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Consolidated Financial Statements
as at and for the year ended 31 December 2011

Consolidated statement of financial position

As at 31 December

in PLN thousand	*Note*	2011	2010 restated*	2009 restated*	1.1.2009 restated*
Assets					
Property, plant and equipment	*14*	342 734	373 818	663 451	791 499
Intangible assets	*15*	17 067	20 487	42 175	46 267
Investment property	*16*	1 291	1 320	603	11 385
Investments in associates	*17*	-	-	5 050	11 913
Other investments	*18*	3 086	3 288	8 835	18 618
Other receivables	*22*	44 583	241	3 295	2 853
Prepaid perpetual usufruct of land	*19*	19 850	19 257	45 857	59 131
Deferred income tax assets	*20*	70 826	40 784	57 082	30 465
Total non-current assets		**499 437**	**459 195**	**826 348**	**972 131**
Inventories	*21*	178 472	176 216	249 052	559 522
Other investments	*18*	25 186	10	5 536	4 646
Current income tax receivable	*13*	7 744	590	2 004	6 530
Trade and other receivables	*22*	204 904	142 620	204 235	355 675
Cash and cash equivalents	*23*	47 166	9 280	32 422	99 344
Total current assets		**463 472**	**328 716**	**493 249**	**1 025 717**
Assets classified as held for sale	*24*	16 708	103 733	43 039	5 703
Assets of disposal groups and discontinued operations	*25*	-	544 534	196 014	250 720
Total assets		**979 617**	**1 436 178**	**1 558 650**	**2 254 271**

* please see note 3

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

Consolidated statement of financial position- continued

As at 31 December

in PLN thousand	*Note*	2011	2010 restated*	2009 restated*	1.1.2009 restated*
Equity					
Issued share capital	*26*	132 444	132 444	102 374	70 374
Reserves	*26*	131 452	140 977	192 959	221 752
Foreign currency translation reserve		(685)	18 185	27 313	32 689
Retained earnings		(98 971)	(208 551)	(94 344)	150 453
Total equity attributable to equity holders of the parent		**164 240**	**83 055**	**228 302**	**475 268**
Non-controlling interests		12 201	8 803	12 923	54 012
Total equity		**176 441**	**91 858**	**241 225**	**529 280**
Liabilities					
Interest-bearing loans and borrowings	*28*	532 138	503 162	534 110	699 080
Employee benefits obligation	*29*	7 970	11 862	38 819	50 284
Other payables	*31*	65	-	115	37 246
Deferred government grants and other deferred income		619	1 399	2 409	3 557
Deferred tax liabilities	*20*	7 937	8 970	16 786	35 513
Total non-current liabilities		**548 729**	**525 393**	**592 239**	**825 680**
Bank overdraft	*23*	25 236	83 884	126 657	114 094
Interest-bearing loans and borrowings	*28*	45 878	107 249	169 904	242 644
Other financial liabilities		-	-	-	5 257
Employee benefits obligation	*29*	5 677	4 713	2 317	3 024
Current income tax payable	*13*	293	-	323	3 591
Provisions for payables	*30*	381	403	834	171
Trade and other payables	*31*	176 117	250 570	269 074	380 009
Deferred government grants and other deferred Income		865	1 007	1 145	1 195
Total current liabilities		**254 447**	**447 826**	**570 254**	**749 985**
Liabilities of disposal group classified as held for sale	*25*	-	371 101	154 932	149 326
Total liabilities		**803 176**	**1 344 320**	**1 317 425**	**1 724 991**
Total equity and liabilities		**979 617**	**1 436 178**	**1 558 650**	**2 254 271**

* please see note 3

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

Consolidated statement of comprehensive income

For the years ended 31 December

in PLN thousand	*Note*	**2011**	**2010 restated***	**2009 restated***
Continuing operations				
Revenue	*6*	1 549 647	975 282	782 015
Cost of sales	*7*	(1 377 076)	(909 068)	(809 392)
Gross profit/(loss)		**172 571**	**66 214**	**(27 377)**
Other income	*8*	9 919	9 673	9 765
Distribution expenses	*7*	(36 171)	(32 394)	(27 073)
Administrative expenses	*7*	(46 600)	(50 718)	(45 017)
Other gains / (losses) – net	*9*	15 309	(10 118)	1 126
Other expenses	*10*	(14 546)	(18 080)	(28 501)
Operating profit/(loss) before financing costs		**100 482**	**(35 423)**	**(117 077)**
Other financial income	*11*	6 562	14 442	59 767
Other financial expenses	*11*	(105 041)	(66 167)	(77 204)
Net financing costs		**(98 479)**	**(51 725)**	**(17 437)**
Profit /(loss) before tax		**2 003**	**(87 148)**	**(134 514)**
Income tax expense	*12*	21 887	(8 887)	23 641
Profit/(loss) for the period from continuing operations		**23 890**	**(96 035)**	**(110 873)**
Discontinued operations				
Profit/(loss) after tax for the period from discontinued operations	*25*	92 011	(88 118)	(178 842)
Profit/(loss) for the period		**115 901**	**(184 153)**	**(289 715)**
Profit/(loss) for the period attributable to:				
Owners of the Parent Company		115 820	(179 919)	(265 693)
Non-controlling interests		81	(4 234)	(24 022)
Profit/(loss) for the period		**115 901**	**(184 153)**	**(289 715)**
Other comprehensive income				
Foreign currency translation differences		(805)	(9 014)	(3 304)
Total comprehensive loss for the period		**115 096**	**(193 167)**	**(293 019)**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		114 993	(189 047)	(271 069)
Non-controlling interests		103	(4 120)	(21 950)
Total comprehensive profit/(loss) for the period		**115 096**	**(193 167)**	**(293 019)**
Basic earnings per share (PLN) attributable to the owners of the Parent Company		**1.75**	**(2.94)**	**(6.56)**
- from continuing operations		0.36	(1.50)	(2.14)
- from discontinued operations		1.39	(1.44)	(4.42)
Diluted earnings per share (PLN) attributable to the owners of the Parent Company		**1.75**	**(2.72)**	**(4.95)**
- from continuing operations		0.36	(1.39)	(1.62)
- from discontinued operations		1.39	(1.33)	(3.33)

* please see note 3

The consolidated statement of comprehensive income should be read in conjunction with the explanatory notes constituting part of the consolidated financial statement

Consolidated statement of cash flows

For the years ended 31 December

in PLN thousand	*Note*	2011	2010 restated*	2009 restated*
Continuing operations				
Profit/(loss) before tax from continuing operations		**2 003**	**(87 148)**	**(134 514)**
Adjustments				
Depreciation	*14*	40 769	40 826	46 493
Amortization	*15*	3 400	4 962	3 862
Impairment losses and valuation allowances		433	6 534	18 319
Foreign exchange (gains)/losses		64 576	(14 237)	(4 911)
Net (gains)/losses on investment activities		(13 649)	-	(64 895)
Net (gains)/losses on disposal of property, plant and equipment		2 877	(8 359)	(2 179)
Interest, commissions and dividends, net		49 537	56 569	63 469
Change in receivables		(109 508)	21 225	55 296
Change in inventories		(41 984)	(24 406)	103 951
Change in trade and other payables		(30 930)	35 522	(89 118)
Change in provisions		2 595	(253)	656
Change in employee benefits		(1 969)	651	(5 476)
Change in deferred government grants and other deferred income		(847)	(1 117)	(1 746)
Other adjustments		-	-	4 600
Cash generated/(outflows) from continuing operations		**(32 697)**	**30 769**	**(6 193)**
Discontinuing operations				
Profit (loss) before tax from discontinued operations	*25*	**89 347**	**(89 366)**	**(192 132)**
Adjustments				
Depreciation	*14*	-	13 189	19 995
Amortization	*15*	-	-	1 719
Impairment losses and valuation allowances		-	20 895	38 237
Foreign exchange (gains)/losses		-	9 147	(11 846)
Net (gains)/losses on investment activities		(15 647)	485	(17 940)
Net (gains)/losses on disposal of property, plant and equipment		(63 647)	3 900	(4 371)
Interest, commissions and dividends, net		641	3 984	7 150
Change in receivables		78 10	(25 983)	131 484
Change in inventories		39 728	7 333	200 741
Change in trade and other payables		(46 589)	59 221	(40 066)
Change in provisions		(7 961)	(3 066)	644
Change in employee benefits		(959)	3 548	(1 891)
Change in deferred government grants and other deferred income		(75)	(36)	548
Other adjustments		-	2 095	803
Cash generated from discontinued operations		**2 649**	**5 316**	**133 075**
Cash generated/(outflows) from operating activities		**(30 049)**	**36 085**	**126 882**
Income tax paid, incl.		(8 041)	1 761	4 399
- continuing operations		*(676)*	*982*	*(3 756)*
- discontinued operations		*(7 365)*	*779*	*8 155*
Net cash from operating activities		**(38 090)**	**37 846**	**131 281**

* please see note 3

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

Consolidated statement of cash flows – continued

For the years ended 31 December

	Note	2011	2010 restated*	2009 restated*
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		1 229	16 823	10 960
Proceeds from sale of intangible assets		143	736	5 170
Interest received		2 822	282	715
Dividends received		30	-	267
Repayment of loans granted		10 982	-	5 731
Other outflows from investing activities		(4 241)	-	-
Acquisition of property, plant and equipment		(9 493)	(8 397)	(20 843)
Acquisition of intangible assets		(704)	(786)	(1 605)
Prepaid perpetual usufruct of land		(1 971)	-	-
Loans granted		(3 569)	-	-
Acquisition of other investments		(2 379)	-	1 037
Cash generated/(outflows) from continuing operations		**(7 151)**	**8 658**	**1 432**
Cash generated from discontinued operations		276 287	34 097	10 631
Net cash from investing activities		**269 136**	**42 755**	**12 063**
Cash flows from financing activities				
Net cash receipts from share issue		330	43 800	-
Proceeds from transactions with non-controlling interests		-	-	16 705
Proceeds from interest-bearing loans and borrowings		10 861	2 471	-
Payments/Proceeds relating to derivative financial instruments		-	-	1 350
Repayment of interest-bearing loans and borrowings		(91 389)	(7 984)	(6 358)
Payment of finance lease liabilities		(10 418)	(12 948)	(16 436)
Interest and commissions paid		(49 952)	(56 990)	(57 447)
Cash outflows from continuing operations		**(140 568)**	**(31 651)**	**(62 186)**
Cash outflows from discontinued operations		(845)	(19 496)	(162 101)
Net cash from financing activities		**(141 413)**	**(51 147)**	**(224 287)**
Net increase / (decrease) in cash and cash equivalents		89 633	29 454	(80 943)
Cash and cash equivalents net of bank overdraft, at 1 January		(67 704)	(96 432)	(16 949)
Effect of exchange rate fluctuations on cash held		-	(726)	1 460
Cash and cash equivalents net of bank overdraft, at 31 December	*23*	**(21 930)**	**(67 704)**	**(96 432)**
including cash restricted for use		22 410	29	-

* please see note 3

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

Consolidated statement of changes in equity

In PLN thousand

	Attributable to owners of the parent						
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2009	**70 374**	**221 752**	**32 689**	**150 453**	**475 268**	**54 012**	**529 280**
Total comprehensive income	-	-	(5 376)	(265 693)	(271 069)	(21 950)	(293 019)
- loss	-	-	-	*(265 693)*	***(265 693)***	*(24 022)*	***(289 715)***
- foreign currency translation differences – foreign operations	-	-	*(5 376)*	-	***(5 376)***	*2 072*	***(3 304)***
Transfer of profit	-	3 207	-	(3 207)	**-**	-	**-**
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	32 000	(32 000)	-	31 020	31 020	-	31 020
Own shares sold	-	-	-	*31 020*	***31 020***	-	***31 020***
Conversion of warrants into shares	*32 000*	*(32 000)*	-	-	**-**	-	**-**
Change in ownership interests in subsidiaries	**-**	**-**	**-**	**(6 917)**	**(6 917)**	**(19 139)**	**(26 056)**
Change in non-controlling interests	-	-	-	*(6 917)*	***(6 917)***	*(19 139)*	***(26 056)***
Equity as at 31 December 2009	**102 374**	**192 959**	**27 313**	**(94 344)**	**228 302**	**12 923**	**241 225**
Equity as at 1 January 2010	**102 374**	**192 959**	**27 313**	**(94 344)**	**228 302**	**12 923**	**241 225**
Total comprehensive income	-	-	(9 128)	(179 919)	**(189 047)**	(4 120)	**(193 167)**
- loss	-	-	-	*(179 919)*	***(179 919)***	*(4 234)*	***(184 153)***
- foreign currency translation differences – foreign operations	-	-	*(9 128)*	-	***(9 128)***	*114*	***(9 014)***
Transfer of profit	-	(21 912)	-	21 912	**-**	-	**-**
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	30 070	(30 070)	-	43 800	43 800	-	43 800
Conversion of warrants into shares	*30 070*	*(30 070)*	-	-	**-**	-	**-**
Own shares sold	-	-	-	*43 800*	***43 800***	-	***43 800***
Equity as at 31 December 2010	**132 444**	**140 977**	**18 185**	**(208 551)**	**83 055**	**8 803**	**91 858**

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

In PLN thousand

	Attributable to owners of the parent						
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2011	**132 444**	**140 977**	**18 185**	**(208 551)**	**83 055**	**8 803**	**91 858**
Total comprehensive income	-	-	(827)	115 820	**114 993**	103	**115 096**
- profit	-	-	-	*115 820*	***115 820***	*81*	***115 901***
- foreign currency translation differences – foreign operations	-	-	*(827)*	-	***(827)***	*22*	***(805)***
Transfer of profit	-	145	-	(145)	**-**	-	**-**
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	(9 670)	-	(6 095)	(15 765)	-	(15 765)
Issue of warrants	-	*330*	-	-	***330***	-	***330***
Transactions on own shares	-	-	-	*(6 095)*	***(6 095)***	-	***(6 095)***
Purchase of own shares (in equity presented in nominal value)	-	*(10 000)*	-	-	***(10 000)***	-	***(10 000)***
Change in ownership interests in subsidiaries	-	-	(18 043)	-	(18 043)	3 295	(14 748)
Change in non-controlling interests	-	-	*(18 043)*	-	***(18 043)***	*3 295*	***(14 748)***
Equity as at 31 December 2011	**132 444**	**131 452**	**(685)**	**(98 971)**	**164 240**	**12 201**	**176 441**

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

Explanatory notes to 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. Till August 29th, 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 of: scarp collection, scrap processing into steel billets and steel products and other activities.

On the 12th of August 2011, Mr. Przemysław Sztuczkowski, the sole shareholder of Złomrex S.A., decided to form a new holding entity called PS HoldCo sp. z o.o. (PSH), organised under the laws of Poland and on the same day he has contributed all his shares in Złomrex S.A. into that entity.

On the 27th of August 2011:

(i) PSH, Złomrex and some of its subsidiaries entered into the supplemental Indenture following the receipt of the consent from the holders of the Notes. This supplement has enabled Złomrex to conduct its Modified Internal Reorganisation as described in details in the consent solicitation statement dated as of the 2nd of June 2011,

(ii) Złomrex sold all its equity interest in Odlewnia Metali Szopienice sp. z o.o. to PSH together with certain other non-material subsidiaries.

On the 29th of August 2011:

(iii) Złomrex repurchased approximately 56% of its own shares from PSH for the purpose of further cancellation. Prior to that transfer PSH established a pledge on those shares for the benefit of the Noteholders.

(iv) Cognor purchased approximately 44% of shares in Złomrex S.A. and established a pledge on those shares for the benefit of the Noteholders.

