shares in Złomrex S.A. following amendment no. 4 resulted in reduction of reserve equity in consolidated financial statements by PLN 39 215 thousand and recognition of other income in the amount of PLN 6 430 thousand due to adjustment of Cognor's liability related to interest accrued in previous years to PS Holdco Sp. z o.o. on the reduced price for the shares in Złomrex S.A.

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand. This liability, in its part related to capital instruments (options to own capital instruments), remaining under the control of Group, has been recognised as the reduction of equity at the amount of PLN 14 256 thousand (after deferred tax) and the remaining amount was recognised as other investments in the amount of PLN 13 513 thousand. The options included in assets are valued at cost less amortization, use or termination of rights to use own capital instruments.

The ownership structure as at 31 December 2014 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.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
Total	**66 222 248**	**100.00%**	**66 222 248**	**100.00%**

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

(in PLN thousand, unless stated otherwise)

In accordance with the secured bonds agreement the Group is permitted to pay dividends up to the limit of EUR 5 million. There were no dividends declared or paid in years 2012-2014.

Treasury shares

At 31 December 2011, the Group held 5 000 thousand shares of the Parent Company. Treasury shares were presented in equity within Reserves.
On 27 March 2012, PS Holdco Sp. z o.o. bought from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.) 5 000 000 shares. The nominal value of sold shares was PLN 10 000 thousand. The contribution received fulfilled PS Holdco Sp. z o.o.'s commitment for a capital contribution to the Group. After this transaction the Group no longer holds treasury shares (directly or indirectly).

Non-controlling Interests

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests. The non-controlling interests and the attributable profit or loss and other comprehensive income include non-controlling interest in the Parent Company's direct subsidiaries and their further subsidiaries.

31.12.2014

	Ferrostal Łabędy Sp. z o.o.	GK ZW Profil S.A.	Other individually insignificant subsidiaries	TOTAL
Non-controlling interest percentage	7,6%	11,6%		
Non-current assets	128 033	29 593		
Current assets	241 901	29 279		
Non-current liabilities	(26 658)	(4 983)		
Current liabilities	(160 381)	(18 609)		
Net assets	**182 895**	**35 280**		
Carrying amount of non-controlling interests	**13 900**	**4 077**	**3 286**	**21 263**
Sales revenue	703 424	59 256		
Net profit	20 227	10 507		
Other comprehensive income	-	-		
Total comprehensive income	20 227	10 507		
Profit/(loss) for the period attributable to non-controlling interest	**1 537**	**4 171**	**(44)**	**5 664**
Other comprehensive income for the period attributable to non-controlling interest	**-**	**-**	**-**	**-**
Cash flows from operating activities	13 494	5 814		
Cash flows from investing activities	(11 854)	(17 717)		
Cash flows from financing activities	10 974	13 899		
Total net cash flows	**12 614**	**1 996**		

31.12.2013

	Ferrostal Łabędy Sp. z o.o.	Other individually insignificant subsidiaries	TOTAL
Non-controlling interest percentage	7,6%		
Non-current assets	141 007		
Current assets	209 566		
Non-current liabilities	(29 170)		
Current liabilities	(158 119)		
Net assets	**163 284**		
Carrying amount of non-controlling interests	**12 410**	**1 289**	**13 699**
Sales revenue	634 201		
Net profit	13 727		
Other comprehensive income	-		
Total comprehensive income	13 727		
Profit/(loss) for the period attributable to non-controlling interest	**1 043**	**(175)**	**868**
Other comprehensive income for the period attributable to non-controlling interest	**-**	**-**	**-**
Cash flows from operating activities	10 579		
Cash flows from investing activities	26 095		
Cash flows from financing activities	(28 782)		
Total net cash flows	**7 892**		

28 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 34 thousand (2013: loss of PLN 48 570 thousand; 2012: loss of PLN 443 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2014 of 66 222 thousand (2013: 66 222 thousand, 2012: 66 222 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2014 was 109 448 thousand (2013: 66 222 thousand, 2012: 66 222 thousand).
The calculation of diluted earnings per share at 31 December 2014 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 atributable to these bonds in the period from February to December 2014 excluding interest paid in this period.

