

Cognor S.A.
Condensed Consolidated
Interim Financial Statements
as at 30 June 2013

29 August 2013

Condensed consolidated statement of financial position

<i>in PLN thousand</i>	<i>Note</i>	30.06.2013	31.12.2012	30.06.2012
Assets				
Property, plant and equipment	5	303 855	317 671	332 848
Intangible assets		13 366	15 435	15 339
Investment property		603	603	1 276
Investments in associates		1 979	-	-
Other investments		3 187	7 117	3 087
Other receivables		43 331	40 943	42 870
Prepaid perpetual usufruct of land		18 744	18 954	19 164
Deferred tax assets		78 352	71 744	71 251
Total non-current assets		463 417	472 467	485 835
Inventories		198 410	179 201	183 851
Other investments		5 260	5 131	3 735
Current income tax receivables		86	82	6
Trade and other receivables		212 537	181 691	221 005
Prepayments		1 604	-	-
Cash and cash equivalents		47 792	64 151	84 475
Assets classified as held for sale		9 760	11 786	12 544
Total current assets		475 449	442 042	505 616
Total assets		938 866	914 509	991 451

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

Condensed consolidated statement of financial position - continued

in PLN thousand

	Note	30.06.2013	31.12.2012	30.06.2012
Equity				
Issued share capital	6	132 444	132 444	132 444
Reserves		142 832	141 312	141 312
Foreign currency translation reserves		(500)	(471)	(498)
Accumulated losses		(151 694)	(109 274)	(98 866)
Total equity attributable to owners of the Parent Company		123 082	164 011	174 392
Non-controlling interests		13 192	12 831	12 752
Total equity		136 274	176 842	187 144
Liabilities				
Interest-bearing loans and borrowings	8	5 462	487 020	505 130
Employee benefits obligation		6 719	6 735	7 151
Government grants and other deferred income		-	-	309
Deferred tax liabilities		8 738	6 618	8 555
Total non-current liabilities		20 919	500 373	521 145
Bank overdraft	8	8 484	15 495	7 687
Interest-bearing loans and borrowings	8	571 901	75 333	74 972
Employee benefits obligation		1 000	2 815	1 232
Current income tax payables		165	315	6
Provisions for payables		337	430	687
Trade and other payables		196 565	142 170	195 076
Government grants and other deferred income		3 221	736	3 502
Total current liabilities		781 673	237 294	283 162
Total liabilities		802 592	737 667	804 307
Total equity and liabilities		938 866	914 509	991 451

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of profit or loss and other comprehensive income

<i>in PLN thousand</i>	<i>Note</i>	01.04.2013 - 30.06.2013	01.04.2012 - 30.06.2012	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
Revenue		337 687	428 763	622 094	828 182
Cost of sales		(309 084)	(386 409)	(579 429)	(758 353)
Gross profit		28 603	42 354	42 665	69 829
Other income		1 831	2 198	3 712	4 889
Distribution expenses		(9 225)	(10 833)	(16 923)	(18 805)
Administrative expenses		(8 851)	(11 887)	(16 458)	(23 492)
Other gains/(losses) - net		2 964	2 865	6 486	(828)
Other expenses		(2 999)	(1 506)	(5 335)	(4 482)
Operating profit before financing costs		12 323	23 191	14 147	27 111
Financial income		333	-	375	17 035
Financial expenses		(33 945)	(28 163)	(59 548)	(32 631)
Net financing costs		(33 612)	(28 163)	(59 173)	(15 596)
Share of loss of associates		(33)	-	(33)	-
(Loss)/profit before tax		(21 322)	(4 972)	(45 059)	11 515
Income tax expense	13	5 388	1 406	4 520	(999)
(Loss)/profit for the period		(15 934)	(3 566)	(40 539)	10 516
(Loss)/profit for the period attributable to:					
Owners of the Parent Company		(16 201)	(4 402)	(40 900)	9 965
Non-controlling interests		267	836	361	551
(Loss)/profit for the period		(15 934)	(3 566)	(40 539)	10 516
Other comprehensive income					
- that will be classified subsequently to profit or loss when specific conditions are met					
Foreign currency translation differences		1	1	(29)	187
Total comprehensive income for the period		(15 933)	(3 565)	(40 568)	10 703
Total comprehensive income for the period attributable to:					
Owners of the Parent Company		(16 200)	(4 401)	(40 929)	10 152
Non-controlling interests		267	836	361	551
Total comprehensive income for the period		(15 933)	(3 565)	(40 568)	10 703
Basic earnings per share (PLN) attributable to the owners of the Parent Company	7	(0,24)	(0,07)	(0,62)	0,16
- from continuing operations		(0,24)	(0,07)	(0,62)	0,16
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	7	(0,24)	(0,07)	(0,62)	0,16
- from continuing operations		(0,24)	(0,07)	(0,62)	0,16