By the completion of the point (iv) above Cognor S.A. has become a holding entity for Złomrex S.A. and therefore indirectly has acquired:

(i) 92,4% stake in Ferrostal Łabędy sp. z o.o.

(ii) 100,0% stake in HSW – Huta Stali Jakościowych S.A.

(iii) 100,0% stake in Złomrex Metal sp. z o.o.

(iv) 99,9% stake in Zlomrex International Finance SA

As the result of the above mentioned transactions the Parent Company of the Group has changed from Złomrex S.A. to Cognor S.A. This reorganization in the Group was a transaction under common control and not changed the person who controls the Group (Mr. Przemysław Sztuczkowski).

In August 2011, Cognor S.A. issued 6 622 warrants that give the right to convert into 66 220 000 shares (one warrant gives a right to convert into 10 000 shares). On the basis of orders made by authorized entities, in September 2011 Cognor S.A. allocated warrants in the following way:

- 6 072 warrants to Złomrex S.A
- 528 warrants to other shareholders.

Złomrex S.A. sold all its warrants to PS HoldCo.

On the 12th of September 2011, Złomrex S.A. sold 32 481 332 shares of Cognor S.A. to PS HoldCo and after this transaction the buyer obtained directly 49,05% of shares in Cognor S.A.

On the 2nd of November 2011, Złomrex S.A. has merged with HSW Hutal Stali Jakościowych S.A. and SteelCo sp. z o.o. The Commercial Court registered also the change of the company's name from Złomrex S.A. to Huta Stali Jakościowych S.A. and the change of the company's seat from Poraj (Poland) to Stalowa Wola (Poland).

On the 21st of November 2011, Huta Stali Jakościowych S.A. sold 5 182 371 shares of Cognor S.A. to PS HoldCo. After this transaction the buyer possesses directly 56,87% of shares in Cognor S.A.

(in PLN thousand, unless stated otherwise)

On the 30th of December 2011, Annex to the Agreement dated April 29th, 2011 was signed between Cognor S.A. and PS HoldCo Sp. z o.o. relating to the financing of the purchase of Złomrex S.A.'s shares by Cognor S.A. According to this Annex, Cognor S.A. will pay for Złomrex S.A.'s shares after obtaining from PS HoldCo the conversion price of warrants. Moreover, if PS HoldCo doesn't cover warrants on or before the 31st of December 2013, from the 2nd of January 2014 Cognor S.A. will be able to pay all or part of the price for buying of Złomrex's shares in a separate account and PS HoldCo will authorize Cognor S.A.to use cash from this account to make payments of warrants.

Therefore in the consolidated financial statements, the liability in the amount of PLN 149 467 thousand arising from the purchase of Złomrex shares and receivables from PS HoldCo to the amount of PLN 145 995 thousand resulting from the conversion of warrants (capital contribution to Cognor S.A.) were off-set..
In addition, payment of PLN 69 784 thousand, shall not be earlier than repayment of part or all (adequately) receivables and claims from Cognor Stahlhandel in Czech Republic and from the Government of Croatia on the disposal of steelworks Zeljezara Split (see note 25). On the date of approval of the consolidated financial statements, all receivables from Cognor Stahlhandel in Czech Republic were received by the Group.

The consolidated financial statements of Cognor S.A. are the continuation of the consolidated financial statements of Złomrex S.A., excluding Odlewnia Metali Szopienice Sp. z o.o., that was sold to PS HoldCo on the 27th of August 2011. The restatements of comparatives to the consolidated financial statements are presented in the note 3.

During the crisis of 2008-2010, the Group went through extremely difficult business conditions which resulted in negative net results and cash flows. Unprofitable operations amid major integration projects pending and relatively high leverage raised numerous challenges for continuity as a going concern..

Cognor has responded with a number of measures to adjust its business model to changing market environment and to modify its capital structure aimed at reduction of its indebtedness. The most important decision was to divest the Group's steel distribution business which was finalized at the beginning of 2011. This resulted in major reduction of the debt burden and improved liquidity as well as led to significant progress in business operations with regained profitability in particular.

Currently the Group enjoys good liquidity, has positive cash flows and acceptable indebtedness, long term mostly. Therefore, the.Management of Parent Company believes that there is no threat with respect to going concern risk in the foreseeable future.

The consolidated financial statements as at and for the year ended 31 December 2011 comprise the parent Company and its subsidiaries ("the Group"). The basic information about the subsidiaries, that comprise the Group as at 31 December 2011, is presented in the table below.

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL-ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.4%	2004-02-19*
ZW-WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2005-01-13*
HUTA STALI JAKOŚCIOWYCH S.A.	Poland	Manufacture of metal products	100.0%	2006-01-27*
KAPITAŁ S.A.	Poland	Financial services	100.0%	2004-06-13*
ZŁOMREX INTERNATIONAL FINANCE SA	France	Financial services, Bond issuer	100.0%	2006-10-23*
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2007-04-02*
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.4%	2007-08-01
STALEXPORT-METALZBYT BIAŁYSTOK Sp. z o.o.	Poland	Trade in metal products	98.8%	2007-10-01
ZŁOMREX CENTRUM Sp. z o.o.	Poland	Other services	100.0%	2006-03-29*

(in PLN thousand, unless stated otherwise)

BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100.0%	2006-05-15*
COGNOR SERVICES Sp. z o.o.	Poland	Financial services	100.0%	2010-10-13
CENTROSTAL Sp. z o.o. w Szczecinie	Poland	Financial services	100.0%	2007-01-26*
COGNOR FINANSE Sp. z o.o.	Poland	Financial services	100.0%	2007-03-28*
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03*

* date of obtaining control in Zlomrex Capital Group

During 2010, the following changes occurred in Zlomrex S.A. Capital Group:
- on March 4, 2010 Stalexport S.A. has merged with Stalexport Serwis Centrum Bełchatów S.A.
- on September 1, 2010 Cognor S.A. has merged with Stalexport S.A.

During 2011, the following changes occurred in Zlomrex S.A. Capital Group:
- on February 4, 2011 Cognor Stahlhandel GmbH subgroup was sold
- on July 4, 2011 CKM Włókniarz S.A. was sold
- on August 26, 2011 Odlewnia Metali Szopienice Sp. z o.o., Złomrex China, Złomrex Finanse were sold
- on November 2, 2011 Złomrex S.A. has merged with HSW Huta Stali Jakościowych S.A.
- on December 29, 2011 Nowa Jakość S.A. has merged with Kapitał Sp. z o.o. and has changed the company name from Nowa Jakość S.A. to Kapitał S.A.

As described in the note 25, on the 11th March 2011, the bankruptcy of Zelejzara Split d.d., Croatia (a subsidiary of Złomrex S.A.) was announced by Commercial Court in Split. The proceedings was initiated by a creditor's demand – HEP – Opskrba d.o.o., Zagreb. Due to the loss of control over Zeljezara Split d.d., the data of this entity on 31st December 2011 were not included in the consolidated financial statements. The effect of loss of control was presented in the consolidated statement of comprehensive income in the line "Profit/(loss) from discontinuing operations".

b) Basis of preparation of consolidated financial statements

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 2012.

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 beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. Except for *IFRS 9 Financial Instruments* and IFRS 13 *Fair Value Measurement* waiting for approval by UE, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

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 15 – impairment tests for cash-generating units containing goodwill
- Note 20 – deferred tax assets and liabilities and utilization of tax losses
- Note 25 – assets of disposal group and discontinued operations
- Note 29 – employee benefits obligations
- Note 30 and 34 – provisions and contingencies
- Note 32 – valuation of financial instruments
- Note 33 – capital commitments

d) Functional and presentation currency

The consolidated financial statements are presented in Polish zloty, being the functional currency and presentation 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 and have been applied consistently by Group entities.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

Acquisitions of non-controlling interests

The Company recognizes directly in equity 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.

Explanatory notes to the consolidated financial statements
(in PLN thousand, unless stated otherwise)

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 the profit and loss within "finance income or cost". All other foreign exchange gains and losses are presented in the profit and loss within "other gains/(losses) net".

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 an average NPB (National Polish Bank) rate at the reporting date. The income and expenses of foreign operations are translated to Polish zloty at average NPB rates at the dates of the transactions. Foreign currency differences are recognized as the 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 sales of 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 of dismantling and removing the components of tangible fixed assets and restoration cost. In respect of borrowing costs relating to qualifying assets for which the beginning date for capitalization was in 2009 or later, 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 the profit and loss as an expense as incurred.

Depreciation
Depreciation is recognized in the profit and 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.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's statement of financial position. Investment property held under an operating lease is recognized on the Group's statement of financial position at its fair value.

The Group classifies perpetual usufruct of land as operating lease. Prepayments for perpetual usufruct of land are disclosed separately on the face of the statement of financial position. Prepayments for perpetual usufruct are expensed to the profit and loss during the period of the lease. Perpetual usufruct of land acquired in a business combination represents identifiable asset initially recognized based on its fair value.

e) Intangible assets

Goodwill

All business combinations, excluding businesses which are under common control, are accounted for by applying the purchase method. The 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 the surplus of the net identifiable assets on the acquisition cost is identified, this amount is directly 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 the profit and 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 an overheads that are directly attributable to preparing the assets for its intended use.

Other development expenditures are recognized in the profit and loss as incurred. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization (see below) and impairment losses.

CO2 Emission rights

CO2 Emission rights received from the state are measured at cost less impairment losses. The cost in case of emission rights which were acquired in a business combination is their fair value. The liability arising in an emission rights scheme 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.

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 it relates. All other expenditures are recognized in the profit and loss as incurred.

Amortization

Amortization is charged to the profit and 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 systematically tested for impairment at the reporting date (31 December). 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. Depreciation is recognized in the profit and 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 in the tangible assets presented in point c) above.

Rental income from investment property is accounted for based on the straight line basis over the contract.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in the accounting policies for costs.

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

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 the Management is committed to plan to sale. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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 as at reporting date. Changes in fair value are recognized in the profit and loss within "other gains/(losses) net". 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 delinquency 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 the profit and loss within 'selling and marketing costs'. 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 'selling and marketing costs' in the profit and 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.

Fair value of financial assets

Investments in debt and equity securities
The fair value of financial assets measured at fair value through profit or loss, investments held till the maturity date and financial assets available for sale , is evaluated on the basis of the market value as at reporting day (if the market value is available). The fair value of the investments held till the maturity date 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 loss for available for sale financial asset is estimated through reference to its 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. The rest of financial assets are valued for impairment in groups that contain the similar level of credit risk.

The impairment losses are recognized in the profit and 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 the profit and loss even though the financial asset has not been derecognized.

An impairment loss are 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 disclosewd 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 detailed identification method if possible, or first in, first out method. The costs include expenditure incurred in acquiring the inventories. In the case of finished goods and work in progress, costs include an appropriate share of overheads based on normal operating capacity.

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

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 of 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 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 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. Impairment losses are recognized in the profit and loss.
The recoverable amount of other assets is the greater of their 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 constitutes 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 capitals
Reserves include supplementary, other reserves and own 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 share capital (own 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 from 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 with any difference between proceeds and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Fair value, evaluated for disclosure purposes, is calculated on the basis of current value of future cash flows from capital and interest returns discounted with market percentage rate at the reporting day. In the case of financial lease, the market percentage risk is evaluated on the basis of percentage rate of similar lease agreements. In case of bonds, the fair value is evaluated on the basis of market transactions of bond purchase issued by Zlomrex International Finance 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 actuary techniques and assumptions in conformity with the requirements of IFRS EU and in particular 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 method, separately for each employee. The basis for the calculation of the provision for an employee is the projected amount of the benefit that the Group will have to pay upon retirement pursuant to the regulations described above. The projected amount of the benefit is calculated till it is vested with an employee, considering the projected amount of the basis of the benefit, projected increase in the benefit and the 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 evaluated without taking into consideration the discount and are recognized as costs at the moment of benefit realization.

Provision is recognized in costs in the amount of future payments for employees’ short-term bonuses, if the company is legally or traditionally obliged to these payments on the basis of services rendered by employees in the past, and this liability could be reliably evaluated.

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 payables

Trade and other payables are stated 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 as deferred income when there is reasonable certainty that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in the profit and loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized in the profit and 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 shown 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 is recognized in the profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognized until the risks of obsoletes and loss have been transferred to the buyer and either the buyer has accepted the products in accordance to the sale contract the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Rendering of services
Revenue from services rendered is recognized in the profit and loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or continuing management involvement with the goods.

s) Lease

Operating lease payments
Payments made under operating leases are recognized in the profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in the profit and loss as an integral part of the total 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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

t) Other income and expenses

Interest income is recognized in the profit and loss as it accrues, using the amortised cost method. Dividend income is recognized in the profit and loss on the date the entity’s right to receive payments is established. The interest expense on trade and other non-financial liabilities is recognized in the profit and loss using the amprtised cost method.

Explanatory notes to the consolidated financial statements
(in PLN thousand, unless stated otherwise)

u) Current and deferred income tax

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

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 substantively enacted at the 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. Changes in comparatives

The consolidated statement of financial position was restated due to the fact that since the 29th of August 2011, following the transactions described in note 1, Cognor S.A. has become the Parent Company. Also, on the 26th of August 2011, Odlewnia Metali Szopienice Sp. z o.o. was sold to PS HoldCo and is no longer in the Cognor Group. Reorganisation of the Group was common control transaction which had not changed the person who controls the Group. Consequently, the comparatives were restated to reflect the current structure of the Group.