As at 31 December 2014, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Company’s shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share warrants was based on quoted average market prices for the period during which the warrants were outstanding.

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

	31.12.2014	31.12.2013	31.12.2012
Non-current liabilities			
Secured bank loans	1 602	-	-
Secured fixed interest rate debt	397 088	-	483 307
Finance lease liabilities	9 637	6 677	3 713
Other borrowings	569	-	-
	408 896	**6 677**	**487 020**

Current liabilities			
Current portion of secured bank loans	712	-	-
Current portion of secured fixed interest rate debt	25 965	515 742	14 182
Current portion of finance lease liabilities	3 990	2 472	3 745
Factoring and bill of exchange liabilities	33 408	29 367	13 528
Reverse factoring	22 918	15 325	18 879
Other borrowings	409	-	24 999
	87 402	**562 906**	**75 333**
Bank ovedrafts	6 969	-	15 495
	94 371	**562 906**	**90 828**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2014 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Secured bank loans	2 314	712	1 602	-	-
Secured fixed interest rate debt	423 053	25 965	-	-	397 088
Factoring and bill of exchange liabilities	33 408	33 408	-	-	-
Reverse factoring	22 918	22 918	-	-	-
Other borrowings	978	409	130	130	309
	482 671	**83 412**	**1 732**	**130**	**397 397**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2013 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years
Secured fixed interest debt	515 742	515 742	-	-
Factoring and bill of exchange liabilities	29 367	29 367	-	-
Reverse factoring	15 325	15 325	-	-
	560 434	**560 434**	**-**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2012 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years
Secured fixed interest debt	497 489	14 182	483 307	-
Factoring and bill of exchange liabilities	13 528	13 528	-	-
Reverse factoring	18 879	18 879	-	-
Other borrowings	24 999	24 999	-	-
	554 895	**71 588**	**483 307**	**-**

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2014			**31.12.2013**			**31.12.2012**	
Less than one year	4 249	259	3 990	2 945	473	2 472	4 043	298	3 745
Between 1 and 5 years	12 178	2 541	9 637	7 266	589	6 677	4 059	346	3 713
	16 427	**2 800**	**13 627**	**10 211**	**1 062**	**9 149**	**8 102**	**644**	**7 458**

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

(in PLN thousand, unless stated otherwise)

As at 31 December 2014

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
PKO BP S.A.	1 602	712	investment loan	2008-03-31	2018-03-30	WIBOR 1M+margin	- blank bill of exchange, - mortgage on the property.
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	569	65	loan	2014-07-31	2024-09-15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company.
4Workers Przemysław Sztuczkowski	-	344	loan	2014-10-23	2015-12-31	fixed 7,75%	- blank bill of exchange.
Total	**2 171**	**1 121**					

Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
GETIN Leasing S.A.	19	13	lease	2014-06-05	2017-06-30	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
mLeasing Sp. z o.o.	2 908	777	lease	2012-12-21	2020-01-28	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Impuls Leasing Polska Sp. z o.o.	306	125	lease	2014-04-11	2017-09-01	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Raiffeisen-Leasing Polska S.A.	509	663	lease	2011-09-16	2017-12-31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	618	199	lease	2012-02-27	2019-09-15	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.

(in PLN thousand, unless stated otherwise)

Europejski Fundusz Leasingowy Sp. z o.o.	1 334	603	lease	2012-04-02	2019-02-10	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Millenium Leasing Sp. z o.o.	3 810	1 525	lease	2011-11-10	2019-08-15	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment, - mortgage on the property.
PKO Bankowy Leasing Sp. z o.o.	56	20	lease	2013-04-04	2018-06-15	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Microtech S.A.	77	65	lease	2012-03-01	2016-12-31	fixed	- blank bill of exchange, - leased equipment.
Total	**9 637**	**3 990**					

(in PLN thousand, unless stated otherwise)

Analysis of factoring agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mFaktoring S.A.	-	33 408	factoring	2011-12-09/ 2013-09-24	not defined	WIBOR O/N+margin, LIBOR O/N + margin	- blank bill of exchange, - proxy to the bank account, - reassignment of receivables, - reassignment of insurance rights.
Total	**-**	**33 408**					