Przemysław Sztuczkowski
President of the Management Board

Krzysztof Zoła
Member of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of profit or loss and other comprehensive income (last twelve months)

<i>in PLN thousand</i>	<i>Note</i>	01.07.2012 - 30.06.2013	01.07.2011 - 30.06.2012
Continuing operations			
Revenue		1 193 586	1 650 970
Cost of sales		(1 124 970)	(1 491 061)
Gross profit		68 616	159 909
Other income		10 394	7 383
Distribution expenses		(32 068)	(39 141)
Administrative expenses		(27 657)	(52 190)
Other gains - net		5 090	14 061
Other expenses		(12 489)	(12 776)
Operating profit before financing costs		11 886	77 246
Financial income		20 015	19 153
Financial expenses		(89 341)	(106 557)
Net financing costs		(69 326)	(87 404)
Share of loss of associates		(33)	-
Loss before tax		(57 473)	(10 158)
Income tax expense	<i>13</i>	6 605	(470)
Loss for the period from continuing operations		(50 868)	(10 628)
Discontinued operations			
Profit for the period from discontinued operations, net of tax		-	2 618
Loss for the period		(50 868)	(8 010)
(Loss)/profit for the period attributable to:			
Owners of the Parent Company		(51 308)	(8 060)
Non-controlling interests		440	50
Loss for the period		(50 868)	(8 010)

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

Condensed consolidated statement of profit or loss and other comprehensive income (last twelve months) - continued

in PLN thousand

	Note	01.07.2012 - 30.06.2013	01.07.2011 - 30.06.2012
Other comprehensive income			
- that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		(2)	(612)
Total comprehensive income for the period		(50 870)	(8 622)
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		(51 310)	(8 694)
Non-controlling interests		440	72
Total comprehensive income for the period		(50 870)	(8 622)
Basic earnings per share (PLN) attributable to the owners of the Parent Company	7	(0,77)	(0,13)
- from continuing operations		(0,77)	(0,17)
- from discontinued operations		-	0,04
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	7	(0,77)	(0,13)
- from continuing operations		(0,77)	(0,17)
- from discontinued operations		-	0,04

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of cash flows

in PLN thousand

	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
(Loss)/Profit before tax	(45 059)	11 515
Adjustments		
Depreciation	18 119	19 320
Amortization	1 431	1 639
Foreign exchange losses/(gains)	24 953	(19 054)
Net losses on investment activities	-	4
Net gains on disposal of property, plant and equipment	(1 032)	(2 666)
Interest, transaction costs (related to loans and borrowings) and dividends, net	23 913	30 926
Change in receivables	(25 899)	(17 656)
Change in inventories	(19 209)	(5 379)
Change in trade and other payables	62 115	18 554
Change in provisions	(186)	366
Change in employee benefits obligation	(1 831)	(5 264)
Change in government grants and other deferred income	2 485	2 327
Cash generated from operating activities	39 800	34 632
Income tax (paid)/refunded	(29)	6 585
Net cash from operating activities	39 771	41 217
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	5 185	14 974
Interest received	123	559
Dividends received	25	-
Repayment of loans granted	328	21 583
Acquisition of property, plant and equipment	(2 387)	(9 662)
Acquisition of intangible assets	(41)	(32)
Acquisition of shares in other companies	(2 012)	-
Loans granted	(247)	-
Net cash from investing activities	974	27 422

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

Condensed consolidated statement of cash flows - continued

<i>in PLN thousand</i>	<i>Note</i>	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		-	22 417
Repayment of interest-bearing loans and borrowings		(16 640)	-
Payment of finance lease liabilities		(3 593)	(4 570)
Interest and transaction costs (related to loans and borrowings) paid		(25 665)	(31 627)
Other transactions with the Owner		(4 200)	-
Net cash from financing activities		(50 098)	(13 780)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents net of bank overdraft, at 1 January		48 656	21 930
- effect of exchange rate fluctuations on cash held		5	(1)
Cash and cash equivalents net of bank overdraft, at 30 June	<i>11</i>	39 308	76 788
- including cash restricted for use	<i>11</i>	-	28 942