The comparative data was changed accordingly as follows:

Consolidated statement of financial position

	01.01.2009 as per approved consolidated financial statements of Złomrex Group	**Restatements**	**01.01.2009 restated**
Assets			
Property, plant and equipment	796 412	(4 913)	791 499
Intangible assets	46 267	-	46 267
Investment property	11 385	-	11 385
Investments in associates	11 913	-	11 913
Other investments	18 174	444	18 618
Other receivables	1 533	1 320	2 853
Prepaid perpetual usufruct of land	59 301	(170)	59 131
Deferred tax assets	31 334	(869)	30 465
Total non-current assets	**976 319**	**(4 188)**	**972 131**
Inventories	565 726	(6 204)	559 522
Other investments	4 646	-	4 646
Income tax receivable	7 351	(821)	6 530
Trade and other receivables	357 363	(1 688)	355 675
Cash and cash equivalents	99 505	(161)	99 344
Total current assets	**1 034 591**	**(8 874)**	**1 025 717**
Assets classified as held for sale	5 703	-	5 703
Assets of disposal groups and discontinued operations	250 720	-	250 720
Total assets	**2 267 333**	**(13 062)**	**2 254 271**

(in PLN thousand, unless stated otherwise)

Equity			
Issued share capital	47 691	22 683	70 374
Reserves	221 752	-	221 752
Foreign currency translation reserve	32 689	-	32 689
Retained earnings	91 259	59 194	150 453
Total equity attributable to owners of the Parent Company	**393 391**	**81 877**	**475 268**
Non-controlling interests	145 188	(91 176)	54 012
Total equity	**538 579**	**(9 299)**	**529 280**
Liabilities			
Interest-bearing loans and borrowings	699 379	(299)	699 080
Employee benefits	50 505	(221)	50 284
Other payables	37 246	-	37 246
Deferred government grants and other deferred income	3 557	-	3 557
Deferred tax liabilities	35 513	-	35 513
Total non-current liabilities	**826 200**	**(520)**	**825 680**
Bank overdraft	115 888	(1 794)	114 094
Interest-bearing loans and borrowings	242 788	(144)	242 644
Other financial liabilities	5 257	-	5 257
Employee benefits	3 039	(15)	3 024
Income tax payable	3 591	-	3 591
Provisions for payables	171	-	171
Trade and other payables	381 299	(1 290)	380 009
Deferred government grants and other deferred income	1 195	-	1 195
Total current liabilities	**753 228**	**(3 243)**	**749 985**
Liabilities of disposal group classified as held for sale	149 326	-	149 326
Total liabilities	**1 728 754**	**(3 763)**	**1 724 991**
Total equity and liabilities	**2 267 333**	**(13 062)**	**2 254 271**

	31.12.2009 as per approved consolidated financial statements of Złomrex Group	Restatements	31.12.2009 restated
Assets			
Property, plant and equipment	667 965	(4 514)	663 451
Intangible assets	42 175	-	42 175
Investment property	603	-	603
Investments in associates	5 050	-	5 050
Other investments	8 391	444	8 835
Other receivables	3 295	-	3 295
Prepaid perpetual usufruct of land	46 023	(166)	45 857
Deferred tax assets	57 198	(116)	57 082
Total non-current assets	**830 700**	**(4 352)**	**826 348**
Inventories	256 901	(7 849)	249 052
Other investments	5 536	-	5 536
Income tax receivable	3 103	(1 099)	2 004
Trade and other receivables	205 453	(1 218)	204 235
Cash and cash equivalents	32 496	(74)	32 422
Total current assets	**503 489**	**(10 240)**	**493 249**
Assets classified as held for sale	43 039	-	43 039
Assets of disposal groups and discontinued operations	196 014	-	196 014
Total assets	**1 573 242**	**(14 592)**	**1 558 650**

(in PLN thousand, unless stated otherwise)

Equity			
Issued share capital	47 691	54 683	102 374
Reserves	224 959	(32 000)	192 959
Foreign currency translation reserve	27 313	-	27 313
Retained earnings	(140 917)	46 573	(94 344)
Total equity attributable to owners of the Parent Company	**159 046**	**69 256**	**228 302**
Non-controlling interests	91 952	(79 029)	12 923
Total equity	**250 998**	**(9 773)**	**241 225**
Liabilities			
Interest-bearing loans and borrowings	534 267	(157)	534 110
Employee benefits	39 057	(238)	38 819
Other payables	115	-	115
Deferred government grants and other deferred income	2 409	-	2 409
Deferred tax liabilities	16 195	591	16 786
Total non-current liabilities	**592 043**	**196**	**592 239**
Bank overdraft	129 543	(2 886)	126 657
Interest-bearing loans and borrowings	170 056	(152)	169 904
Employee benefits	2 338	(21)	2 317
Income tax payable	323	-	323
Provisions for payables	834	-	834
Trade and other payables	271 030	(1 956)	269 074
Deferred government grants and other deferred income	1 145	-	1 145
Total current liabilities	**575 269**	**(5 015)**	**570 254**
Liabilities of disposal group classified as held for sale	154 932	-	154 932
Total liabilities	**1 322 244**	**(4 819)**	**1 317 425**
Total equity and liabilities	**1 573 242**	**(14 592)**	**1 558 650**

	31.12.2010 as per approved consolidated financial statements of Złomrex Group	**Restatements**	**31.12.2010 restated**
Assets			
Property, plant and equipment	377 959	(4 141)	373 818
Intangible assets	20 487	-	20 487
Investment property	1 320	-	1 320
Investments in associates	-	-	-
Other investments	2 844	444	3 288
Other receivables	241	-	241
Prepaid perpetual usufruct of land	19 419	(162)	19 257
Deferred tax assets	41 006	(222)	40 784
Total non-current assets	**463 276**	**(4 081)**	**459 195**
Inventories	182 640	(6 424)	176 216
Other investments	10	-	10
Income tax receivable	863	(273)	590
Trade and other receivables	143 857	(1 237)	142 620
Cash and cash equivalents	9 337	(57)	9 280
Total current assets	**336 707**	**(7 991)**	**328 716**
Assets classified as held for sale	103 733	-	103 733
Assets of disposal groups and discontinued operations	544 534	-	544 534
Total assets	**1 448 250**	**(12 072)**	**1 436 178**

Equity			
Issued share capital	47 691	84 753	132 444
Reserves	203 624	(62 647)	140 977
Foreign currency translation reserve	18 185	-	18 185
Retained earnings	(250 714)	42 163	(208 551)
Total equity attributable to owners of the Parent Company	**18 786**	**64 269**	**83 055**
Non-controlling interests	79 574	(70 771)	8 803
Total equity	**98 360**	**(6 502)**	**91 858**
Liabilities			
Interest-bearing loans and borrowings	503 222	(60)	503 162
Employee benefits	12 121	(259)	11 862
Deferred government grants and other deferred income	1 399	-	1 399
Deferred tax liabilities	8 539	431	8 970
Total non-current liabilities	**525 281**	**112**	**525 393**
Bank overdraft	86 782	(2 898)	83 884
Interest-bearing loans and borrowings	107 376	(127)	107 249
Employee benefits	4 735	(22)	4 713
Provisions for payables	403	-	403
Trade and other payables	253 205	(2 635)	250 570
Deferred government grants and other deferred income	1 007	-	1 007
Total current liabilities	**453 508**	**(5 682)**	**447 826**
Liabilities of disposal group classified as held for sale	371 101	-	371 101
Total liabilities	**1 349 890**	**(5 570)**	**1 344 320**
Total equity and liabilities	**1 448 250**	**(12 072)**	**1 436 178**

Condensed consolidated interim statement of comprehensive income

For the period ended 31 December 2010 *in PLN thousand*	**2010 as per approved consolidated financial statements of Złomrex Group**	**Restatements**	**2010 restated**
Revenue	994 465	(19 183)	975 282
Cost of sales	(927 510)	18 442	(909 068)
Gross profit/(loss)	**66 955**	**(741)**	**66 214**
Other income	9 583	90	9 673
Distribution expenses	(33 029)	635	(33 394)
Administrative expenses	(53 661)	2 943	(50 718)
Other gains / (losses) – net	10 301	(20 419)	(10 118)
Other expenses	(18 359)	279	(18 080)
Operating loss before financing costs	**(18 210)**	**(17 213)**	**(17 213)**
Other financial income	14 442	-	14 442
Other financial expenses	(66 121)	(46)	(66 167)
Net financing costs	**(51 679)**	**(46)**	**(51 725)**
Loss before tax	**(69 889)**	**(17 259)**	**(87 148)**
Income tax expense	(8 970)	83	(8 887)
Loss for the period	**(78 859)**	**(17 176)**	**(96 035)**

Discontinued operations			
Loss for the period from discontinued operations	(88 118)	-	(88 118)
Loss for the period	**(166 977)**	**(17 176)**	**(184 153)**
Other comprehensive income			
Foreign currency translation differences	(9 014)	-	(9 014)
Total comprehensive loss for the period	**(175 991)**	**(17 176)**	**(193 167)**

For the period ended 31 December 2009 *in PLN thousand*	**2009 as per approved consolidated financial statements of Złomrex Group**	**Restatements**	**2009 restated**
Revenue	799 375	(17 360)	782 015
Cost of sales	(823 168)	13 776	(809 392)
Gross profit	**(23 793)**	**(3 584)**	**(27 377)**
Other income	10 131	(366)	9 765
Distribution expenses	(27 063)	(10)	(27 073)
Administrative expenses	(48 100)	3 083	(45 017)
Other gains / (losses) – net	1 125	1	1 126
Other expenses	(28 752)	251	(28 501)
Operating profit before financing costs	**(116 452)**	**(625)**	**(117 077)**
Other financial income	59 758	9	59 767
Other financial expenses	(77 160)	(44)	(77 204)
Net financing costs	**(17 402)**	**(35)**	**(17 437)**
Loss before tax	**(133 854)**	**(660)**	**(134 514)**
Income tax expense	23 456	185	23 641
Loss for the period	**(110 398)**	**(475)**	**(110 873)**
Discontinued operations			
Loss for the period from discontinued operations	(178 842)	-	(178 842)
Loss for the period	**(289 240)**	**(475)**	**(289 715)**
Other comprehensive income			
Foreign currency translation differences	(3 304)	-	(3 304)
Total comprehensive loss for the period	**(292 544)**	**(475)**	**(293 019)**

4. Segment reporting

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

The Management Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sale in Poland, Austria and other countries.

Explanatory notes to the consolidated financial statements
(in PLN thousand, unless stated otherwise)

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 of them; and also the processing of non-ferrous scrap into finished products and selling of 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 strategic steering committee is measured in a manner consistent with that in the income statement.

Business segments

in PLN thousand

31-12-2011	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	205 109	1 276 362	50 990	108 034	-		
Inter-segment revenue	373 641	33 715	1 850	7 979	-		
Total revenue	**578 750**	**1 310 077**	**52 840**	**116 013**	**-**	**(508 033)**	**1 549 647**
Cost of sales to external customers	(194 931)	(1 145 080)	(47 156)	(107 051)	-		
Inter-segment cost of sales	(350 597)	(30 191)	(1 079)	(4 025)	-		
Total cost of sales	**(545 528)**	**(1 175 271)**	**(48 235)**	**(111 076)**	**-**	**503 034**	**(1 377 076)**
Segment result	**33 222**	**134 806**	**4 605**	**4 937**	**-**	**(4 999)**	**172 571**
Other income	10 117	4 806	10 549	60 452	11 507	(87 512)	9 919
Distribution and administrative expenses	(20 716)	(44 530)	(7 676)	(3 429)	(19 003)	12 583	(82 771)
Other gain/(losses) net	1 362	(305)	14 747	527	177 413	(178 435)	15 309
Other expenses	(1 447)	(14 108)	(794)	(1 328)	(11 686)	14 817	(14 546)
Operating profit	**22 538**	**80 669**	**21 431**	**61 164**	**158 231**	**(243 546)**	**100 482**
Net financing costs	(4 151)	(4 940)	(402)	(51 875)	(115 159)	78 048	(98 479)
Income tax expense							21 887
Profit for the period from continuing operation							**23 890**
Profit from discontinuing operation	-	14 249	77 762	-	-	-	92 011
Profit for the period							**115 901**

in PLN thousand

31-12-2010	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	173 962	756 594	26 117	3 828	-	-	-
Inter-segment revenue	219 493	41 337	2 337	2 796	-	-	
Total revenue	**393 455**	**797 931**	**28 454**	**6 624**	**-**	**(251 182)**	**975 282**

Explanatory notes to the consolidated financial statements
(in PLN thousand, unless stated otherwise)

Cost of sales to external customers	(165 702)	(718 963)	(23 262)	(8 057)	-	-	
Inter-segment cost of sales	(202 412)	(41 437)	(2 246)	(1 337)	-	-	
Total cost of sales	**(368 114)**	**(760 400)**	**(25 508)**	**(9 394)**	**-**	**254 348**	**(909 068)**
Segment result	**25 341**	**37 531**	**2 946**	**(2 770)**	**-**	**3 166**	**66 214**
Other income	5 342	12 678	724	50 477	15 783	(75 331)	9 673
Distribution and administrative expenses	(17 460)	(42 106)	(2 915)	(702)	(14 493)	(5 436)	(83 112)
Other gain/(losses) net	757	(32 496)	386	(124)	12 056	9 303	(10 118)
Other expenses	(936)	(9 232)	(803)	(327)	(18 508)	11 726	(18 080)
Operating profit/(loss)	**13 044**	**(33 625)**	**338**	**46 554**	**(5 162)**	**(56 572)**	**(35 423)**
Net financing costs	(5 586)	(462)	(246)	(51 791)	(45 294)	51 654	(51 725)
Income tax expense							(8 887)
Loss for the period from continuing operation							**(96 035)**
Profit/(loss) from discontinuing operation	-	1 019	(89 137)	-	-	-	(88 118)
Loss for the period							**(184 153)**

in PLN thousand **31-12-2009**	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	149 937	579 079	28 997	10 247	-	-	
Inter-segment revenue	189 616	99 625	1 873	36 322	-	-	
Total revenue	**339 553**	**678 704**	**30 870**	**46 569**	**-**	**(313 681)**	**782 015**
Cost of sales to external customers	(144 914)	(618 137)	(26 733)	(14 206)	-	-	
Inter-segment cost of sales	(178 932)	(114 715)	(1 730)	(4 075)	-	-	
Total cost of sales	**(323 846)**	**(732 852)**	**(28 463)**	**(18 281)**	**-**	**294 050**	**(809 392)**
Segment result	**15 707**	**(54 148)**	**2 407**	**28 288**	**-**	**(19 631)**	**(27 377)**
Other income	8 448	11 839	200	71 256	49 677	(131 655)	9 765
Distribution and administrative expenses	(19 808)	(52 956)	(2 613)	(3 567)	(1 463)	8 317	(72 090)
Other gain/(losses) net	756	1 385	18	792	(88 167)	86 342	1 126
Other expenses	(1 768)	(9 660)	(90)	(1 034)	(34 517)	18 568	(28 501)
Operating profit/(loss)	**3 335**	**(103 540)**	**(78)**	**95 735**	**(74 470)**	**(38 059)**	**(117 077)**
Net financing costs	(4 845)	7 546	(327)	(66 853)	(15 558)	62 600	(17 437)
Income tax expense							23 641
Loss for the period from continuing operation							**(110 873)**
Loss from discontinuing operation	-	(60 178)	(118 664)	-	-	-	(178 842)
Loss for the period							**(289 715)**

in PLN thousand 31-12-2011	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	99 168	636 338	16 319	7 395	220 397	976 617
Segment liabilities	57 610	91 729	2 814	8 419	642 604	803 176
Capital expenditure	2 708	9 699	97	263	-	12 767
Major non-cash items:						
Depreciation/amortization	(4 899)	(37 946)	(550)	(774)	-	(44 169)
Impairment losses and valuation allowances	4	(221)	(2)	44	-	241
Total major non-cash items	**(4 895)**	**(38 167)**	**(552)**	**(314)**	**-**	**(43 928)**

in PLN thousand 31-12-2010	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	69 102	539 191	85 830	14 610	79 178	787 911
Disposal group of assets and assets held for sale	-	219 802	383 498	-	44 967	648 267
Total assets	**69 102**	**758 993**	**469 328**	**14 610**	**124 145**	**1 436 178**
Segment liabilities	45 782	108 602	37 765	7 961	773 109	973 219
Disposal group of liabilities	-	181 335	189 766	-	-	371 101
Total liabilities	**45 782**	**289 937**	**227 531**	**7 961**	**773 109**	**1 344 320**
Capital expenditure	1 333	7 073	283	261	-	8 950
Major non-cash items:						
Depreciation/amortization	(5 675)	(36 283)	(436)	(3 227)	-	(45 621)
Impairment losses and valuation allowances	110	7 348	(86)	(2 764)	(13 350)	(8 742)
Total major non-cash items	**(5 565)**	**(28 935)**	**(522)**	**(5 991)**	**(13 350)**	**(54 363)**

in PLN thousand 31-12-2009	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	58 257	577 136	482 723	46 207	155 274	1 319 597
Disposal group of assets and assets held for sale	-	194 698	-	-	44 355	239 053
Total assets	**58 257**	**771 834**	**482 723**	**46 207**	**199 629**	**1 558 650**
Segment liabilities	30 009	81 444	86 994	9 043	955 003	1 162 493