Analysis of other interest bearing liabilities:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest (coupon)	Security
High Yield bonds listed on the Luxembourg Stock Exchange (Euro MTF)	397 088	25 965	Senior Secured Notes and Exchangeable Notes	2014-02-01	2021-02-01	Exchangeable Notes fixed 5% for the entire period Senior Secured Notes - 1st and 2nd year – 7,5% - 3rd year – 10% - 4th – 6th year – 12,5%.	details please see below
Total	**397 088**	**25 965**					

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 O/N – margin 1.35%, LIBOR O/N - margin 1.6%
- WIBOR 1M – margin between 0.1% and 4.71%,
- EURIBOR 1M – margin between 0.21% and 0.42%,

In 2014 Cognor S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o.) utilised bank overdraft with mBank S.A. Based on Annex No. 7 dated 18 December 2014 the contract was terminated for Złomrex Metal Sp. z o.o. Based on Annex No. 8 dated 18 December 2014 a new limit of PLN 9.1 million has been established and split between: Ferrostal Łabędy Sp. z o.o. of PLN 3.7 million and Huta Stali Jakościowych S.A. of PLN 5.4 million. The bank overdraft was extended until 28 May 2015.
As at 31 December 2014, the bank overdraft was utilised as follows: Ferrostal Łabędy Sp. z o.o. PLN 3 281 thousand, Huta Stali Jakościowych S.A. PLN 3 688 thousand.

Secured fixed interest debt

On 4 February 2014, Cognor International Finance plc, established in the United Kingdom (a subsidiary of Huta Stali Jakościowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Zlomrex International Finance S.A. with the maturity date of February 2014. The new issue was allocated to the holders in proportion to bonds that they owned.

The Senior Secured Notes have an aggregate principal amount of EUR 100 348 109, mature on 1 February 2020, interest will be payable semi-annually in arrears on 1 February and 1 August in each year and depend on the interest payment periods:
- 1st and 2nd year – 7.5%
- 3rd year – 10.0%
- 4th to 6th year – 12.5%.

The effective interest rate of the above mentioned bonds (that includes also the transaction costs of issuing the instruments) is 10.8%.

The Senior Secured Notes are guaranteed by: PS Holdco Sp. z o.o., Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal SP. z o.o. and Kapitał S.A.

Liability for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) of the book value of PLN 423 053 thousand on 31 December 2014 was secured as follows:
- financial pledge on shares of companies: Złomrex Metal Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o. and Kapitał S.A.;
- registered pledge on:
(i) shares in the following companies: Złomrex Metal Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o. and Kapitał S.A.
(ii) certain non-current assets of Cognor S.A. currently leased to Ferrostal Łabędy Sp. z o.o.,
(iii) certain non-current assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.,
(iv) issued by Huta Stali Jakościowych S.A. intercompany bonds;
- mortgages on real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.;
- governed by English law a lien on the shares of the issuer Cognor International Finance plc;
- statements of execution notarially confirmed by Cognor International Finance plc and all companies which guarantee issuance of Senior Secured Notes.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on 1 February 2021, interest will be payable semi-annually in arrears on 1st February and 1st August and the fixed interest rate is 5%. In addition, Cognor International Finance plc has right not to pay a cash but capitalize the interest on exchangeable notes (using higher, i.e. 10% coupon). The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor S.A. new and/or existing shares, credited as fully paid, in the period from 1 March 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to:
(i) deliver (or procure the issue or transfer and delivery of) Cognor S.A. shares,
(ii) pay a cash settlement amount, or
(iii) a combination thereof.
Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

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

Within the debt restructuring process described above, on 3 February 2014 PS Holdco Sp. z o.o. transferred to Cognor International Finance plc (CIF) an ownership of 60 860 000 of subscription warrants of series B that are convertible into 60 860 000 shares of Cognor S.A. for a remuneration in the amount of PLN 304 thousand and also entered into an option agreement for delivery of additional 30 082 812 shares of Cognor S.A. free of charge in order to secure the holders of the Exchangeable Notes with the possibility of convertion bonds into shares. The transfer of warrants was a key element enabling the structuring of terms of Exchangeable Notes in a manner acceptable to investors and thus the successful finalization of the issue. Terms of the agreement between PS Holdco Sp. z o.o. and Cognor International Finance plc provide among other things, that warrants not used for convertion of the bonds into shares will be transferred back to PS Holdco Sp. z o.o. Depending on a choice of a payment form of the Exchangeable Notes' coupon up to 15 million warrants may return to PS Holdco Sp. z o.o. Their exact number will be known after the final settlement of the Exchangeable Notes of Cognor S.A.