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of cash flows (last twelve months)

in PLN thousand

	01.07.2012 - 30.06.2013	01.07.2011 - 30.06.2012
Continuing operations		
(Loss)/Profit before tax from continuing operations	(57 473)	(10 158)
Adjustments		
Depreciation	37 039	39 992
Amortization	3 084	3 283
Impairment losses and valuation allowances	-	(1 030)
Foreign exchange losses	3 484	42 750
Net gains on investment activities	(1 482)	(9 398)
Net (gains)/losses on disposal of property, plant and equipment	(2 924)	1 711
Interest, transaction costs (related to loans and borrowings) and dividends, net	38 860	53 752
Change in receivables	13 909	(10 278)
Change in inventories	(14 559)	6 688
Change in trade and other payables	19 719	(32 720)
Change in provisions	(542)	2 989
Change in employee benefits obligation	(664)	(3 560)
Change in government grants and other deferred income	(590)	(33)
Other adjustments	17	(978)
Cash generated from continuing operations	37 878	83 010
Discontinued operations		
Loss before tax from discontinued operations	-	(2 595)
Cash outflows from discontinued operations	-	(2 595)
Cash generated from operating activities	37 878	80 415
Income tax (paid)/refunded	(42)	(376)
- continuing operations	(42)	6 989
- discontinued operations	-	(7 365)
Net cash from operating activities	37 836	80 039

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

Condensed consolidated statement of cash flows (last twelve months) - continued

<i>in PLN thousand</i>	01.07.2012 - 30.06.2013	01.07.2011 - 30.06.2012
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	5 387	14 567
Proceeds from sale of other investments	5 985	-
Interest received	144	2 995
Dividends received	25	30
Repayment of loans granted	352	32 565
Acquisition of property, plant and equipment	(5 676)	(15 758)
Acquisition of intangible assets	(1 841)	(507)
Prepaid perpetual usufruct of land	-	(1 964)
Loans granted	(247)	(3 569)
Acquisition of other investments	(7 330)	(2 379)
Other outflows from investing activities	-	(4 241)
Cash (outflows)/generated from continuing operations	(3 201)	21 739
Cash generated from discontinued operations	-	2 745
Net cash from investing activities	(3 201)	24 484
Cash flows from financing activities		
Net cash receipts from share issue	-	330
Proceeds from interest-bearing loans and borrowings	2 667	31 440
Repayment of interest-bearing loans and borrowings	(16 765)	(3 958)
Payment of finance lease liabilities	(6 615)	(8 500)
Interest and transaction costs (related to loans and borrowings) paid	(40 491)	(54 421)
Other transactions with the Owner	(10 915)	-
Net cash from financing activities	(72 119)	(35 109)
Net increase / (decrease) in cash and cash equivalents	(37 484)	69 414
Cash and cash equivalents net of bank overdraft, at 1 July	76 788	7 375
- effect of exchange rate fluctuations on cash held	4	(1)
Cash and cash equivalents net of bank overdraft, at 30 June	39 308	76 788
- including cash restricted for use	11	28 942

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company				Total	Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings/ (Accumulated losses)			
<i>in PLN thousand</i>							
Equity as at 1 January 2012	132 444	131 452	(685)	(98 971)	164 240	12 201	176 441
Total comprehensive income	-	-	187	9 965	10 152	551	10 703
- profit	-	-	-	9 965	9 965	551	10 516
- foreign currency translation differences relating to foreign operations	-	-	187	-	187	-	187
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	10 000	-	(10 000)	-	-	-
Disposal/transfer of treasury shares	-	10 000	-	(10 000)	-	-	-
Covering of loss	-	(140)	-	140	-	-	-
Equity as at 30 June 2012	132 444	141 312	(498)	(98 866)	174 392	12 752	187 144
Equity as at 1 January 2012	132 444	131 452	(685)	(98 971)	164 240	12 201	176 441
Total comprehensive income	-	-	214	(443)	(229)	630	401
- (loss)/profit	-	-	-	(443)	(443)	630	187
- foreign currency translation differences relating to foreign operations	-	-	214	-	214	-	214
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	10 000	-	(10 000)	-	-	-
Disposal/transfer of treasury shares	-	10 000	-	(10 000)	-	-	-
Covering of loss	-	(140)	-	140	-	-	-
Equity as at 31 December 2012	132 444	141 312	(471)	(109 274)	164 011	12 831	176 842
Equity as at 1 January 2013	132 444	141 312	(471)	(109 274)	164 011	12 831	176 842
Total comprehensive income	-	-	(29)	(40 900)	(40 929)	361	(40 568)
- (loss)/profit	-	-	-	(40 900)	(40 900)	361	(40 539)
- foreign currency translation differences relating to foreign operations	-	-	(29)	-	(29)	-	(29)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	-	-	-	-
Transfer of profit	-	1 520	-	(1 520)	-	-	-
Equity as at 30 June 2013	132 444	142 832	(500)	(151 694)	123 082	13 192	136 274

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

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

Together reach more



1 Reporting entity

Cognor S.A. (“Cognor”, “the Company”, “the Parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Up until 29 August 2011, the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor’s shares are quoted on the Warsaw Stock Exchange. Till May 2011, the main activity of the Parent Company was distribution of steel products. With effect from May 2011, Cognor S.A. became a holding company.

The main activities of the Group comprise: scrap collection, scrap processing into steel billets and steel products and other activities.