Disposal group of liabilities	-	154 932	-	-	-	154 932
Total liabilities	**30 009**	**236 376**	**86 994**	**9 043**	**955 003**	**1 317 425**
Capital expenditure	-	17 148	10	1 749	-	18 907
Major non-cash items:						
Depreciation/amortization	(9 207)	(36 297)	(460)	(4 223)	-	(50 187)
Impairment losses and valuation allowances	549	(9 381)	-	4 997	(80 401)	(84 236)
Total major non-cash items	**(8 658)**	**(45 678)**	**(460)**	**774**	**(80 401)**	**(134 423)**

Unallocated assets

in PLN thousand	**2011**	**2010**	**2009**
Investments	28 272	3 298	14 371
Deferred tax assets	70 826	40 784	57 082
Investment property	1 291	1 320	603
Income tax receivable	7 744	590	2 004
Cash and cash equivalents	47 177	9 280	32 422
Investments in associates	-	-	5 050
Assets held for sale	16 708	-	-
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	48 379	23 906	43 742
	220 397	**79 178**	**155 274**

Unallocated liabilities

in PLN thousand	**2011**	**2010**	**2009**
Interest-bearing loans and borrowings	578 016	610 411	704 014
Bank overdraft	25 236	83 884	126 657
Deferred tax liabilities	7 937	8 970	16 786
Employee benefits	13 647	16 575	41 136
Deferred government grants and other deferred income	1 484	2 406	3 554
Other liabilities	16 284	50 863	62 856
	642 604	**773 109**	**955 003**

Explanatory notes to the consolidated financial statements
(in PLN thousand, unless stated otherwise)

4 Segment reporting (continued)

Geographical segments
in PLN thousand

	Poland			Austria			Other countries			Unallocated			Consolidated		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Revenue from external customers	1 008 407	533 125	638 139	4 025	876	37 489	537 215	441 281	106 387	-	-	-	1 549 647	975 282	782 015
Segment assets	478 875	452 584	623 336	4 727	1 051	222 900	275 618	255 098	318 087	220 397	182 911	155 274	976 617	891 644	1 319 597
Disposal group of assets	-	30	-	-	164 561	-	-	334 976	194 698	-	44 967	44 355	-	544 534	239 053
Total assets	**478 875**	**452 614**	**623 336**	**4 727**	**165 612**	**222 900**	**275 618**	**590 074**	**512 785**	**220 397**	**227 878**	**199 629**	**976 617**	**1 436 178**	**1 558 650**
Capital expenditure	10 535	4 373	14 514	-	2	499	2 232	4 575	3 894	-	-	-	12 767	8 950	18 907

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

5. Acquisitions of subsidiaries

In 2011, 2010 and 2009 no acquisitions occurred.

6. Revenues from sale

in PLN thousand	2011	2010	2009
Revenues from sale of products	1 292 028	798 874	598 214
Revenues form sale of services	6 484	3 229	7 041
Revenues from sale of goods	119 906	81 312	95 823
Revenues from sale of raw materials	131 229	91 867	80 937
	1 549 647	**975 282**	**782 015**

7. Expenses by type

in PLN thousand	2011	2010	2009
Depreciation and amortisation (note 14 and 15)	(44 169)	(45 621)	(50 187)
Energy and materials consumption	(1 020 861)	(632 416)	(518 260)
External services	(115 987)	(97 166)	(90 671)
Taxes and charges	(7 416)	(7 750)	(8 347)
Wages and salaries	(71 579)	(65 813)	(77 310)
Compulsory social security contributions and other benefits	(14 287)	(13 719)	(15 482)
Other expenses	(3 484)	(3 122)	(2 758)
Amortization of prepaid perpetual usufruct of land	(396)	(375)	(970)
Total expenses by type	**(1 278 179)**	**(865 982)**	**(763 985)**
Cost of goods for resale	(231 201)	(156 971)	(86 026)
Changes in inventories and costs settled	49 533	30 773	(31 471)
Costs of sales, administrative and distribution expenses	**(1 459 847)**	**(992 180)**	**(881 482)**

8. Other income

in PLN thousand	2011	2010	2009
Compensations and penalties received	1 006	417	209
Insurance indemnities losses	217	517	283
Forgiven liabilities	599	196	1 082
Reimbursed costs of court proceedings	556	130	39
Reversal of impairment for non financial non-current assets	241	113	178
Donations	851	938	937
Interest income	2 960	3 140	3 877
Fees and commissions	50	236	1 137
Reversal of allowance for interest and other receivables	880	1 993	95
Reversal of provisions	-	-	846
Other	2 559	1 993	1 082
	9 919	**9 673**	**9 765**

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

9. Other gains / (losses) - net

in PLN thousand	2011	2010	2009
Net gain /(loss)on disposal of property, plant and equipment	(1 771)	7 868	2 179
Net gain/(loss) on disposal of intangible assets	544	491	4 411
Net gain /(loss) on sales of other investments	16 164	(17 664)	7 971
Net foreign exchange gain/ (loss) relating to operating activities	1 043	1 308	(6 470)
Net gain on derivatives	-	-	5 856
Net loss on revaluation of investments	-	(2 121)	(9 034)
Revaluation of investments at fair value through profit and loss	(671)	-	(3 787)
	15 309	**(10 118)**	**1 126**

10. Other expenses

in PLN thousand	2011	2010	2009
Impairment of tangible and intangible assets	-	(1 336)	(9 284)
Costs of court proceedings	(604)	(671)	(236)
Contractual penalties	(4 595)	(323)	(1 553)
Forgiven receivables	(861)	(431)	(299)
Donations	(95)	(3)	(84)
Impairment loss on other receivables and interests	(322)	-	(1 093)
Interest expenses relating to non-financial liabilities	(2 654)	(4 413)	(3 487)
IPO costs	-	-	(35)
Costs of business relocation	-	-	(694)
Rental costs	-	-	(903)
Costs of properties held for sale (allowances)	-	-	(1 219)
Unused production capacities	(371)	(1 178)	(7 267)
Costs of redundant assets	(3 531)	-	-
Restructuring costs	-	(1 593)	-
Goodwill write-off	-	(5 198)	-
Other	(1 513)	(2 934)	(2 347)
	(14 546)	**(18 080)**	**(28 501)**

11. Net financing costs

in PLN thousand	2011	2010	2009
Financial income			
Net gain on purchase of own debt	3 323	-	54 855
Interests on financial assets and commissions	3 239	-	-
Net foreign exchange gain	-	14 237	4 912
Forgiven financial liabilities	-	205	-
Financial income	**6 562**	**14 442**	**59 767**
Financial costs			
Interest expense relating to financial liabilities	(52 020)	(56 851)	(64 473)
Bank fees and commissions (settled using the effective interest rate method)	(5 620)	(6 619)	(12 653)
Net foreign exchange loss	(45 776)	-	-
Other	(1 625)	(2 697)	(78)
Financial expenses	**(105 041)**	**(66 167)**	**(77 204)**
Net financing costs	**(98 479)**	**(51 725)**	**(17 437)**

12. Income tax expense

Recognised in the profit and loss

in PLN thousand	2011	2010	2009
Current tax expense			
Current year			
- continuing operations	(676)	(12)	(149)
incl. adjustment to prior years' income tax	-	-	498
- discontinued operations	(504)	(437)	(1 791)
	(1 180)	**(449)**	**(1 940)**
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	22 563	(8 875)	23 790
- discontinued operations	3 168	1 685	15 081
	25 731	(7 190)	38 871
Total income tax expense in the profit and loss	**24 551**	**(7 639)**	**36 931**

Reconciliation of effective tax rate

in PLN thousand	2011	2011	2010	2010	2009	2009
Profit/(loss) before tax	100.0%	**91 350**	100.0%	**(176 514)**	100.0%	**(326 646)**
- continuing operations	2.2%	2 003	49.4%	(87 148)	41.2%	(134 514)
- discontinued operations	97.8%	89 347	50.6%	(89 366)	58.8%	(192 132)
Income tax using the domestic corporation tax rate	(19.0%)	(17 357)	(19.0%)	33 538	(19.0%)	62 063
Effect of tax rates in foreign jurisdictions	(0.2%)	(137)	0.2%	(343)	(0.1%)	275
Tax losses for which no deferred tax asset was recognised	(0.3%)	(298)	11.2%	(19 844)	1.7%	(5 701)
Non-deductible permanent costs	(6.1%)	(5 528)	7.7%	(13 566)	10.7%	(34 838)
Tax exempt income	25.0%	22 817	(2.4%)	4 269	(4.4%)	14 515
Utilisation of tax losses not recognised in tax asset in previous years	0.7%	665	(0.2%)	342	-	-
Adjustment to prior years' income tax	-	-	0.1%	(100)	0.1%	(394)
Recognition/(write down) of tax losses previously recognised	25.0%	22 797	6.1%	(10 820)	0.1%	(300)
Others	1.7%	1 592	0.6%	(1 115)	(0.4%)	1 311
	26.9%	**24 551**	4.3%	**(7 639)**	(11.3%)	**36 931**

13. Current tax assets and liabilities

As at 31 December 2011 the current tax payables amounted to PLN 293 thousand (2010: PLN 0 thousand; 2009: PLN 323 thousand).

The current tax receivable as at 31 December 2011 amounting to PLN 7 744 thousand (2010: PLN 590 thousand; 2009: PLN 2 004 thousand) represents the amount due from the tax authorities with regard to the excess prepayment of tax for the current year.

14. Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equipment	Vehicles	Fixtures and fittings	Under construction	Total
Cost							
Balance at 1 January 2009	**96 781**	**346 046**	**449 753**	**47 692**	**9 233**	**26 132**	**975 637**
Acquisitions	-	-	6 592	72	21	24 784	**31 469**
Reclassification	(793)	878	(47)	(1)	(105)	68	**-**
Transfer to assets held for sale	(28 217)	(40 686)	(5 498)	(2 534)	(682)	(845)	**(78 462)**
Transfer from fixed assets under construction	-	4 372	23 450	664	766	(29 252)	**-**
Disposals	736	(5 101)	(10 255)	(6 071)	(257)	(1 599)	**(22 547)**
Exchange rate differences	1 282	748	(2 206)	275	(20)	132	**211**
Balance at 31 December 2009	**69 789**	**306 257**	**461 789**	**40 097**	**8 956**	**19 420**	**906 308**
Balance at 1 January 2010	**69 789**	**306 257**	**461 789**	**40 097**	**8 956**	**19 420**	**906 308**
Acquisitions	-	-	1 075	268	2	6 869	**8 214**
Reclassification	-	-	33	-	(33)	-	**-**
Transfer to investment properties	(62)	(834)	(23)	-	-	-	**(919)**
Transfer to assets held for sale	(2 316)	(56 759)	(22 483)	(3 569)	(641)	-	**(85 768)**
Transfer to discontinued operations	(64 680)	(76 318)	(29 852)	(287)	(765)	(8 991)	**(180 893)**
Transfer from fixed assets under construction	-	6 640	8 096	393	118	(15 247)	**-**
Disposals	-	(4 484)	(9 824)	(3 446)	(223)	(422)	**(18 399)**
Exchange rate differences	(1 88)	(1 440)	(290)	(35)	(40)	152	**(3 542)**
Balance at 31 December 2010	**842**	**173 062**	**408 521**	**33 421**	**7 374**	**1 781**	**625 001**
Balance at 1 January 2011	**842**	**173 062**	**408 521**	**33 421**	**7 374**	**1 781**	**625 001**
Acquisitions	-	-	1 200	546	-	10 317	**12 063**
Transfer to assets held for sale	-	-	-	48	-	(10)	**38**
Transfer from fixed assets under construction	-	726	4 754	357	350	(6 187)	**-**
Disposals	-	(715)	(2 317)	(1 399)	(155)	(3 647)	**(8 233)**
Balance at 31 December 2011	**842**	**173 073**	**412 158**	**32 973**	**7 569**	**2 254**	**628 869**
Depreciation and impairment losses							
Balance at 1 January 2009	**-**	**(35 241)**	**(115 968)**	**(28 574)**	**(3 372)**	**(983)**	**(184 138)**
Depreciation charge for the year	(50)	(14 824)	(43 596)	(6 472)	(1 378)	-	**(66 320)**
Impairment loss	(21 534)	(13 636)	(5 288)	34	-	(946)	**(41 370)**
Reclassification	-	(35)	78	-	(43)	-	**-**
Transfer to assets held for sale	18 857	13 636	(646)	1 204	75	-	**33 126**
Disposals	-	1 382	5 788	4 922	206	41	**12 339**
Exchange rate differences	143	283	2 864	122	87	7	**3 506**
Balance at 31 December 2009	**(2 584)**	**(48 435)**	**(156 768)**	**(28 764)**	**(4 425)**	**(1 881)**	**(242 857)**

(in PLN thousand, unless stated otherwise)

Balance at 1 January 2010	**(2 584)**	**(48 435)**	**(156 768)**	**(28 764)**	**(4 425)**	**(1 881)**	**(242 857)**
Depreciation charge for the year *	(47)	(10 708)	(37 783)	(4 189)	(1 121)	-	**(53 848)**
Impairment loss	-	801	1 571	-	-	540	**2 912**
Reclassification	-	-	(45)	-	45	-	**-**
Transfer to investment properties	3	192	7	-	-	-	**202**
Transfer to/from assets held for sale	-	6 489	10 010	1 388	385	-	**18 272**
Transfer to discontinued operations	2 555	5 976	5 761	27	242	94	**14 655**
Disposals	-	1 181	5 102	2 557	187	-	**9 027**
Exchange rate differences	62	130	212	34	16	-	**454**
Balance at 31 December 2010	**(11)**	**(44 374)**	**(171 933)**	**(28 947)**	**(4 671)**	**(1 247)**	**(251 183)**
Balance at 1 January 2011	**(11)**	**(44 374)**	**(171 933)**	**(28 947)**	**(4 671)**	**(1 247)**	**(251 183)**
Depreciation charge for the year	-	(6 190)	(30 507)	(2 596)	(814)	-	**(40 107)**
Impairment loss	-	-	241	-	-	-	**241**
Disposals	-	406	1 570	1 144	547	1 247	**4 914**
Balance at 31 December 2011	**(11)**	**(50 158)**	**(200 629)**	**(30 399)**	**(4 938)**	**-**	**(286 135)**
Carrying amounts							
At 1 January 2009	96 781	310 805	333 785	19 118	5 861	25 149	**791 499**
At 31 December 2009	67 205	257 822	305 021	11 333	4 531	17 539	**663 451**
At 1 January 2010	67 205	257 822	305 021	11 333	4 531	17 539	**663 451**
At 31 December 2010	831	128 688	236 588	4 474	2 703	534	**373 818**
At 1 January 2011	831	128 688	236 588	4 474	2 703	534	**373 818**
At 31 December 2011	831	122 915	211 529	2 574	2 631	2 254	**342 734**

* depreciation charge for 2010 relating to continuing operations amounted to PLN 41 554 thousand, and in discontinued operations amounted to PLN 12 294 thousand.

Property, plant and equipment

	2011	2010	2009
Land	831	831	67 205
Buildings	122 915	128 688	257 822
Plant and equipment	211 529	236 588	305 021
Vehicles	2 574	4 474	11 333
Fixtures and fittings	2 631	2 703	4 531
Under construction	2 254	534	17 539
Total	**342 734**	**373 818**	**663 451**

	2011	2010	2009
Property, plant and equipment pledged as security for liabilities	14 937	46 153	205 987

Leased plant and machinery

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 the equipment at a beneficial price. At 31 December 2011, the net carrying amount of leased plant and machinery and vehicles was PLN 5 642 thousand (2010: PLN 20 783 thousand; 2009: PLN 37 129 thousand). The leased equipment secures lease obligations (see note 28).