30 Employee benefits obligations

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Long-term provisions for retirement and jubilee awards	9 597	7 313	6 735
Short-term provisions for retirement and jubilee awards	4 588	3 250	2 815
	14 185	**10 563**	**9 550**

Employee benefits

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

	31.12.2014	**31.12.2013**	**31.12.2012**
Discount rate	2.75%	4.0%	4.0%
Future Salary Increase	2.5%	2.5%	2.5%
Inflation	2.5%	2.5%	2.5%

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

in PLN thousand	**Provisions for employee benefits**	**Jubilee awards**	**Other**	**Total**
At January 2012	1 405	10 750	1 492	**13 647**
Current service cost	51	626	2 198	**2 875**
Interest cost	24	323	56	**403**
Actuarial (gain)/loss due to changes in assumptions	(31)	502	85	**556**
Actual benefits paid	(133)	(836)	(4 641)	**(5 610)**
Other actuarial (gain)/loss	(94)	(1 809)	(418)	**(2 321)**
Reclassification	(664)	(3 738)	4 402	**-**
At 31 December 2012	**558**	**5 818**	**3 174**	**9 550**

At January 2013	558	5 818	3 174	**9 550**
Current service cost	(1)	251	3 481	**3 731**
Interest cost	11	161	27	**199**
Actuarial (gain)/loss due to changes in assumptions	1	-	(1)	**-**
Actual benefits paid	(56)	(632)	(3 279)	**(3 967)**
Other actuarial (gain)/loss	97	862	91	**1 050**
At 31 December 2013	**610**	**6 460**	**3 493**	**10 563**
At January 2014	610	6 460	3 493	**10 563**
Employee benefits in acquired companies	-	-	2 441	**2 441**
Current service cost	80	734	3 860	**4 674**
Interest cost	14	177	31	**222**
Actuarial (gain)/loss due to changes in assumptions	77	608	(30)	**655**
Actual benefits paid	(76)	(650)	(3 665)	**(4 391)**
Other actuarial (gain)/loss	20	-	1	**21**
At 31 December 2014	**725**	**7 329**	**6 131**	**14 185**

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2014	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.5%	0.5%	3.05%	(3.17%)
Future Salary Increase	0.5%	0.5%	(3.17%)	3.05%
Inflation	0.5%	0.5%	3.05%	(3.17%)

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

31 Short-term provisions

in PLN thousand	**2014**	**2013**	**2012**
Balance at 1 January	516	430	381
Recognised through business combinations	1 022	-	-
Provisions raised during the year	8 719	2 424	55
Provisions utilised during the year	(2 566)	-	(6)
Provisions released during the year	(1 156)	(2 338)	-
Balance at 31 December	**6 535**	**516**	**430**

32 Trade and other payables

Short term

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Trade payables	152 469	163 595	121 085
Statutory payables	11 625	5 271	6 419
Bills of exchange payables	51	65	133
Investment payables	4 609	752	460
Prepayments for services and deliveries of goods	977	532	2 625
Liabilities due to Shareholder**	6 619	10 589	5 694
Payroll liabilities	4 872	2 999	2 692
Accrued expenses	872	1 802	697
Other payables	1 623	3 158	2 365
	183 717	**188 763**	**142 170**

Long term

in PLN thousand	31.12.2014	31.12.2013	31.12.2012
Liabilities due to Shareholder**	33 777	-	-
Other payables	517	-	-
	34 294	**-**	**-**