The Parent Company’s shares are listed on the Warsaw Stock Exchange.

2 Cognor S.A. Group

The condensed consolidated interim financial statements as at and for the six months ended 30 June 2013 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 June 2013 are presented in the table below.

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL ŁĄBĘDY 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 S.A.	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
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100,0%	2006-05-15*
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*
4 GROUPS Sp. z o.o.	Poland	Other services	30,0% (associate)	2013-01-21

* date of obtaining control by Złomrex S.A. Group

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

3 Basis of preparation of condensed consolidated interim financial statements

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

The condensed consolidated interim financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

These condensed consolidated interim financial statements were approved by the Board of Directors of the Parent Company on 29 August 2013.

b) Going concern basis of accounting

The condensed consolidated interim financial statements as at 30 June 2013 have been prepared on a going concern basis.

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 raised numerous challenges for the continuity of operations amid major integration projects pending and relatively high leverage.

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

In 2012 the challenging environment for the steel industry continued and it has persisted throughout Q2 2013. The Group's profits deteriorated significantly, however thanks to all the business restructuring, the Group's operations continued untroubled with good liquidity. The current business model has proved its relative resistance to the industry's cyclicality. We are of the opinion that last year was exceptionally weak for the steel business since we observed some improvement in Q2 2013 compared to the previous quarter. However, in comparison to Q2 2012 our performance is still weaker.

In the opinion of Group's management there should be no internal occurrences which might result in significant doubt over the Group's ability to meet its ongoing obligations in 2013. The amount of short-term financial liabilities falling due during that period should be adequately covered by the Group's cash position so the Group should be able to meet all the upcoming maturities, even if none of the currently existing short-term financial facilities are renewed by the banks.

The senior Notes issued by the Group, in the amount of EUR 122 million (PLN 528 million as at 30 June 2013), are scheduled to mature on 1 February 2014. Refinancing of these liabilities by the Group is necessary as the Group will not be able to settle the full amount of the respective debt in the normal course of business at the date of its maturity.

During the past few quarters the Group has been analyzing the available options in terms of acquiring new long-term financing sources to address the upcoming maturity of the currently outstanding Notes. In the first half of 2013 the Company began preparations of a proposal to refinance the Notes ahead of their scheduled maturity. As part of this process, Cognor has sought to enter into direct dialogue with as many holders of the Notes as possible. A number of significant noteholders have signed non-disclosure agreements with the Company, which has allowed Cognor to provide them with additional information and to enter into productive discussions with those parties on the structure of the refinancing.

Cognor is pleased to report that it has made significant progress in addressing the refinancing of the Notes due in February 2014. With the assistance of our legal and financial advisors, the Company considers itself to be close to being in a position to make a further public announcement concerning the required elements of the refinancing, having taken legal, tax and accounting advice on the structure and content of the proposal.

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

Together reach more



However, as of the date of these condensed consolidated interim financial statements the refinancing is uncommitted and therefore it is uncertain whether it will be successfully concluded. Factors that may hinder the refinancing include: liquidity and risk aversion of the financial markets, the perception of the Cognor Group by the potential investors and current and forecasted conditions for the steel industry.

Despite Cognor's management positive view on the prospects of the refinancing, the described situation indicates the existence of material uncertainty that may cast doubt about the Group's ability to continue as a going concern. If the Group is unable to continue as a going concern, it could have an impact on the Group's ability to realize its assets and discharge all its liabilities in the normal course of business.

c) Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2012.

The Group has adopted new standards and amendments to standards with the date of initial application of 1 January 2013. The changes had no significant impact on the recognized assets, liabilities and comprehensive income of the Group.

d) Estimates

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. 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.

In preparing these condensed consolidated interim financial statements, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2012.

4 Segment reporting

Business segments (for the three months ended 30 June)

in PLN thousand

30.06.2013	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	44 248	290 656	2 391	392			
Inter-segment revenue	73 566	6 099	-	5 108			
Total revenue	117 814	296 755	2 391	5 500	-	(84 773)	337 687
Cost of sales to external customers	(40 332)	(266 509)	(2 239)	(4)			
Inter-segment cost of sales	(73 460)	(6 004)	-	22			
Total cost of sales	(113 792)	(272 513)	(2 239)	18	-	79 442	(309 084)
Segment result	4 022	24 242	152	5 518	-	(5 331)	28 603
Other income	482	1 593	92	53	24 214	(24 603)	1 831
Distribution and administrative expenses	(5 629)	(11 660)	(192)	(204)	(4 368)	3 977	(18 076)
Other gain net	503	2 906	(5)	247	(261)	(426)	2 964
Other expenses	(223)	(2 741)	(104)	(1)	(424)	494	(2 999)
Operating profit/(loss)	(845)	14 340	(57)	5 613	19 161	(25 889)	12 323
Net financing costs	(369)	(796)	-	-	(51 649)	19 202	(33 612)
Share of profits of associates							(33)
Income tax expense							5 388
Loss for the period							(15 934)