Collateral

At 31 December 2011, property, plant and equipment with a carrying amount of PLN 9 295 thousand (2010: PLN 25 370 thousand, 2009: PLN 168 858 thousand) was provided as collateral for bank loans, overdrafts and as a security for guarantees granted by the Croatian State. Additionally, as described in the preceding paragraph, leased equipment secures lease obligations.

Additionally, as described in the preceding paragraph, leased equipment secures lease obligations.

Impairment loss

	2011	2010	2009
Land	-	-	(2 536)
Buildings	(2 134)	(2 751)	(3 674)
Plant and equipment	(3 733)	(3 974)	(5 446)
Vehicles	-	-	(1 152)
Fixtures and fittings	-	-	-
Under construction	(859)	(296)	(940)
Total	**(6 726)**	**(7 021)**	**(13 748)**

As at 31 December 2011, the Group recognized an impairment losses of PLN 6 726 thousand related mainly to unused production plant and machinery. As at 31 December 2010, the impairment loss amounted to PLN 7 021 thousand related mainly to unused production plant and machinery (2009: PLN 13 748 thousand related mainly to unused production plant and machinery).

15. Intangible assets

in PLN thousand	Goodwill	Development costs	Software and other	CO2 emission rights	Total
Cost					
Balance at 1 January 2009	25 777	15 752	24 699	49	**66 277**
Other acquisitions	-	121	2 400	18	**2 539**
Goodwill in sold subsidiary	(862)	-	-	-	**(862)**
Disposals	-	(10)	(264)	(16)	**(290)**
Exchange rate differences	-	-	(72)	-	**(72)**
Balance at 31 December 2009	**24 915**	**15 863**	**26 763**	**51**	**67 592**
Balance at 1 January 2010	**24 915**	**15 863**	**26 763**	**51**	**67 592**
Other acquisitions	-	65	752	19	836
Transfer to assets held for sale	-	-	(873)	-	(873)
Transfer to discontinued operations	(8 905)	-	(1 611)	-	(10 516)
Disposals	(423)	(2 312)	(367)	(16)	(3 118)

Exchange rate differences	(332)	-	(126)	-	(458)
Balance at 31 December 2010	**15 255**	**13 616**	**24 538**	**54**	**53 463**
Balance at 1 January 2011	15 255	13 616	24 538	54	53 463
Other acquisitions	-	64	233	407	**704**
Transfer to assets held for sale	-	-	(800)	-	**(800)**
Disposals	-	-	(899)	(13)	**(912)**
Balance at 31 December 2011	**15 255**	**13 680**	**23 072**	**448**	**52 455**
Amortisation and impairment losses					
Balance at 1 January 2009	(1 032)	(4 969)	(13 996)	(13)	**(20 010)**
Amortisation for the year	-	(2 700)	(2 870)	(11)	**(5 581)**
Impairment loss	-	(187)	-	-	**(187)**
Disposals	-	-	271	-	**271**
Exchange rate differences	-	-	90	-	**90**
Balance at 31 December 2009	**(1 032)**	**(7 856)**	**(16 505)**	**(24)**	**(25 417)**
Balance at 1 January 2010	(1 032)	(7 856)	(16 505)	(24)	**(25 417)**
Amortisation for the year	-	(2 483)	(2 467)	(12)	**(4 962)**
Impairment loss	(5 198)	348	(2 066)	-	**(6 916)**
Transfer to assets held for sale	-	-	767	-	**767**
Transfer to discontinued operations	-	-	1 019	-	**1 019**
Disposals	-	2 099	341	-	**2 440**
Exchange rate differences	-	-	93	-	**93**
Balance at 31 December 2010	**(6 230)**	**(7 892)**	**(18 818)**	**(36)**	**(32 976)**
Balance at 1 January 2011	(6 230)	(7 892)	(18 818)	(36)	**(32 976)**
Amortisation for the year	-	(2 197)	(1 184)	(19)	**(3 400)**
Transfer to assets held for sale	-	-	295	-	**295**
Disposals	-	-	693	-	**693**
Balance at 31 December 2011	**(6 230)**	**(10 089)**	**(19 014)**	**(55)**	**(35 388)**
Carrying amounts					
At 1 January 2009	24 745	10 783	10 703	36	46 267
At 31 December 2009	23 883	8 007	10 258	27	42 175
At 1 January 2010	23 883	8 007	10 258	27	42 175
At 31 December 2010	9 025	5 724	5 720	18	20 487
At 1 January 2011	9 025	5 724	5 720	18	20 487
At 31 December 2011	9 025	3 591	4 058	393	17 067

Intangible assets:

in PLN thousand

	2011	2010	2009
Goodwill	9 025	9 025	23 883
Development costs	3 591	5 724	8 007
Emission rights	393	18	27

Software and other	4 058	5 720	10 258
Total	**17 067**	**20 487**	**42 175**

Impairment losses

As at 31 December 2011, the Group recognized the impairment loss for intangible assets (excluding goodwill) of PLN 1 040 thousand (2010: PLN 2 066 thousand; 2009: PLN 187 thousand). Impairment losses recognized in 2011 related to software, in 2010 and 2009 related to development costs and in 2010 also to a trademark.

Leased intangible assets

The Group leases certain intangible assets under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the leased asset. At 31 December 2011, there was no leased intangible assets (2010: PLN 2 506 thousand; 2009: PLN 3 095 thousand).

Amortisation and impairment loss charge

The amortisation and impairment losses are recognised in the following captions of the profit or loss:

in PLN thousand	**2011**	**2010**	**2009**
Cost of sales	-	(2 418)	(2 700)
Distribution expenses	-	(10)	(220)
Administration expenses	(3 400)	(2 534)	(2 661)
Other expenses	-	(6 916)	(187)
	(3 400)	**(11 878)**	**(5 768)**

Impairment tests for cash-generating units containing goodwill

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

in PLN thousand	**2011**	**2010**	**2009**
Scrap division	5 029	5 029	5 029
Production division	3 996	3 996	9 193
Distribution division	-	-	9 661
	9 025	**9 025**	**23 883**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax 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 recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax 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 2011 are as follows:

	Scrap division	**Production division**	**Distribution division**
Discount rate before tax	21.5%	17.9%	19.4%
Growth rate	2.0%	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2010 are as follows:

	Scrap division	Production division	Distribution division
Discount rate before tax	21.5%	17.9%	19.4%
Growth rate	2.0%	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2009 are as follows:

	Scrap division	Production division	Distribution division
Discount rate before tax	21.5%	17.9%	19.4%
Growth rate	2.0%	2.0%	2.0%

These assumptions have been used for the analysis of each CGU within the operating segment.
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 December 2011, there was no need to recognize additional impairment on goodwill relating to scrap division and to production division.
As the result of the impairment test as at 31 December 2010, goodwill relating to production division in the amount of PLN 5 198 thousand was written down. Additionally in 2010 goodwill in the distribution division in the amount of PLN 8 905 thousand was transferred to assets held for sale.

16. Investment property

in PLN thousand	2011	2010	2009
Balance at 1 January	1 320	603	11 385
Transfer from tangible fixed assets	-	717	-
Transfer to fixed assets held for sale	-	-	(10 360)
Amortization for the period	(29)	-	(422)
Balance at 31 December	**1 291**	**1 320**	**603**

In Management's assessment the reporting value of investment property is similar to its fair value. In 2011, the Group did not receive revenues from renting investment properties (2010: no revenues; 2009: revenues in the value of PLN 4 282 thousand).

17. Investments in associates

As at 31 December 2011 the Group had no investments in associates.
As at 31 December 2010, the Group had no investments in associates other than those included in the disposal group.

31.12.2009 *in PLN thousand*	Shares in associates	Assets	Payables	Equity	Revenues	Profit / loss for the period	% of shares in associates	Profit / loss attributable to the parent Company
Vastad Edelstahl Handels GmbH	**5 050**	19 580	3 089	4 622	67 483	(4 340)	50%	(2 170)
Balance at 31 December 2009	**5 050**	**19 580**	**3 089**	**4 622**	**67 483**	**(4 340)**	**50%**	**(2 170)**

Arge Baustal Essen Blasy-Neptun GmbH was sold by the Group in 2009.

18. Other investments

in PLN thousand	2011	2010	2009
Non-current investments			
Loans granted	-	39	-
Shares in non-consolidated entities	3 086	3 249	8 568
Other	-	-	267
	3 086	**3 288**	**8 835**
Current investments			
Loans granted	25 176	-	592
Shares in non-consolidated entities	10	10	4 250
Other	-	-	694
	25 186	**10**	**5 536**

An impairment loss amounting to PLN 153 607 thousand (incl. impairment provision for shares in non-consolidated entities of PLN 153 601 thousand) was recognised on 31 December 2011 due to financial difficulties of the borrowers and situation of entities. In previous years an impairment loss was recognized only with respect of loans (2010: PLN 13 846 thousand; 2009: PLN 2 780 thousand). The important difference with comparison to previous years is an impairment on shares in Zeljezara Split (PLN 139 991 thousand). In previous year Zeljezara Split was one of subsidiaries and allowances on shares were not presented in the consolidated financial statements. As the Parent Company ceased the control over Zeljezara Split (see also note 25), as at 31 December 2011 this entity was not consolidated.

As at 31 December 2011, 2010 and 2009 shares in consolidated subsidiaries:
- Zlomrex International Finance SA,
- Ferrostal Łabędy Sp. z o.o,
- ZW-Walcownia Bruzdowa Sp. z o.o.
- Huta Stali Jakościowych S.A.,
- Business Support Services Sp. z o.o.,
- Złomrex Metal Sp. z o.o. (since 2010)

are pledged as security for High Yield Bonds listed on the Luxembourg Stock Exchange.

Additionally, the shares in Odlewnia Metali Szopienice Sp. z o.o. (as at 31.12.2010 r. and 31.12.2009 disclosed as other investments) were also pledged as security of High Yield Bonds.

During 2009 and till December 2010 shares in Cognor Stahlhandel GmbH were also pledged as security, but taking into consideration the plan of these shares sale after acceptance of bondholders, the pledge was removed. In 2010, shares in Złomrex Metal Sp. z o.o. (also subsidiary) were pledged as security for High Yield Bonds listed on the Luxembourg Stock Exchange.

19. Perpetual usufruct of land

in PLN thousand	2011	2010	2009
Balance at 1 January	19 257	45 857	59 131
Acquisition	1 971	755	365
Transfer to fixed assets held for sale	-	(26 889)	(7 852)
Disposal	(308)	-	(4 436)
Amortization for the period	(396)	(466)	(1 351)
Impairment loss	(674)	-	-
Balance at 31 December	**19 850**	**19 257**	**45 857**

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		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Property, plant and equipment	1 618	-	-	(15 502)	(20 237)	(28 433)	**(13 884)**	**(20 237)**	**(28 433)**
Intangible assets	1 580	1 547	2 588	-	(122)	(734)	**1 580**	**1 425**	**1 854**
Investment property	75	75	75	-	-	-	**75**	**75**	**75**
Other investments	2 551	4 481	9 858	-	(2 705)	(2 487)	**2 551**	**1 776**	**7 371**
Prepaid perpetual usufruct of land	1 899	2 047	2 274	(90)	(1 305)	(4 146)	**1 809**	**742**	**(1 872)**
Inventories	2 383	2 478	5 239	-	(176)	-	**2 383**	**2 302**	**5 239**
Trade and other receivables	382	888	1 085	(7 424)	(3 958)	(4 486)	**(7 042)**	**(3 070)**	**(3 401)**
Interest bearing loans and borrowings	16 144	6 341	6 238	-	(104)	600	**16 144**	**6 237**	**6 838**
Employee benefits	2 875	3 452	5 732	-	-	-	**2 875**	**3 452**	**5 732**
Provisions	19	69	72	-	-	-	**19**	**69**	**72**
Trade and other payables	6 256	6 798	5 530	-	-	-	**6 256**	**6 798**	**5 530**
Other items	-	-	257	-	(1 440)	(5 770)	**-**	**(1 440)**	**(5 513)**
Tax value of loss carry-forwards recognised	50 123	33 685	46 804	-	-	-	**50 123**	**33 685**	**46 804**
Tax assets/(liabilities)	**85 905**	**61 861**	**85 752**	**(23 016)**	**(30 047)**	**(45 456)**	**62 889**	**31 814**	**40 296**
Set off of tax assets/liabilities	(15 079)	(21 077)	(28 670)	15 079	21 077	28 670	-	-	-
Net deferred tax assets/liabilities	**70 826**	**40 784**	**57 082**	**(7 937)**	**(8 970)**	**(16 786)**	**-**	**-**	

Movement in temporary differences during the year

in PLN thousand	Balance 1 Jan 2011	Recognised in income and in foreign currency translation	Recognised through business combinations	Balance 31 Dec 2011
Property, plant and equipment	(20 237)	6 353	-	**(13 884)**
Intangible assets	1 425	155	-	**1 580**
Investment property	75	-	-	**75**
Other investments	1 776	775	-	**2 551**
Prepaid perpetual usufruct of land	742	1 067	-	**1 809**
Inventories	2 302	81	-	**2 383**
Trade and other receivables	(3 070)	(3 972)	-	**(7 042)**
Interest-bearing loans and borrowings	6 237	9 907	-	**16 144**
Employee benefits	3 452	(577)	-	**2 875**
Provisions	69	(50)	-	**19**
Trade and other payables	6 798	(542)	-	**6 256**
Other items	(1 440)	1 440	-	**-**
Tax value of loss carry-forwards expected to be utilised	33 685	16 438	-	**50 123**

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

	31 814	**31 075**	**-**	**62 889**
Transfer of deferred tax to disposal group of assets		(8 440)		
Foreign exchange rate differences		(72)		
Recognised in the profit and loss	-	**22 563**		
	31 814	**31 075**	**-**	**62 889**

	Balance 1 Jan 2010	Recognised in income	Recognised through business combinations	Balance 31 Dec 2010
Property, plant and equipment	(28 713)	8 476	-	**(20 237)**
Intangible assets	2 134	(709)	-	**1 425**
Investment property	75	0	-	**75**
Other investments	7 371	(5 595)	-	**1 776**
Prepaid perpetual usufruct of land	(1 872)	2 614	-	**742**
Inventories	5 239	(2 937)	-	**2 302**
Trade and other receivables	(3 401)	331	-	**(3 070)**
Interest-bearing loans and borrowings	6 838	(601)	-	**6 237**
Employee benefits	5 732	(2 280)	-	**3 452**
Provisions	72	(3)	-	**69**
Trade and other payables	5 531	1 267	-	**6 798**
Other items	(5 513)	4 073	-	**(1 440)**
Tax value of loss carry-forwards expected to be utilised	46 612	(12 927)	-	**33 685**
	40 105	**(8 291)**	**-**	**31 814**
Transfer of deferred tax to disposal group of assets		(450)		
Foreign exchange rate differences		28		
Recognised in the profit and loss	**-**	**(8 713)**	**-**	**-**
	40 105	**(8 291)**	**-**	**31 814**

	Balance 1 Jan 2009	Recognised in income	Recognised through business combinations	Balance 31 Dec 2009
Property, plant and equipment	(31 852)	3 139	-	**(28 713)**
Intangible assets	2 003	131	-	**2 134**
Investment property	75	-	-	**75**
Other investments	(254)	7 625	-	**7 371**
Prepaid perpetual usufruct of land	(272)	(1 600)	-	**(1 872)**
Inventories	1 687	3 552	-	**5 239**
Trade and other receivables	(3 031)	(370)	-	**(3 401)**
Interest-bearing loans and borrowings	3 099	3 739	-	**6 838**
Employee benefits	7 227	(1 495)	-	**5 732**
Provisions	138	(66)	-	**72**
Trade and other payables	6 253	(723)	-	**5 530**
Other items	(5 907)	394	-	**(5 513)**
Tax value of loss carry-forwards expected to be utilised	15 980	30 824	-	**46 804**
	(4 854)	**45 150**	**-**	**40 296**
Transfer of deferred tax to disposal group of assets		(21 915)		
Foreign exchange rate differences		338		
Recognised in the profit and loss	**-**	**23 573**	**-**	**-**
	(4 854)	**45 150**	**-**	**40 296**

Unrecognised deferred tax assets

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

in PLN thousand

	2011	2010	2009
Tax losses	2 234	26 997	35 785
Other	-	-	9 470
Total	**2 234**	**26 997**	**45 255**

The tax losses as at 31 December 2011 presented in the aforementioned table expire in 2012 (PLN 57 thousand), in 2013 (PLN 43 thousand), in 2014 (PLN 18 thousand), in 2015 (PLN 1 395 thousand) and in 2016 (PLN 721 thousand). 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 benefits can be utilized.