** see note 27 for details relating to the transactions with PS Holdco Sp. z o.o.

33 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2014

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
*a) Non-current assets***				
Other receivables	34	-	-	**34**
b) Current assets				
Receivables excluding prepayments and tax receivables	166 040	-	-	**166 040**
Other investments (excl.shares)	4 607	-	-	**4 607**
Cash and cash equivalents	-	-	35 648	**35 648**
Total	**170 681**	**-**	**35 648**	**206 329**

** excluding options for own equity instruments described in note 27

As at 31.12.2013

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
a) Non-current assets				
Other investments (excl. shares)	3 265	-	-	**3 265**
Other receivables	41 500	-	-	**41 500**
b) Current assets				
Receivables excluding prepayments and tax receivables	176 389	-	-	**176 389**
Other investments (excl.shares)	5 190	-	-	**5 190**
Cash and cash equivalents	-	-	14 778	**14 778**
Total	**226 344**	**-**	**14 778**	**241 122**

As at 31.12.2012

in PLN thousand	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Cash and cash equivalents**	**Total**
Assets according to statement of financial position				
a) Non-current assets				
Other investments (excl. shares)	4 030	-	-	**4 030**
Other receivables	40 943	-	-	**40 943**
b) Current assets				
Receivables excluding prepayments and tax receivables	176 055	-	-	**176 055**
Other investments (excl.shares)	5 131	-	-	**5 131**
Cash and cash equivalents	-	-	64 151	**64 151**
Total	**226 159**	**-**	**64 151**	**290 310**

Liabilities

As at 31.12.2014

in PLN thousand	**Financial liabilities at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Total**
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	399 259	-	**399 259**
Finance lease liabilities	9 637	-	**9 637**
Other liabilities	34 294	-	**34 294**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	83 412	-	**83 412**
Finance lease liabilities	3 990	-	**3 990**
Bank overdraft	6 969	-	**6 969**
Trade and other payables excluding tax payables	172 092	-	**172 092**
Total	**709 653**	**-**	**709 653**

As at 31.12.2013

in PLN thousand	**Financial liabilities at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Total**
Liabilities according to statement of financial position			
a) Long-term liabilities			
Finance lease liabilities	6 677	-	**6 677**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	560 434	-	**560 434**
Finance lease liabilities	2 472	-	**2 472**
Trade and other payables excluding tax payables	183 492	-	**183 492**
Total	**753 075**	**-**	**753 075**

As at 31.12.2012

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	483 307	-	**483 307**
Finance lease liabilities	3 713	-	**3 713**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	71 588	-	**71 588**
Finance lease liabilities	3 745	-	**3 745**
Bank overdraft	15 495	-	**15 495**
Trade and other payables excluding tax payables	135 751	-	**135 751**
Total	**713 599**	**-**	**713 599**

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

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

Financial instruments at fair value through profit or loss

As at 31 December 2014, 31 December 2013, 31 December 2012 there were no financial instruments at fair value through profit or loss.

Fair values

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.

• 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.

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

• Fixed rate debt securities. The fair value of bonds at 31 December 2014 amounted to PLN 435 863 thousand (2013: PLN 318 174 thousand, 2012: PLN 378 532 thousand) - due to lack of market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date, fair value as at 31 December 2014 was determined with use of valuation model which was based on the market interest rate changes in the period from the date of bond issue to 31 December 2014 (level 2 in fair value hierarchy).
The fair value as at 31 December 2013 and 31 December 2012 was calculated on the basis of market transactions of bonds issued by Złomrex International Finance S.A. in the period close to the reporting date (level 1 in fair value hierarchy).
The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which was similar to the interest rate applicable for liabilities with similar risk.

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.