**Explanatory notes
to the condensed consolidated
interim financial statements**

(in PLN thousand, unless stated otherwise)

Together reach more



<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidate d
	30.06.2012							
Revenue from external customers		76 112	347 704	4 331	616			
Inter-segment revenue		79 880	6 568	-	2 399			
Total revenue		155 992	354 272	4 331	3 015	-	(88 847)	428 763
Cost of sales to external customers		(65 819)	(316 039)	(4 126)	(425)			
Inter-segment cost of sales		(83 901)	(6 312)	-	(93)			
Total cost of sales		(149 720)	(322 351)	(4 126)	(518)	-	90 306	(386 409)
Segment result		6 272	31 921	205	2 497	-	1 459	42 354
Other income		602	10 071	42	1 758	22 491	(32 766)	2 198
Distribution and administrative expenses		(6 687)	(11 426)	(606)	(267)	(8 125)	4 391	(22 720)
Other gain/(losses) net		(16)	41	2 718	(172)	6 130	(5 836)	2 865
Other expenses		55	(2 181)	(74)	(546)	(427)	1 667	(1 506)
Operating profit/(loss)		226	28 426	2 285	3 270	20 069	(31 085)	23 191
Net financing costs		(741)	(2 650)	(68)	(660)	(51 871)	27 827	(28 163)
Income tax expense								1 406
Profit for the period								(3 566)

Business segments (for the six months ended 30 June)

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2013							
Revenue from external customers		97 964	520 248	3 278	604			
Inter-segment revenue		131 442	12 454	1	7 586			
Total revenue		229 406	532 702	3 279	8 190	-	(151 483)	622 094
Cost of sales to external customers		(90 780)	(485 444)	(3 186)	(19)			
Inter-segment cost of sales		(130 784)	(12 759)	(1)	(163)			
Total cost of sales		(221 564)	(498 203)	(3 187)	(182)	-	143 707	(579 429)
Segment result		7 842	34 499	92	8 008	-	(7 776)	42 665
Other income		862	3 324	125	2 026	42 027	(44 652)	3 712
Distribution and administrative expenses		(11 000)	(19 871)	(477)	(381)	(7 820)	6 168	(33 381)
Other gain net		601	4 760	10	356	1 142	(383)	6 486
Other expenses		(310)	(4 941)	(120)	(1)	(890)	927	(5 335)
Operating profit/(loss)		(2 005)	17 771	(370)	10 008	34 459	(45 716)	14 147
Net financing costs		(765)	(2 891)	(1)	-	(94 180)	38 664	(59 173)
Share of profits of associates								(33)
Income tax expense								4 520
Loss for the period								(40 539)

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2012							
Revenue from external customers		142 064	674 781	9 831	1 506			
Inter-segment revenue		179 966	12 575	13	5 063			
Total revenue		322 030	687 356	9 844	6 569	-	(197 617)	828 182
Cost of sales to external customers		(121 609)	(626 479)	(9 431)	(834)			
Inter-segment cost of sales		(186 126)	(12 604)	(10)	(280)			
Total cost of sales		(307 735)	(639 083)	(9 441)	(1 114)	-	199 020	(758 353)
Segment result		14 295	48 273	403	5 455	-	1 403	69 829

**Explanatory notes
to the condensed consolidated
interim financial statements**

(in PLN thousand, unless stated otherwise)

Together reach more



Other income	1 339	12 509	101	2 632	37 681	(49 373)	4 889
Distribution and administrative expenses	(12 183)	(19 295)	(1 213)	(340)	(8 944)	(322)	(42 297)
Other gain/(losses) net	(278)	1 020	2 713	(172)	(542)	(3 569)	(828)
Other expenses	(515)	(4 289)	(79)	(571)	(574)	1 546	(4 482)
Operating profit/(loss)	2 658	38 218	1 925	7 004	27 621	(50 315)	27 111
Net financing costs	(1 165)	(4 283)	(137)	(1 344)	(48 213)	39 546	(15 596)
Income tax expense							(999)
Profit for the period							10 516