In 2010 deferred tax assets regarding loss carry-forwards of Złomrex S.A. in the amount PLN 14 263 thousand was not recognized due to financial difficulties. In 2011 Złomrex S.A. merged with HSW-Huta Stali Jakościowych S.A. and this allowed to recognize deferred tax assets regarding loss carry-forwards of Złomrex S.A.in the amount of PLN 18 092 thousand due to the ability of generating future profits according to Management's budgets.

21. Inventories

in PLN thousand	2011	2010	2009
Raw materials	57 029	38 646	31 652
Semi-finished goods and work in progress	50 937	46 416	24 500
Finished goods	51 763	34 540	59 383
Goods for resale	18 743	56 614	133 517
	178 472	**176 216**	**249 052**

Movements in allowances for inventories

	2011	2010	2009
Balance at 1 January	(11 541)	(30 202)	(43 290)
Recognition	(513)	(5 830)	(63 252)
Utilization	-	2 350	19 517
Realisation	-	8 358	56 992
Transfer to discontinued operations	-	13 783	-
Exchange rate differences	-	-	(169)
Balance at 31 December	**(12 054)**	**(11 541)**	**(30 202)**

Inventories are presented net of allowances amounting to PLN 12 054 thousand (2010: PLN 11 541 thousand; 2009: PLN 30 202 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 December 2011, inventories with a carrying value of PLN 138 609 thousand (2010: PLN 116 837 thousand; 2009: PLN 126 543 thousand) were subject to pledges as collateral for bank loans and overdrafts.

22. Trade and other receivables

Short-term receivables

in PLN thousand	2011	2010	2009
Trade receivables	178 640	111 312	171 042
Interest receivables	1 353	661	318
Bills of exchange	2 146	2 062	3 215
Statutory receivables excluding income tax	2 452	24 163	11 159
Prepayments for services, inventories and fixed assets under construction	1 805	818	9 357
Dividends receivable	-	-	2 282
Receivables relating to the sale of Cognor Stahlhandel (see also note 25)	11 663	-	-
Other receivables	6 845	3 604	6 862
	204 904	**142 620**	**204 235**

Long-term receivables

in PLN thousand	2011	2010	2009
Trade receivables	-	-	1 226
Receivables relating to Zeljezara Split (see also note 25)	44 332		
Other receivables	251	241	2 069
	44 583	**241**	**3 295**

As at 31 December 2011, trade and other receivables are presented net of impairment allowances amounting to PLN 27 176 thousand (2010: PLN 22 198 thousand; 2009: PLN 38 473 thousand). The allowances were recognised due to expected difficulties in the collection of amounts due.

At 31 December 2011, receivables with a carrying value of PLN 11 017 thousand (2010: PLN 82 176 thousand; 2009: PLN 67 873 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secures factoring liabilities (see note 28).

As at 31 December 2011, receivables relating to Zeljezara Split were presented in long-term receivables. The amount relates to the acceptance of the binding offer for termination of the contract for the sale of shares in Zeljezara Split and the expected payment by the Croatian Privatisation Fund to Złomrex S.A. the amount of EUR 10 milion plus interests. The details are described in the note 25.
After the announcement of the bankruptcy of Zelejzara Split d.d. by the Commercial Court in Split on 11th March 2011 and losing control over the entity, the net assets of Zeljezara Split were written down and are currently presented as the above described receivable.

23. Cash and cash equivalents

in PLN thousand	2011	2010	2009
Cash in bank	24 288	8 795	31 779
Cash in bank restricted in use	22 410	29	-
Cash in hand	171	236	416
Other	297	220	227
Cash and cash equivalents	**47 166**	**9 280**	**32 422**

Bank overdrafts	(25 236)	(83 884)	(126 657)
Cash and cash equivalents presented as assets of disposal group	-	6 900	(2 197)
Cash and cash equivalents in the statement of cash flows	**21 930**	**(67 704)**	**(96 432)**

At 31 December 2011, cash and cash equivalents were not pledged as security for liabilities (2010: PLN 27 949 thousand; 2009: PLN 1 506 thousand).

Detailed information regarding bank overdraft are presented in the note 28.

24. Assets classified as held for sale

in PLN thousand	**2011**	**2010**	**2009**
Balance at 1 January	103 733	43 039	5 703
Acquisition	68	104	-
Transfer from tangible fixed assets	(38)	67 496	45 336
Transfer from intangible assets	505	106	-
Transfer from prepaid perpetual usufruct of land	-	26 889	7 852
Transfer from investment property	-	-	10 360
Disposal	(86 898)	(33 055)	(23 763)
Amortization for the period	(662)	(2 065)	-
Impairment loss	-	1 219	(1 219)
Exchange rate differences	-	-	(1 230)
Balance at 31 December	**16 708**	**103 733**	**43 039**

On the 26th of November 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 relates to Cognor's distribution operations in Poland and comprise in particular:

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

In connection with the conditional asset sale agreement the tangible and intangible assets which will be sold were qualified as assets held for sale.

On the 5th 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 signed 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, lease and sub lease transfer pertaining to 2 warehouses, movable assets and inventories located in the above sites. Net price of real estates and movable assets amounted to PLN 148 700 thousand, including:

- for real estates: PLN 129 076 399,66
- for movable assets: PLN 19 623 600,34

Net price for inventories amounted to PLN 32 509 491,32. Total net price for assets and inventories amounted to PLN 181 209 491,33. Fair value of sold assets (real estates, movable assets and intangible assets) in consolidated financial statements amounted to PLN 85 582 825,04 and of inventories: PLN 31 321 551.

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

As at 31 December 2011, the assets held for sale include lands, buildings and movable assets, that are 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 takes all necessary steps to sell these assets.

25. Assets of disposal group and discontinued operations

In 2009 Złomrex S.A. (currently HSJ S.A.) received a binding offer from the Government of the Republic of Croatia for termination of the contract for the sale of shares in Zeljezara Split (Republic of Croatia) with the Croatian Privatisation Fund. Although the offer's acceptance, the appropriate agreement relating to the return of shares in Zeljezara Split to the Croatian Privatisation Fund and the payment by the Croatian Privatisation Fund to Złomrex S.A. the amount of EUR 10 milion plus interests, had not been finalized in 2009 and in 2010 the closing of the transaction was postponed for a specified period of time at the request of the Croatian part. After this period, the Government of Croatia refused to sign the documentation under the terms of a binding offer and proposed the different, less favorable solution, which was not accepted by Złomrex S.A. Złomrex S.A. (currently HSJ S.A.) took steps including those prescribed in the bilateral investment protection agreement concluded between Poland and Croatia, to enforce their rights. Currently, we are working on the formulation of the claim and the final choice of forum for resolution of this matter. We anticipate, that a formal action will be submitted at the beginning of the second quarter of 2012. On 11th March 2011, the bankruptcy of Zelejzara Split d.d., Croatia (a subsidiary of Złomrex S.A.) was announced by Commercial Court in Split. The proceedings was initiated by a creditor's demand – HEP – Opskrba d.o.o., Zagreb. In the opinion of the Management of the Parent Company, supported by consultations with legal advisers, despite the uncertainty about the final settlement of this case on the date of preparing of these consolidated financial statements, recoverability of the receivable from the Government of the Republic of Croatia is probable.

The Group Management has also decided to sell its shares in Cognor Stahlhandel GmbH (Austria) which comprised all Group's distribution operations outside Poland. The conditional share sale agreement signed in December 2010 and the transaction was closed on the 4th of February 2011. As a result of the above, all assets and liabilities of Cognor Stahlhandel GmbH have been classified as a disposal group. At the date of reclassification, the net assets of the Cognor Stahlhandel GmbH subgroup were valued at the amount which will be recovered through sale.

On 4th of February 2011, the transaction has been closed following fulfillment of all the conditions precedent. As a result Złomrex S.A. and Cognor S.A. sold:
- 74,9% interest in Cognor Stahlhandel GmbH (Cognor Austria) and
- 25,1% interest in Cognor Austria acquired by Cognor S.A and Złomrex S.A. on February 3 from voestalpine Stahl GmbH.

Profit on this sale was presented in the consolidated statement of comprehensive income in the line "Profit/(loss) form discontinuing operations".
According to the best estimates of the Management, revenues from the sale of shares in Cognor Stahlhandel GmbH for 2011 amounted to PLN 106 517 thousand. The final sale price of these shares is the subject of dispute between Cognor S.A. and the Buyers. In February 2012 an action was submitted to the arbitration court in Vienna for a transmitting of documentation in accordance with the Sale Agreement, which is necessary to determine the final selling price of shares of Cognor Stahlhandel GmbH. The Management of Parent Company believes that the sale price presented in this consolidated financial statements is recoverable. Till the date of approval of the consolidated financial statements the amount of EUR 1.6 million has not been settled and is the subject of dispute.

in PLN thousand	2011	2010	2009
Operating cash flows (including tax paid)	(4 717)	6 095	141 230
Investing cash flows	276 287	34 097	10 631
Financing cash flows	(845)	(19 496)	(162 101)
Total cash flows	**270 725**	**20 696**	**(10 240)**

Assets of disposal group classified as held for sale

in PLN thousand	2011	2010	2009
Property, plan and equipment	-	335 320	180 084
Intangible assets	-	592	62
Investments	-	15 156	1 261
Deferred tax assets	-	9 488	-
Inventories	-	92 925	9 281
Trade and other receivables	-	70 730	5 271
Cash and cash equivalents	-	20 323	55
	-	**544 534**	**196 014**

Liabilities of disposal group classified as held for sale

in PLN thousand	2011	2010	2009
Interest-bearing loans and borrowings	-	88 903	23 622
Employee benefits	-	29 717	2 711
Deferred tax liabilities	-	48 014	41 834
Bank overdraft	-	13 423	2 252
Provisions for payables	-	1 453	1 341
Trade and other payables	-	189 488	83 064
Deferred government grants and other deferred income	-	103	108
	-	**371 101**	**154 932**

Analysis of the result of discontinued operations, and the result recognized on the remeasurement of disposal group, is as follows:

in PLN thousand	2011	2010	2009
Revenue	241 602	1 166 099	1 248 515
Expenses	(166 504)	(1 214 920)	(1 429 259)
Profit/(loss) before tax of discontinued operations	75 098	(48 821)	(180 744)
Tax	2 664	1 248	13 290
Profit/(loss) after tax of discontinued operations	77 762	(47 573)	(167 454)
Impairment loss	14 249	(40 545)	(11 388)
Profit/(loss) for the year from discontinued operations	**92 011**	**(88 118)**	**(178 842)**

(in PLN thousand, unless stated otherwise)

26. Equity

Issued share capital

	2011-12-31	2010-12-31	2009-12-31
Registered shares number at reporting date	66 222 248	66 222 248	51 187 167
Number of issued warrants	6 622	-	15 035 081
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

At 31 December 2011, the parent Company's share capital comprised 66 222 248 ordinary shares (2010: 66 222 248; 2009: 51 187 167) with a nominal value of PLN 2 each. The parent Company has issued the 6 622 warrants (2009: 15 035 081 warrants) which entitle the holder to change 1 warrant into 10 000 ordinary shares (2009: 1 warrant into 1 ordinary share). The nominal value of warrants is 50 PLN (2009: 2PLN).

The nominal value of 1 share to be issued following the conversion of 1 warrant equals to PLN 4.

The ownership structure as at December 31, 2011 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on GSM %
PS HoldCo Sp. z o.o.	37 663 704	56.86%	37 663 704	56.86%
Huta Stali Jakościowych S.A.* (former Złomrex S.A.)	5 000 000	7.55%	5 000 000	7.55%
PZU Asset Management S.A.	3 344 009	5.05%	3 344 009	5.05%
Other shareholders	20 214 535	30.54%	20 214 535	30.54%
Total	**66 222 248**	**100.00%**	**66 222 248**	**100.00%**

* - own shares

In accordance with the High Yield Bonds agreement the Group is allowed to make payment of dividend only up to the limit of EUR 5 million. There were no dividends declared or paid in years 2009-2011.

Own shares

Own shares comprise the cost of the Parent Company's shares held by the Group. At 31 December 2011, the Group held 5 000 thousand of the Parent Company's shares. Own shares are presented in equity within Reserves. These own shares are held for sale to the PS HoldCo Sp. z o.o. in the frame of conclusion of reorganization process described in the note 1.

27. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of PLN 115 820 thousand (2010: loss PLN 179 919 thousand; 2009: loss PLN 265 693 thousand,) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 66 222 thousand (2010: 61 403 thousand, 2009: 40 491 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the year ended December 31, 2011 was 66 222 thousand (2010: 66 222 thousand, 2009: 53 723 thousand).

As at 31 December 2011, issued warrants were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares for the period from the issue of warrants to 31 December 2011 was lower than PLN 4.