Exposure to foreign currency risk

The Group exposure to foreign currency risk was as follows:

Information on balances denominated in foreign currencies

As at 31.12.2014 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	38 129	-	-	**38 129**
Interest-bearing loans and borrowings	(423 053)	-	-	**(423 053)**
Trade and other payables	(11 453)	(160)	(953)	**(12 566)**
Exposure to currency risk on balances denominated in foreign currencies	**(396 377)**	**(160)**	**(953)**	**(397 490)**

As at 31.12.2013 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	94 594	3 688	-	**98 282**
Interest-bearing loans and borrowings	(515 742)	-	-	**(515 742)**
Trade and other payables	(8 337)	(886)	(2 049)	**(11 272)**
Exposure to currency risk on balances denominated in foreign currencies	**(429 485)**	**2 802**	**(2 049)**	**(428 732)**

As at 31.12.2012 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	62 413	2 022	-	**64 435**
Interest-bearing loans and borrowings	(497 489)	-	(208)	**(497 697)**
Trade and other payables	(2 048)	-	-	**(2 048)**
Exposure to currency risk on balances denominated in foreign currencies	**(437 124)**	**2 022**	**(208)**	**(435 310)**

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

A 15 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2014 would have increased/(decreased) 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 2013 and 2012 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**(Loss) / profit**		**Equity**	
	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%
31.12.2014	(59 624)	59 624	(59 624)	59 624
31.12.2013	(64 310)	64 310	(64 310)	64 310
31.12.2012	(65 297)	65 297	(65 297)	65 297

Sensitivity analysis of derivatives on the exchange rate differences

The Group did not hold derivatives as at 31 December 2014, 31 December 2013 and 31 December 2012.

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

Interest rate risk

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

The main element to limit the interest rate risk was the issuance of bonds by Zlomrex International Finance which were based on fixed rate of 8.5% for the period from 01.01.2013 to 31.07.2013 and fixed rate of 12.5% for the period from 01.08.2013 to 31.12.2013, due to interests capitalization.

At the moment Cognor International Finance plc issued Exchangeable Notes based on fixed rate of 5% for whole period and Senior Secured Notes based on fixed rate of:
- 1st and 2nd year – 7.5%
- 3rd year – 10%
- 4th – 6th year – 12.5%.

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

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Fixed rate instruments			
Financial assets	4 092	848	-
Financial liabilities	(423 053)	(515 742)	(497 489)
	(418 961)	**(514 894)**	**(497 489)**

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Floating rate instruments			
Financial assets	515	7 607	9 161
Financial liabilities	(80 214)	(53 841)	(80 359)
	(79 699)	**(46 234)**	**(71 198)**

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 increased/(decreased) 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 2013 and 2012.

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%
31.12.2014	(1 195)	1 195	(1 195)	1 195
31.12.2013	(694)	694	(694)	694
31.12.2012	(1 068)	1 068	(1 068)	1 068

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 credit risk related to receivables is limited as the Group's customer base is wide, thus the concentration of credit risk is insignificant.

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

Maximum exposure to credit risk

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Loans and receivables	170 681	226 344	226 159
Cash and cash equivalents (excluding cash in hand)	35 395	14 591	46 995
	206 076	**240 935**	**273 154**

As at 31 December 2014, loans in the amount of PLN 4 092 thousand (2013: PLN 7 832 thousand, 2012: PLN 7 843 thousand) were not overdue and are not impaired.

Insured trade receivables

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
from other entities	25 687	40 720	44 326

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Not past due	118 375	113 065	121 721
Past due	**65 046**	**64 664**	**60 975**
1-30 days	23 711	28 550	25 852
31-90 days	4 495	5 827	5 485
91-180 days	710	3 311	3 015
181-365 days	4 317	3 279	2 421
more than one year	31 813	23 697	24 202
	183 421	**177 729**	**182 696**

Impairment loss

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Not past due	(40)	(77)	-
Past due	**(25 965)**	**(18 970)**	**(18 983)**
1-30 days	(47)	(23)	-
31-90 days	(55)	(70)	(91)
91-180 days	(50)	(70)	(57)
181-365 days	(230)	(980)	(596)
more than one year	(25 583)	(17 827)	(18 239)
	(26 005)	**(19 047)**	**(18 983)**

Net carrying value

in PLN thousand	31.12.2014	31.12.2013	31.12.2012
Not past due	118 335	112 988	121 721
Past due	**39 081**	**45 694**	**41 992**
1-30 days	23 664	28 527	25 852
31-90 days	4 440	5 757	5 394
91-180 days	660	3 241	2 958
181-365 days	4 087	2 299	1 825
more than one year	6 230	5 870	5 963
	157 416	**158 682**	**163 713**