Business segments (for the twelve months ended 30 June)

in PLN thousand

30.06.2013	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	220 568	958 907	12 394	1 717			
Inter-segment revenue	232 265	27 082	2	19 943			
Total revenue	452 833	985 989	12 396	21 660	-	(279 292)	1 193 586
Cost of sales to external customers	(208 205)	(902 280)	(11 952)	(2 533)			
Inter-segment cost of sales	(229 173)	(26 329)	(2)	(315)			
Total cost of sales	(437 378)	(928 609)	(11 954)	(2 848)	-	255 819	(1 124 970)
Segment result	15 455	57 380	442	18 812	-	(23 473)	68 616
Other income	1 771	10 867	296	6 437	76 831	(85 808)	10 394
Distribution and administrative expenses	(22 375)	(45 086)	(1 489)	(896)	(12 431)	22 552	(59 725)
Other gain/(losses) net	219	1 957	2 889	257	2 438	(2 670)	5 090
Other expenses	(2 446)	(9 155)	(297)	267	(3 093)	2 235	(12 489)
Operating profit/(loss)	(7 376)	15 963	1 841	24 877	63 745	(87 164)	11 886
Net financing costs	(292)	(5 539)	(46)	(2 267)	(138 617)	77 435	(69 326)
Share of profits of associates							(33)
Income tax expense							6 605
Loss for the period							(50 868)

in PLN thousand

30.06.2012	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	264 714	1 349 134	33 396	3 726			
Inter-segment revenue	359 103	26 351	1 394	11 977			
Total revenue	623 817	1 375 485	34 790	15 703	-	(398 825)	1 650 970
Cost of sales to external customers	(220 636)	(1 230 377)	(33 131)	(6 917)			
Inter-segment cost of sales	(371 617)	(25 224)	(666)	(3 555)			
Total cost of sales	(592 253)	(1 255 601)	(33 797)	(10 472)	-	401 062	(1 491 061)
Segment result	31 564	119 884	993	5 231	-	2 237	159 909
Other income	5 650	7 797	10 494	9 309	74 241	(100 108)	7 383
Distribution and administrative expenses	(23 562)	(49 125)	(7 722)	(2 468)	(8 859)	405	(91 331)
Other gain/(losses) net	(104)	554	2 158	339	1 700	9 414	14 061
Other expenses	(1 199)	(8 422)	(744)	(1 046)	(9 275)	7 910	(12 776)
Operating profit/(loss)	12 349	70 688	5 179	11 365	57 807	(80 142)	77 246
Net financing costs	(2 803)	(5 745)	(384)	(1 995)	(165 361)	88 884	(87 404)
Income tax expense							(470)
Profit for the period from continuing operations							(10 628)
Profit from discontinued operations	-	-	2 618	-	-	-	2 618
Loss for the period							(8 010)

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

Together reach more



in PLN thousand

	30.06.2013	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
Segment assets		74 695	638 559	6 611	11 350	207 652	938 867
Segment liabilities		30 814	142 816	747	4 619	623 596	802 592

in PLN thousand

	31.12.2012	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
Segment assets		85 170	597 324	5 252	14 009	212 754	914 509
Segment liabilities		32 964	90 921	173	1 372	612 237	737 667

in PLN thousand

	30.06.2012	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
Segment assets		89 831	638 824	12 115	26 084	224 597	991 451
Segment liabilities		42 861	125 375	7 082	3 430	625 559	804 307

Unallocated assets

in PLN thousand

	30.06.2013	31.12.2012	30.06.2012
Long-term and short-term investments	8 447	12 248	6 822
Investments in associates	1 979	-	-
Deferred tax assets	78 353	71 744	71 251
Investment property	603	603	1 276
Income tax receivable	86	82	-
Cash and cash equivalents	47 792	64 151	84 475
Assets held for sale	9 760	11 786	12 544
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	60 632	52 140	48 229
	207 652	212 754	224 597

Unallocated liabilities

in PLN thousand

	30.06.2013	31.12.2012	30.06.2012
Interest-bearing loans and borrowings	577 363	562 353	580 102
Bank overdraft	8 484	15 495	7 687
Deferred tax liabilities	8 738	6 618	8 555
Employee benefits obligation	7 719	9 550	8 383
Government grants and other deferred income	3 221	736	3 811
Current income tax payables	165	315	6
Other payables	17 906	17 170	17 015
	623 596	612 237	625 559

5 Property, plant and equipment

During the three months ended 30 June 2013, the Group acquired property, plant and equipment at a cost of PLN 1 594 thousand (three months ended 30 June 2012: PLN 4 762 thousand). Assets with a net book value of PLN 108 thousand were disposed of during the three months ended 30 June 2013 (three months ended 30 June 2012: PLN 3 577 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 25 thousand (three months ended 30 June 2012: a net gain on disposal of PLN 2 857 thousand).

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

Together reach more



During the six months ended 30 June 2013, the Group acquired property, plant and equipment at a cost of PLN 5 541 thousand (six months ended 30 June 2012: PLN 13 479 thousand). Assets with a net book value of PLN 1 448 thousand were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: PLN 4 273 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 321 thousand (six months ended 30 June 2012: a net gain on disposal of PLN 3 045 thousand).