28. Interest-bearing loans and borrowings

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 32.

in PLN thousand

	2011	2010	2009
Non-current liabilities			
Secured bank loans	50	125	7 573
Secured fixed interest debt	527 494	494 063	507 691
Finance lease liabilities	4 594	8 974	18 846
	532 138	**503 162**	**534 110**
Current liabilities			
Current portion of secured bank loans	75	34 389	101 787
Current portion of secured fixed interest debt	15 264	17 813	18 479
Current portion of finance lease liabilities	6 353	10 604	13 949
Factoring and bill of exchange liabilities	15 821	13 325	5 417
Reverse factoring	8 365	22 989	22 007
Other borrowings	-	8 129	8 265
	45 878	**107 249**	**169 904**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2011 (excl. lease liabilities)

in PLN thousand	Total	Less than one year	Between one and three years	Between three and five years	More than five years
Secured bank loans	125	75	50	-	-
Secured debt securities with fixed interest	542 758	15 264	527 494	-	-
Factoring and bill of exchange liabilities	15 821	15 821	-	-	-
Reverse factoring	8 365	8 365	-	-	-
	567 069	**39 525**	**527 544**	**-**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2010 (excl. lease liabilities)

in PLN thousand	Total	Less than one year	Between one and three years	Between three and five years	More than five years
Secured bank loans	34 514	34 389	125	-	-
Secured debt securities with fixed interest	511 876	17 813	-	494 063	-
Factoring and bill of exchange liabilities	13 325	13 325	-	-	-
Reverse factoring	22 989	22 989	-	-	-
Other borrowings	8 129	8 129	-	-	-
	590 833	**96 645**	**125**	**494 063**	**-**

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

Repayment schedule of secured bank loans and other borrowings as at 31 December 2009 (excl. lease liabilities)

in PLN thousand	Total	Less than one year	Between one and three years	Between three and five years	More than five years
Secured bank loans	109 360	101 787	3 923	3 650	-
Secured debt securities with fixed interest	526 170	18 479	-	507 691	-
Factoring and bill of exchange liabilities	5 417	5 417	-	-	-
Reverse factoring	22 007	22 007	-	-	-
Other borrowings	8 265	8 265	-	-	-
	671 219	**155 955**	**3 923**	**511 341**	**-**

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2011	**2011**	**2011**	**2010**	**2010**	**2010**	**2009**	**2009**	**2009**
Less than one year	7 141	788	6 353	11 606	1 002	10 604	15 515	1 566	13 949
Between one and five years	4 940	346	4 594	9 792	818	8 974	20 166	1 320	18 846
	12 081	**1 134**	**10 947**	**21 398**	**1 820**	**19 578**	**35 681**	**2 886**	**32 795**

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

(in PLN thousand, unless stated otherwise)

Analysis of bank overdraft:

Financial institution	Current limit	Balance as at 31 December 2010	Type of liability	Date of granting	Repayment date	Interest	Security
Deutsche Bank S.A.	25 000	21 362	Bank overdraft	2011-06-13	2012-06-14	WIBOR 1M+margin	- registered pledge on inventories, - bank bill of exchange,
Bank Gospodarki Żywnościowej S.A.	4 000	3 874	Bank overdraft	2010-08-25	2012-08-23	WIBOR 1M+margin	- registered pledge on properties with reassignment of insurance rights, - registered pledge on inventory with reassignment of insurance rights, - proxy to the bank account.
Total:	**29 000**	**25 236**					

Analysis of secured and non-secured bank loans and borrowings:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
Agencja Rozwoju Przemysłu S.A.	50	75	loan	2009-08-28	2013-08-31	WIBOR 1M+margin	- registered pledge on inventories, - blank bill of exchange, - proxy to the bank account.
Total:	**50**	**75**					

Analysis of lease agreements:

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
BRE Leasing Sp. z o.o.	512	535	lease	2007-10-02 /2008-01-03	2012-09-30/ 2013-12-28	WIBOR 1M + margin LIBOR 1M + margin	- blank bill of exchange, - leased equipment.

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
Fortis Lease Polska Sp. z o.o.	1 483	1 490	lease	2007-03-30/ 2008-04-18	2012-04-13/ 2013-03-31	WIBOR 1M + margin	- blank bill of exchange, - leased equipment.
IBM Polska Sp. z o.o.	-	17	lease	2008-12-29	2011-12-31	Fixed interest rate	- blank bill of exchange, - leased equipment.
Millennium Leasing Sp. z o.o.	1 732	3 256	lease	2007-05-24/ 2011-11-10	2012-10-05/ 2016-12-05	WIBOR 1M+margin, WIBOR 3M+margin,	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp.z o.o	196	158	lease	2011-07-12	2013-07-28/ 2014-07-285	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Raiffiesen Leasing Polska S.A.	-	398	lease	2007-01-31/ 2007-07-01	2012-01-31/ 2012-07-31	LIBOR 1M+margin	- blank bill of exchange, - leased equipment.
SG Equipment Leasing Polska S.A	587	197	lease	2009-06-22	2014-07-31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
VB Leasing Polska S.A.	84	302	lease	2008-03-26	2013-03-15	LIBOR 3M+margin	- blank bill of exchange, - leased equipment.
Total:	**4 594**	**6 353**					

Analysis of factoring agreements:

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
SEB Commercial Finance Sp. z o.o.	-	19 854	factoring	2008-09-05/ 2010-01-20	2012-12-31	WIBOR 1M+margin	- blank bill of exchange, - proxy to the bank account, - reassignment of insurance rights.
Bank Gospodarki Żywnościowej S.A.	-	4 332	factoring	2011-02-02	2012-02-02	WIBOR 1M+margin	- blank bill of exchange, - proxy to the bank account, - reassignment of insurance rights.
Total:	-	**24 186**					

(in PLN thousand, unless stated otherwise)

Analysis of other interest bearing liabilities:

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
HY bonds listed on the Luxembourg Stock Exchange (Euro MTF)	527 494	15 264	HY bonds	2007-01-29	2014-01-29	8,50%	First priority pledges on shares in: - Zlomrex International Finance S.A., - Ferrostal Łabędy Sp. z o.o, - ZW-Walcownia Bruzdowa Sp. z o.o., - Odlewnia Metali Szopienice Sp. z o.o., - Huta Stali Jakościowych S.A., - Business Support Services Sp. z o.o., - Złomrex Metal Sp. z o.o.
Total:	**527 494**	**15 264**					

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

- WIBOR 1M – margin between 1,2% and 6,0%,
- WIBOR 3M – margin 4,2%
- LIBOR 1M – margin between 0,3% and 0,6%,

Fixed interest rates fall between 4,77% and 8,56%.

As at 31 December 2009, Ferrostal Łabędy did not meet all financial covenants arising from current credit in BZ WBK S.A. As at reporting day the liability amounted to PLN 4 872 thousand. Bank did not withdraw from the agreement, but increased the margin by 1%.
As at 31 December 2010, Ferrostal Łabędy did not meet all financial covenants arising from current credit in BRE Bank S.A. As at reporting day the liability amounted to PLN 34 200 thousand. Bank did not withdraw from the agreement. In May 2011, credits were paid-off.

In order to finance the acquisition of Cognor Stahlhandel GmbH and to refinance some existing indebtedness, the Group has issued high-yield notes with a nominal value of EUR 170 000 thousand. The notes were issued by Złomrex International Finance S.A. based on the Indenture dated 23 January 2007.

According to the aforementioned Indenture, the Parent Company is obliged, inter alia, to meet certain financial covenants until the repayment date. These include among others a financial covenant, i.e. Consolidated Fixed Charge Coverage Ratio (the CFCC Ratio), minimum level of which has been set out in the Indenture at 2.25. In accordance with article IV section 4.3. of the Indenture, the ratio is to be calculated as a relation of the adjusted pro-forma EBITDA to the interest expense.

The Indenture does not require that the Company maintains the CFCC Ratio above 2.25 level throughout the life of the bonds. In consequence lower than 2.25 level does not result itself in any default under the Indenture. However, in such cases the Company is limited with respect to certain business actions. The most important limitation is that neither the Company, nor any of its subsidiaries are allowed to incur indebtedness other than specifically permitted by the Indenture.

The liability arising from the purchase of Złomrex shares to the amount of PLN 145 995 thousand will be paid from funds obtained from covering warrants by PS HoldCo (see note 1) till the end of 2013. The interests accrued on the above-mentioned liability are paid on a monthly basis.

29. Employee benefits obligations

in PLN thousand	**2011**	**2010**	**2009**
Long-term provisions for retirement and jubilee awards	7 970	11 862	38 819
Short-term provisions for retirement and jubilee awards	5 677	4 713	2 317
	13 647	**16 575**	**41 136**

Movements on employee benefits obligations:

in PLN thousand	**2011**	**2010**	**2009**
Balance at 1 January	16 575	41 136	53 308
Provisions raised during the year	6 404	6 573	3 410
Provisions utilised during the year	(822)	(1 840)	(3 446)
Provisions released during the year	(8 510)	(2 776)	(8 767)
Provisions in sold subsidiaries	-	-	(3 344)
Provisions transferred to discontinued operations	-	(25 607)	-
Exchange rate differences	-	(911)	(25)
Balance at 31 December	**13 647**	**16 575**	**41 136**

The expense is recognised in the following line items in the profit and loss:

in PLN thousand	2011	2010	2009
Cost of sale		-	629
Administrative expenses	2 106	3 841	4 728
	2 106	**3 841**	**5 357**

Employee benefits

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

	2011	2010	2009
Discount rate as at 31 December	5.0%-5.5%	5.0%-5.5%	5.0%-5.5%
Future Salary Increase	1.5%-3.5%	1.5%-3.5%	1.5%-3.5%
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 2009	28 196	16 500	8 566	**53 308**
Current service cost	788	1 211	615	**2 614**
Interest cost	431	253	135	**819**
Actual (gain)/loss due to parameter changes	663	69	(801)	**(69)**
Actual benefits paid	(1 832)	(1 609)	(5)	**(3 446)**
Provisions in sold subsidiaries	(3 344)	-	-	**(3 344)**
Other actual (gain)/loss	(6 245)	(1 549)	(973)	**(8 767)**
Contribution by program participants	(854)	-	(925)	**(1 779)**
Exchange rate differences	548	774	524	**1 846**
At 31 December 2009	**18 351**	**15 649**	**7 136**	**41 136**
At January 2010	18 351	15 649	7 136	**41 136**
Current service cost	560	622	1 080	**2 262**
Interest cost	850	708	290	**1 848**
Actual (gain)/loss due to parameter changes	1 005	392	75	**1 472**
Actual benefits paid	(1353)	(2 290)	(144)	**(3 787)**
Other actual (gain)/loss	(371)	1 462	(59)	**1 032**
Contribution by program participants	(408)	-	(180)	**(588)**
Transfer to discontinued operations	(15 310)	(3 926)	(6 371)	**(25 607)**
Exchange rate differences	(847)	(119)	(227)	**(1 193)**
At 31 December 2010	**2 477**	**12 498**	**1 600**	**16 575**
At January 2011	2 477	12 498	1 600	**16 575**
Current service cost	159	532	43	**734**
Interest cost	88	440	44	**572**
Actual (gain)/loss due to parameter changes	(1)	-	(6)	**(7)**
Actual benefits paid	(456)	(1 472)	(16)	**(1 944)**
Other actual (gain)/loss	(862)	(1 248)	(173)	**(2 283)**
At 31 December 2011	**1 405**	**10 750**	**1 492**	**13 647**

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

The amounts recognised in profit and loss are as follows

As at 31 December 2011 *in PLN thousand*	Provisions for employee benefits	Jubilee awards	Other	Total
Current service cost	159	532	43	734
Interest cost	88	440	44	572
Other	1	-	6	7
Total, included in staff costs	**248**	**972**	**93**	**1 313**

As at 31 December 2010 *in PLN thousand*	Provisions for employee benefits	Jubilee awards	Other	Total
Current service cost	560	622	1 080	2 262
Interest cost	850	708	290	1 848
Expected return on plan assets	-	-	(869)	(869)
Amortization of unrecognized gain/loss	909	36	1 490	2 435
Other	(7)	-	(8)	(15)
Total, included in staff costs	**2 312**	**1 366**	**1 983**	**5 661**

As at 31 December 2009 *in PLN thousand*	Provisions for employee benefits	Jubilee awards	Other	Total
Current service cost	788	1 211	615	2 614
Interest cost	431	253	135	819
Expected return on plan assets	-	-	(803)	(803)
Amortization of unrecognized gain/loss	738	(334)	642	1 046
Other	(27)	(58)	4	(81)
Total, included in staff costs	**1 930**	**1 072**	**593**	**3 595**

Susceptibility of employee benefits obligations on changes in basic assumptions

As at 31 December 2011	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.5%	0.5%	3.63%	(3.33%)
Future Salary Increase	0.5%	0.5%	(3.40%)	3.68%
Inflation	0.5%	0.5%	3.49%	(3.60%)

30. Provisions for payables

in PLN thousand	2011	2010	2009
Balance at 1 January	403	834	171
Provisions raised during the period	6	557	683
Provisions utilised during the period	-	(682)	(11)
Provisions released during the period	(28)	(123)	-
Transfer to disposal groups	-	(176)	-
Exchange rate differences	-	(7)	(9)
Balance at 31 December	**381**	**403**	**834**
Including non current portion	**-**	**-**	**-**

31. Trade and other payables

Short term

in PLN thousand	2011	2010	2009
Trade payables	156 128	192 637	178 731
Statutory payables	9 967	8 439	14 465
Bills of exchange payables	1 798	1 733	2 473
Investment payables	787	1 393	3 992
Prepayments for services and deliveries of goods	530	1 094	887
Deferred consideration for acquisition of subsidiaries (Cognor Stahlhandel GmbH, HSW-HSJ entities)	195	33 542	44 459
Payroll liabilities	3 336	2 979	9 882
Accrued expenses	1 264	2 262	8 671
Other non-trade payables	2 112	6 491	5 514
	176 117	**250 570**	**269 074**

Long term

in PLN thousand	2011	2010	2009
Investment payables	65	-	115
	65	**-**	**115**

32. Financial instruments

Classification of financial instruments

Assets

As at 31 December 2011 *in PLN thousand*	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other receivables	44 583	-	**44 583**
b) Current assets			
Receivables except prepayments and tax receivables	200 647	-	**200 647**
Other investments	25 176	-	**25 176**
Cash and cash equivalents	47 166	-	**47 166**
Total	**317 572**	**-**	**317 572**

As at 31 December 2010 *in PLN thousand*	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other receivables	241	-	**241**

Other investments	39	-	**39**
b) Current assets			
Receivables except prepayments and tax receivables	113 678	-	**113 678**
Cash and cash equivalents	9 280	-	**9 280**
Total	**123 238**	**-**	**123 238**

As at 31 December 2009 *in PLN thousand*	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other receivables	3 295	-	**3 295**
Other investments	-	267	**267**
b) Current assets			
Receivables except prepayments and tax receivables	182 335	-	**182 335**
Other investments	592	694	**1 286**
Cash and cash equivalents	32 006	-	**32 006**
Total	**218 228**	**961**	**219 189**

Liabilities

As at 31 December 2011 *in PLN thousand*	Financial liabilities designated at amortized cost	Financial liabilities at fair value through profit and loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings	527 544	-	**527 544**
Finance lease	4 594	-	**4 594**
Trade and other payables	65	-	**65**
b) Short-term liabilities			
Interest-bearing loans and borrowings	39 525	-	**39 525**
Finance lease	6 353	-	**6 353**
Bank overdraft	25 236	-	**25 236**
Trade and other payables	165 620	-	**165 620**
Total	**768 937**	**-**	**768 937**

As at 31 December 2010 *in PLN thousand*	Financial liabilities designated at amortized cost	Financial liabilities at fair value through profit and loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings	494 188	-	**494 188**
Finance lease	8 974	-	**8 974**
b) Short-term liabilities			
Interest-bearing loans and borrowings	96 645	-	**96 645**
Finance lease	10 604	-	**10 604**
Bank overdraft	83 884	-	**83 884**
Trade and other payables	241 992	-	**241 992**
Total	**936 287**	**-**	**936 287**

As at 31 December 2009 *in PLN thousand*	Financial liabilities designated at amortized cost	Financial liabilities at fair value through profit and loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings	515 264	-	**515 264**
Finance lease	18 846	-	**18 846**
Other payables	115	-	**115**
b) Short-term liabilities			
Interest-bearing loans and borrowings	155 955	-	**155 955**
Finance lease	13 949	-	**13 949**
Bank overdraft	126 657	-	**126 657**
Trade and other payables	254 423	-	**254 423**
Total	**1 085 209**	**-**	**1 085 209**

Financial assets designated as at fair value through profit or loss include units in investment funds and derivatives such as interest rate and foreign exchange swaps and foreign exchange options.

Loans and receivables include loans granted, trade and other receivables (without tax receivables, statutory receivables and prepayments) and cash and cash equivalents.

Financial liabilities designated as at fair value through profit or loss include derivatives such as interest rate and foreign exchange swaps and foreign exchange options.
Financial liabilities designated at amortized cost include bank overdraft, interest-bearing loans and borrowings, bonds, trade and other payables (without tax liabilities and other statutory payables).