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

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Balance at 1 January	(19 047)	(18 983)	(17 986)
Recognition	(8 116)	(1 350)	(3 076)
Utilization	778	474	-
Release	380	812	2 079
Balance at 31 December	**(26 005)**	**(19 047)**	**(18 983)**

As at 31 December 2014, trade receivables of PLN 118 335 thousand were not overdue and are not impaired (2013: PLN 112 988 thousand; 2012: PLN 121 721 thousand). As at 31 December 2014, trade receivables of PLN 39 081 thousand (2013: PLN 45 694 thousand; 2012: PLN 41 992 thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with a long history of cooperation, with whom the Group had no problems in the past or are secured with the clients assets.

As at 31 December 2014, trade receivables of PLN 25 965 thousand (2013: PLN 18 970 thousand; 2012: PLN 18 983 thousand) were overdue and impaired. As a result, in 2014 they were provided for in the amount of PLN 25 965 thousand, and in 2013 for PLN 18 970 thousand, and in 2012 for PLN 18 983 thousand. As at 31 December 2014 receivables of PLN 40 thousand were not overdue but impaired due to the financial situation of customers (2013: PLN 77 thousand, 2012: PLN 0 thousand).

Liquidity risk

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

Contractual maturities of financial liabilities including interest payments

As at 31.12.2014

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	13 627	16 427	4 243	9 274	1 786	1 124
Bank overdraft	6 969	6 969	6 969	-	-	-
Other interest-bearing liabilities	482 671	738 002	89 486	86 965	107 107	454 444
Trade and other payables (excluding current income tax payables)	206 386	224 895	175 073	17 603	-	32 219
	709 653	**986 293**	**275 771**	**113 842**	**108 893**	**487 787**

As at 31.12.2013

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	9 149	10 067	2 890	7 158	19	-
Other interest-bearing liabilities	560 434	564 176	564 176	-	-	-
Trade and other payables (excluding current income tax payables)	183 493	183 493	183 493	-	-	-
	753 076	**757 736**	**750 559**	**7 158**	**19**	**-**

As at 31.12.2012

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	7 458	8 102	4 042	3 714	346	-
Bank overdraft	15 495	15 495	15 495	-	-	-
Other interest-bearing liabilities	554 895	601 046	98 390	502 656	-	-
Trade and other payables (excluding current income tax payables)	135 751	135 751	135 751	-	-	-
	713 599	**760 394**	**253 678**	**506 370**	**346**	**-**

Capital management

The basic assumption of the Group's policy in terms of capital management is to maintain strong equity base which determine the confidence of investors, creditors and the market and ensure future development of the business. The Group monitors return on equity and debt ratios.

The Group's objective is to achieve the return on capital that is satisfactory for shareholders.

The Parent Company is subject to the regulation resulting from Article 396 § 1 of the Code of Commercial Companies, which states that the joint stock companies are obliged to transfer at least 8% of the profit for a given financial year recognized in the separate financial statements of the entity to share premium, until it reaches at least one third of the share capital of the entity.

The capital management principles of the Group have been applied consistently during financial year.

34 Capital commitments

As at 31 December 2007, the Group had contractual commitment relating to the acquisition of Zeljezara Split concluded with The Croatian Privatization Fund relating to the obligation of the Company to ensure that Zeljezara Split makes capital investments of HRK 114 million during the period 2008-2011 as well as to maintain its present employment level. In 2009, the Group has realised capital investments of HRK 57 million.

In April 2010, Złomrex S.A. increased the capital in Zeljzera Split in the amount of HRK 104 853 thousand (EUR 14 448 thousand), including an increase in share capital in the amount of HRK 1 thousand and share premium in the amount of HRK 104 852 thousand. On 23 April 2010, this increase was covered through the conversion of loans granted to Zeljezara Split by Złomrex S.A. Consequently, the commitments is considered to have been fully fulfilled.

35 Contingencies, guarantees and other commitments

The Group has the following contingent liabilities, guarantees and other commitments:

Contingencies

In the sale contract relating to the sale on 5th May 2011 of most of the assets of the distribution division in Poland to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. (refer also to note 25), the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities and costs of any dispute with public administration arising in relation to the Buyers in connection with the transaction structure finally accepted.