During the twelve months ended 30 June 2013, the Group acquired property, plant and equipment at a cost of PLN 9 086 thousand (twelve months ended 30 June 2012: PLN 21 178 thousand). Assets with a net book value of PLN 1 432 thousand were disposed of during the twelve months ended 30 June 2013 (twelve months ended 30 June 2012: PLN 7 323 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 1 237 thousand (twelve months ended 30 June 2012: a net loss on disposal of PLN 459 thousand).

Capital commitments

As at 30 June 2013 the Group had capital commitments in the amount of PLN 710 thousand (31 December 2012: PLN 460 thousand; 30 June 2012: PLN 1 252 thousand).

6 Equity

Issued share capital

	30.06.2013	31.12.2012	30.06.2012
Registered shares at reporting date (number)	66 222 248	66 222 248	66 222 248
Issued warrants (number)	6 622	6 622	6 622
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

At 30 June 2013, the Parent Company's share capital comprised 66 222 248 ordinary shares (31 December 2012: 66 222 248; 30 June 2012: 66 222 248) with a nominal value of PLN 2 each. In 2011, the Parent Company issued 6 622 warrants which entitle the holder to convert 1 warrant into 10 000 ordinary shares. The nominal value of warrants is 50 PLN.

The exercise price for each share to be issued on conversion of warrants is PLN 4.

Holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the General Meeting of Shareholders.

In accordance with the High Yield Bond agreement the Group is permitted to pay dividends up to 50% of net profit if the interest coverage ratio exceeds 2.25. If the interest coverage ratio is lower than 2.25, the Group is permitted to pay dividends up to the limit defined for a duration of the High Yield Bond agreement amounting to EUR 5 million. There were no dividends declared or paid in the reporting periods.

The ownership structure as at 30 June 2013 is presented in the table below:

Shareholder	Number of shares	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS Holdco Sp. z o.o.*	43 691 307	65,98%	43 691 307	65,98%
TFI PZU	4 930 022	7,44%	4 930 022	7,44%
Other shareholders	17 600 919	26,58%	17 600 919	26,58%
Total	66 222 248	100,00%	66 222 248	100,00%

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

The ownership structure as at the date of the publication of the last condensed consolidated interim financial statements (15 May 2013) is presented in the table below:

Shareholder	Number of shares	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS Holdco Sp. z o.o.*	43 691 307	65,98%	43 691 307	65,98%
TFI PZU	4 400 140	6,64%	4 400 140	6,64%
Other shareholders	18 130 801	27,38%	18 130 801	27,38%
Total	66 222 248	100,00%	66 222 248	100,00%

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

Together reach more



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

The ownership structure as at the date of the publication of these condensed consolidated interim financial statements (29 August 2013) is presented in the table below:

Shareholder	Number of shares	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS Holdco Sp. z o.o.*	43 691 307	65,98%	43 691 307	65,98%
TFI PZU	4 930 022	7,44%	4 930 022	7,44%
Other shareholders	17 600 919	26,58%	17 600 919	26,58%
Total	66 222 248	100,00%	66 222 248	100,00%

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

Treasury shares

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

7 Earnings per share

The calculation of basic earnings per share for the three-month period ended 30 June 2013 was based on the loss attributable to ordinary shareholders of PLN 16 201 thousand (the three-month period ended 30 June 2012: loss of PLN 4 402 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 June 2013 of 66 222 thousand (the three-month period ended 30 June 2012: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the three months ended 30 June 2013 was 66 222 thousand (30 June 2012: 66 222 thousand).

The calculation of basic earnings per share for the six-month period ended 30 June 2013 was based on the loss attributable to ordinary shareholders of PLN 40 900 thousand (the six-month period ended 30 June 2012: profit of PLN 9 965 thousand) and a weighted average number of ordinary shares (excluding the number of treasury shares held by the Group) outstanding during the six-month period ended 30 June 2013 of 66 222 thousand (the six-month period ended 30 June 2012: 63 722 thousand).

The weighted average number of shares (excluding the number of treasury shares held by the Group) used to calculate diluted earnings per share during the six months ended 30 June 2013 was 66 222 thousand (30 June 2012: 63 722 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2013 was based on the loss attributable to ordinary shareholders of PLN 51 308 thousand (the twelve-month period ended 30 June 2012: loss of PLN 8 060 thousand) and a weighted average number of ordinary shares (excluding the number of treasury shares held by the Group) outstanding during the twelve-month period ended 30 June 2013 of 66 222 thousand (the twelve-month period ended 30 June 2012: 62 472 thousand).

The weighted average number of shares (excluding the number of treasury shares held by the Group) used to calculate diluted earnings per share during the twelve months ended 30 June 2013 was 66 222 thousand (30 June 2012: 62 472 thousand).

In the above described reporting periods, issued warrants were excluded from the 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 was lower than PLN 4. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the warrants were outstanding.