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.
- Investments in investment funds: the fair value is based on their listed market price.
- Derivatives: the fair value of derivatives is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual derivative price and the current derivative price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
- Interest bearing loans and borrowings, except for fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.
- Fixed rate debt securities. The fair value of instruments at 31 December 2011 amounted to PLN 375 733 thousand (2010: PLN 370 655 thousand; 2009: PLN 191 513 thousand) – the amount was calculated on the basis of market transactions of bonds issued by Złomrex International Finance (similar debt securities) in the period close to reporting day.

The Group's activities expose it 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.

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

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 based on hypothetical values was as follows:

Information on balances related to foreign operations

in PLN thousand

31-12-2011	in EUR	in USD	in other currencies
Other investments	21 607	-	-
Trade and other receivables	27 693	-	-
Interest-bearing loans and borrowings	(542 758)	-	(87)
Trade and other payables	(4 262)	(71)	-
Exposure to currency risk on balances related to other companies	**(497 720)**	**(71)**	**(87)**

in PLN thousand

31-12-2010	in EUR	in USD	in other currencies
Trade and other receivables	15 663	747	352
Interest-bearing loans and borrowings	(511 876)	-	(3 685)
Trade and other payables	(35 019)	(728)	(364)
Exposure to currency risk on balances related to other companies	**(531 232)**	**19**	**(3 697)**

in PLN thousand

31-12-2009	in EUR	in USD	in other currencies
Trade and other receivables	22 736	107	-
Interest-bearing loans and borrowings	(567 847)	-	(8 611)
Trade and other payables	(45 330)	(1 457)	(1)
Exposure to currency risk of balances related to other companies	**(590 441)**	**(1 350)**	**(8 612)**

Sensitivity analysis of financial instruments denominated in foreign currencies on exchange rate differences (except for derivatives)

A 15 percent weakening/strengthening of the functional currencies against the following currencies at 31 December 2011 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 2010 and 2009 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	Profit / (loss)		Equity	
	increase of exchange rates by 15%	decrease of exchange rates by 15%	increase of exchange rates by 15%	decrease of exchange rates by 15%
31-12-2011	(74 682)	74 682	(74 682)	74 682
31-12-2010	(80 241)	80 241	(80 241)	80 241
31-12-2009	(90 060)	90 060	(90 060)	90 060

Sensitivity analysis of derivatives on the exchange rate differences (derivatives)

There were no derivatives in the consolidated statement of financial position as at 31 December 2011, 31 December 2010 and 31 December 2009.

Price risk

The Group is not exposed to price risk relating to equity securities classified in the consolidated statement of financial position either as available for sale or at fair value through profit or loss. 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. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.
The main element of limit the percentage rate risk was the issuance of bonds by Zlomrex International Finance, which are based on fixed rate 8.5%.
In addition, the liability to PS HoldCo Sp. z o.o. relating to purchase of Złomrex S.A. shares is based on fixed interest rate of 7%.

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

in PLN thousand	2011	2010	2009
Fixed rate instruments			
Financial assets	24 864	-	694
Financial liabilities	(547 215)	(511 876)	(526 449)
	(522 351)	**(511 876)**	**(525 755)**

in PLN thousand	2011	2010	2009
Floating rate instruments			
Financial assets	47 478	9 319	33 281
Financial liabilities	(56 037)	(182 419)	(304 222)
	(8 559)	**(173 100)**	**(270 941)**

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets other than cash and cash equivalent, 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 issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Cash flow sensitivity analysis for floating rate financial instruments

A change 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 2010 and 2009.

Influence of interest rate change for the period ended (excluding derivatives):

in PLN thousand

	Profit / (loss)		Equity	
	Increase by 1,5%	Decrease by 1,5%	Increase by 1,5%	Decrease by 1,5%
31-12-2011	(128)	128	(128)	128
31-12-2010	(2 597)	2 597	(2 597)	2 597
31-12-2009	(4 064)	4 064	(4 064)	4 064

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 were 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	**2011**	**2010**	**2009**
Financial assets designated at fair value through profit or loss	-	-	961
Loans and receivables	270 406	113 958	186 222
Cash and cash equivalents	46 995	9 283	32 006
	317401	**123 241**	**219 189**

Credit value of financial assets designated as at fair value through the profit and loss is closed to their carrying value. As at 31 December 2011, loans in amount of PLN 25 176 thousand (2010: PLN 39 thousand, 2009: PLN 592.thousand) were not over due and not impaired.
Cash and cash equivalents are allocated in renowned banks and that is why their credit value is closed to their carrying value.

in PLN thousand	**2011**	**2010**	**2009**
Insured trade and other receivables form other entities	21 825	65 432	88 576

Ageing structure of trade and interest receivables from other entities:

Gross value

in PLN thousand	2011	2010	2009
Not past due	136 590	74 506	90 948
Past due	**61 389**	**58 658**	**110 943**
1-30 days	29 967	18 586	32 464
31-90 days	5 106	5 203	22 653
90-180 days	371	4 287	13 351
181-365 days	712	12 232	19 663
More than one year	25 233	18 350	22 812
	197 979	**133 164**	**201 891**

Impairment loss

in PLN thousand	2011	2010	2009
Not past due	(105)	(617)	(774)
Past due	**(17 881)**	**(20 574)**	**(28 531)**
1-30 days	-	(145)	(428)
31-90 days	-	(205)	(2 868)
90-180 days	(11)	(455)	(1 984)
181-365 days	(444)	(6 597)	(9 224)
More than one year	(17 426)	(13 172)	(14 027)
	(17 986)	**(21 191)**	**(29 305)**

Net carrying value

in PLN thousand	2011	2010	2009
Not past due	136 485	73 889	90 174
Past due	**43 508**	**38 084**	**82 412**
1-30 days	29 967	18 441	32 036
31-90 days	5 106	4 998	19 785
90-180 days	360	3 832	11 367
181-365 days	268	5 635	10 439
More than one year	7 807	5 178	8 785
	179 993	**111 973**	**172 586**

Recognition and utilization of impairment losses on trade and interests receivables from other entities

in PLN thousand	2011	2010	2009
Balance at 1 January	(21 192)	(29 305)	(22 855)
Recognition	(3 678)	(18 902)	(16 362)
Utilization	2 825	7 394	4 588
Release	4 059	5 459	5 160
Transfer to discontinued operations	-	13 929	-
Exchange rate differences	-	233	164
Balance at 31 December	**(17 986)**	**(21 192)**	**(29 305)**

Trade receivables overdue less than 6 months are not considered to be impaired. As at 31 December 2011, trade receivables of PLN 136 485 thousand were not overdue and not impaired (2010: PLN 73 889 thousand; 2009: PLN 90 174 thousand). As at 31 December 2011, trade receivables of PLN 43 508 thousand (2010: PLN 38 084 thousand; 2009: PLN 82 412 thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with long history of cooperation, with whom the Group had no problems in the past. As at 31 December 2011, trade receivables of PLN 17 881 thousand (2010: PLN 22 120 thousand; 2009: PLN 33 976 thousand) were overdue and impaired. As a result, in 2009 they were provided for in the amount of PLN 28 606 thousand, and in 2010 for PLN 20 751 thousand, and in 2011 for PLN 17 881 thousand. As at 31 December 2011, trade receivables of PLN 105 thousand (2010: PLN 713 thousand; 2009: PLN 858 thousand) were not overdue but impaired due to the financial situation of customers.

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

in PLN thousand

31-12-2011	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities excluding the impact of derivatives						
Finance lease liabilities	10 947	12 081	7 141	4 940	-	-
Bank overdraft	25 236	26 515	26 515	-	-	-
Other interest-bearing liabilities	567 069	639 524	60 933	578 591	-	-
Trade and other payables	176 182	176 182	176 182	-	-	-
	779 434	**854 302**	**270 771**	**583 531**	**-**	**-**

The liability arising from the purchase of Złomrex shares to the amount of PLN 145 995 thousand will be paid from funds obtained from covering warrants by PS HoldCo (see note 1). While the interests accrued on the above-mentioned liability are paid on a monthly basis.

in PLN thousand

31-12-2010	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities excluding the impact of derivatives						
Finance lease liabilities	19 578	20 817	11 351	9 466	-	-
Bank overdraft	83 884	83 884	83 884	-	-	-
Other interest-bearing liabilities	590 833	713 786	121 627	85 637	506 522	-
Trade and other payables	250 431	250 431	250 431	-	-	-
	944 726	**1 068 918**	**467 293**	**95 103**	**506 522**	**-**

in PLN thousand

31-12-2009	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities excluding the impact of derivatives						
Finance lease liabilities	32 795	35 681	15 515	19 775	391	-

(in PLN thousand, unless stated otherwise)

Bank overdraft	126 657	126 657	126 657	-	-	-
Other interest-bearing liabilities	671 220	854 641	184 823	96 269	573 549	-
Trade and other payables	269 003	270 434	270 208	128	-	98
	1 099 675	**1 287 413**	**597 203**	**116 172**	**573 940**	**98**

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the changes in ownership, return on equity and debt/equity ratios. The Group's aim is to achieve a return on equity at a level that is satisfactory to the shareholders.
There were no changes in the capital management policy during the year.

33. Capital commitments

The Group has contractual commitment resulting from the share purchase agreement to make capital expenditures of PLN 3 000 thousand in Cognor Górnośląski till 2011. This commitment resulted from agreements of share purchase. In 2008, the capital expenditure in Cognor Górnośląski amounted to PLN 522 thousand. In 2009, Cognor Górnośląski has merged with Cognor S.A. Till 31 December 2010, total capital expenditures amounted to PLN 3 213 thousand, that fulfill completely this commitment.

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 within the period of 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 increased of share capital in the amount of HRK 1 thousand and agio in the amount of HRK 104 852 thousand. On 23 April 2010, this increase was covered in exchange for remission of loans granted to Zeljezara Split by Złomrex S.A**.** Consequently, in the Parent Company's management view, the commitments were fully fulfilled.

34. Contingencies, guarantees and other commitments

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

Contingencies

In the documentation relating to :

- the sell of 100% shares of Cognor Stahlhandel GmbH on the 4th of February 2011, the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities or other damages incurred by Buyers in connection with the transaction formula finally accepted.
- the sell on the 5th May 2011, most of assets of distribution division in Poland, the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities and costs of any dispute with public administration incurred by Buyers in connection with the transaction formula finally accepted.

According to the Management's opinion the risk of rising obligations on above mentioned titles is small.

Other commitments

As at 31 December 2009 and 2010, the Group had the following other commitments:

- in accordance with share purchase agreement of Cognor Stahlhandel GmbH the Company has a put/call option for the purchase of remaining 25.1% of shares with the exercise date between 1 January 2009 and 31 December 2010.

35. Related parties

Identity of related parties

The Group has a related party relationship with the companies controlled by the parent Company's Management Board members and with the members of the Management and Supervisory Boards of the Group entities.

Related parties not consolidated are as follows;

- Odlewnia Metali Szopienice Sp. z o.o.
- Złomrex Finans Sp. z o.o.
- Złomrex China Limited
- AB Stahl AG
- Steelco Sp. z o.o. (merger in October 2011 with Złomrex S.A,)
- Vereinigte Biegegesellschaft GmbH (sold on February 4th, 2011)
- Zimmermann Stahlhandel GmbH (sold on February 4th, 2011)
- Cognor GmbH Muchen (sold on February 4th, 2011)
- Cognor Veting Stahlhandel d.o.o., Bosnia (sold on February 4th, 2011)
- Cognor Stahlhandel d.o.o., Slovenia (sold on February 4th, 2011)
- Cognor Stahlhandel Budapeszt kft., Hungary (sold on February 4th, 2011)
- Cognor Stahlhandel Slowakei s.r.o., Slovakia (sold on February 4th, 2011)

Associates are as follows;

- Vastad Edelstahl Handel GmbH (sold on February 4th, 2011)
- BWS Bewehrungsstahl GmbH (sold on February 4th, 2011)
- Arge Baustal Essen Blasy-Neptun GmbH (sold in June 2009)

Companies controlled by the parent Company's Management Board members:

- PS Holdco Sp. z o.o.
- Wiedza i Praca Sp. z o.o.

in PLN thousand	**31.12.2011**	**31.12.2010**	**31.12.2009**
Short-term receivables:			
- related parties (not consolidated)	5 722	3 962	9 827
- associates (consolidated under the equity method)	-	-	25
- companies controlled by the parent Company's Management Board members	146 010	1	21
Long-term receivables			
- related parties (not consolidated)	-	-	1 725
Long-term liabilities			
- related parties (not consolidated)	-	-	164
Short-term liabilities			
- related parties (not consolidated)	111	210	245
- associates (consolidated under the equity method)	-	-	74
- companies controlled by the parent Company's Management Board members	149 636	222	58
Short-term payables in relation to acquisition of shares			
- companies controlled by the parent Company's Management Board members	22 990	-	-
Loans granted			
- related parties (not consolidated)	3 257	-	592

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

in PLN thousand	2011	2010	2009
Revenues from sale of products			
- related parties (not consolidated)	15	-	2 999
Revenues from sale of services			
- related parties (not consolidated)	60	80	(131)
- associates (consolidated under the equity method)	-	-	1 302
- companies controlled by the parent Company's Management Board members	41	20	48
Revenues from sale of raw materials and commodities			
- related parties (not consolidated)	23 804	14 555	28 238
- associates (consolidated under the equity method)	-	-	61
- companies controlled by the parent Company's Management Board members	982	-	-
Purchase of commodities and raw materials			
- related parties (not consolidated)	8 166	1 822	5 721
- associates (consolidated under the equity method)	-	-	191
- companies controlled by the parent Company's Management Board members	133	-	-
Purchase of services			
- related parties (not consolidated)	81	6	118
- associates (consolidated under the equity method)	-	-	9
- companies controlled by the parent Company's Management Board members	841	940	1 059
Other income			
- related parties (not consolidated)	630	174	909
Other gain/(losses) net			
- related parties (not consolidated)	21	(871)	(2 538)
- associates (consolidated under the equity method)	-	-	4 267
- companies controlled by the parent Company's Management Board members	15 693	-	-
Other costs			
- related parties (not consolidated)	(14)	(227)	(3)
Financial income			
- related parties (not consolidated)	-	-	347
Dividend received			
- related parties (not consolidated)	-	-	673
- associates (consolidated under the equity method)	-	-	3 472
Financial costs			
- related parties (not consolidated)	(94)	-	(78)
- companies controlled by the parent Company's Management Board members	(3 472)	-	-

Transactions with the members of the Management and Supervisory Boards

The remuneration of the Management and Supervisory Boards members was as follows:

in PLN thousand	2011	2010	2009
Management Board of the parent Company	3 386	4 073	3 830
Supervisory Board of the parent Company	407	24	454
Management Boards of subsidiaries	1 943	2 266	7 936
Supervisory Boards of subsidiaries	109	342	285
	5 845	**6 705**	**12 505**

36. Subsequent events

On the 9th of January 2012, Mr Przemysław Grzesiak was appointed by the Supervisory Board a Vice-President of the Management Board of Cognor S.A..

In February 2012, an action was submitted to the arbitration court in Vienna for obtaining of documentation according to sale agreement. This documentation is necessary to determine the final selling price of shares in Cognor Stahlhandel GmbH. The Management believes that the its correction of final price led this amount to the value most likely to obtain.

On the 22nd of February 2012, Cognor S.A. signed the contract for revolving operating credit with Deutsche Bank PBC S.A. Cognor S.A. together with its subsidiaries (Huta Stali Jakościowych S.A., Złomrex Metal Sp. z o.o., Ferrostal Łabędy Sp. z o.o.) can use the credit line till the 2nd of March 2015. The amount of the credit line is PLN 25 mln.