In Management's opinion the risk of the obligations arising in relation to above mentioned agreements is remote. The obligations will expire no later than in 2017.

36 Related parties

Identity of related parties

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

Owner:

- PS Holdco Sp. z o.o.

Related parties not consolidated are as follows:

- AB Stahl AG
- Odlewnia Metali Szopienice Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Złomrex Finans Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Złomrex China Limited (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Profil Centrum Sp. z o.o. (control obtained on April 11, 2014)

Associates are as follows:

- 4 Groups Sp. z o.o. (from January 21st, 2013)
- ZW Profil S.A. (from September 13, 2013 till April 10, 2014)
- Przedsiębiorstwo Transportu Samochodowego S.A. (from September 13, 2013 till April 10, 2014)
- Profil Centrum Sp. z o.o. (from September 13, 2013 till April 10, 2014)
- Madrohut Sp. z o.o. (from April 11, 2014)

Companies controlled by the owner:

- 4 Workers Przemysław Sztuczkowski (previous name Wiedza i Praca Sp. z o.o.)

in PLN thousand	**31.12.2014**	**31.12.2013**	**31.12.2012**
Short-term receivables:			
- related parties (not consolidated)	-	9 997	9 309
- owner*	7	9	61
- companies controlled by the owner*	18	34	117
Short-term liabilities			
- related parties (not consolidated)	-	602	80
- owner*	40 396	12 638	5 694
- companies controlled by the owner*	256	245	291
- associates	57	6 850	-
Loans granted			
- related parties (not consolidated)	-	3 642	7 450
- owner*	203	533	-
Loans received			
- companies controlled by the owner*	344	-	-
Short-term investments			
- owner*	13 513	-	-

in PLN thousand	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Revenues from sale of products			
- related parties (not consolidated)	-	-	-
- associates	-	17	-
Revenues from sale of services			
- related parties (not consolidated)	-	492	34
- owner*	1	2	1
- companies controlled by the owner	118	92	211
- associates	29	-	-
Revenues from sale of raw materials and merchandise			
- related parties (not consolidated)	-	15 629	28 242
- companies controlled by the owner	251	2	71
Purchase of merchandise and raw materials			
- related parties (not consolidated)	-	10 178	5 581
- companies controlled by the owner	883	670	1 126
- associates	-	9 492	
Purchase of services			
- related parties (not consolidated)	-	13	10
- associates	7 222	593	-
- companies controlled by the owner	1 915	2 137	1 457
Other income			
- related parties (not consolidated)	-	421	982
- owner*	7 499	40	-
Other gain/(losses) net			
- related parties (not consolidated)	-	-	-
- owner*	-	-	3 028
- companies controlled by the owner	4	-	18
Other costs			
- related parties (not consolidated)	-	-	(26)
Financial costs			
- related parties (not consolidated)	(5)	(4)	(5)
- owner*	(4 376)	(10 276)	(9 938)

On 27 March 2012 PS Holdco Sp. z o.o. bought 5 000 000 shares of Cognor S.A. (see note 27) from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.)

* please refer also to note 27 for the details of transactions with PS Holdco Sp. z o.o.

Transactions with the members of the Management and Supervisory Boards

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

in PLN thousand	**01.01.2014 - 31.12.2014**	**01.01.2013 - 31.12.2013**	**01.01.2012 - 31.12.2012**
Management Board of the Parent Company	8 540	3 826	3 190
Supervisory Board of the Parent Company	378	378	378
Management Boards of subsidiaries	2 396	1 330	2 986
Supervisory Boards of subsidiaries	44	43	89
	11 358	**5 577**	**6 643**

Benefits for the Management and Supervisory Boards consist only of short-term employee benefits.

Remuneration of Management Boards of subsidiaries of PLN 1.1 million which was paid in 2012 was accrued as at 31 December 2011, therefore it was included in the consolidated financial statements as at and for the year ended 31 December 2011 (under administrative expenses).

37 Subsequent events

There were no significant events after the balance sheet date, that have not been included in these consolidated financial statements.

Poraj, 20 March 2015

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