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

Together reach more



8 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.06.2013	31.12.2012	30.06.2012
Non-current liabilities			
Secured fixed interest rate debt	-	483 307	498 815
Finance lease liabilities	5 462	3 713	6 315
	5 462	487 020	505 130
Current liabilities			
Secured fixed interest rate debt*	528 340	14 182	17 953
Current portion of finance lease liabilities	1 570	3 745	3 468
Factoring and bill of exchange liabilities	22 718	13 528	14 461
Reverse factoring	10 914	18 879	14 090
Other borrowings	8 359	24 999	25 000
	571 901	75 333	74 972
Bank overdraft	8 484	15 495	7 687
	580 385	90 828	82 659

* As at 30 June 2013, the liabilities arising from the above notes in the amount of EUR 122 041 thousand (PLN 528 340 thousand) were presented as short-term borrowings as they are due for settlement on 1 February 2014.

Based on the stipulations of the loan agreement with BRE Bank S.A., the Group is obliged to meet certain financial covenants. In case of a breach of a covenant the bank is entitled to charge a higher interest margin (increased maximum by 0.9 pp.).

As at 30 June 2013, two of the three agreed financial ratios were not met by the Group, however the margin remained unchanged. As at 30 June 2013 the liability to BRE Bank amounted to PLN 8 484 thousand.

Liabilities due to Shareholder

The liability arising from the purchase of Złomrex shares in the amount of PLN 145 995 thousand will be settled from funds obtained on exercise of the warrants held by PS Holdco Sp. z o.o. Amounts exceeding PLN 145 995 thousand are settled on a regular basis. The above liability and receivables from the Shareholder to the amount of PLN 145 995 thousand resulting from the conversion of warrants (capital contribution to Cognor S.A.) were off-set in the condensed consolidated interim statement of financial position.

9 Contingencies, guarantees and other commitments

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

Contingencies

In the sale contracts relating to:

- the sale of 100% shares of Cognor Stahlhandel GmbH dated 4th of February 2011 (refer also to note 15), the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities or other damage incurred by Buyers in connection with the transaction structure finally accepted.

- the sale on 5th May 2011 of most of the assets of the distribution division in Poland to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o., the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities and costs of any dispute with public administration which arose with relation to the Buyers in connection with the transaction structure that was finally accepted.

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

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

Together reach more



10 Related parties

Identity of related parties

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

Owner:

- PS Holdco Sp. z o.o.

Related parties not consolidated:

- Odlewnia Metali Szopienice Sp. z o.o. (sold on 27 August 2011)
- Złomrex Finans Sp. z o.o.
- Złomrex China Limited
- AB Stahl AG

Companies controlled by the owner:

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

Associates:

- 4 Groups Sp. z o.o.

in PLN thousand

Short-term receivables:

	30.06.2013	31.12.2012	30.06.2012
- related parties (not consolidated)	6 840	9 309	10 349
- associates	9	-	-
- owner*	7	61	61
- companies controlled by the owner	24	117	29

in PLN thousand

Short-term liabilities

	30.06.2013	31.12.2012	30.06.2012
- related parties (not consolidated)	68	80	47
- associates	54	-	-
- owner*	6 153	5 694	3 551
- companies controlled by the owner	237	291	202

Loans granted

- related parties (not consolidated)	3 501	7 450	3 399
- owner*	800	-	-

* refer to note 8 for the details of presentation of receivables from and liabilities to PS Holdco Sp. z o.o.

in PLN thousand

Revenues from sale of products

- related parties (not consolidated)	-	-	-	-	-	15
--------------------------------------	---	---	---	---	---	----

Revenues from sale of services

- related parties (not consolidated)	225	7	232	19	247	36
- associates	7	-	12	-	12	-
- owner	1	1	1	1	2	-
- companies controlled by the owner	22	10	45	20	224	57

Revenues from sale of raw materials and commodities

- related parties (not consolidated)	2 436	7 360	4 021	17 359	14 904	30 300
- companies controlled by the owner	-	-	2	70	3	1 052

**Explanatory notes
to the condensed consolidated
interim financial statements**

(in PLN thousand, unless stated otherwise)

Together reach more



<i>Purchase of commodities and raw materials</i>						
- related parties (not consolidated)	2 560	1 701	4 014	2 795	6 800	7 861
- companies controlled by the owner	150	191	290	400	1 016	533
<i>Purchase of services</i>						
- related parties (not consolidated)	6	3	6	10	6	54
- associates	104	-	206	-	206	-
- companies controlled by the owner	923	428	1 045	878	1 624	1 387
<i>Other income</i>						
- related parties (not consolidated)	-	259	271	430	823	841
- owner	7	-	7	-	7	-
- associates	3	-	3	-	3	-
<i>Other gain/(losses) net</i>						
- related parties (not consolidated)	-	-	-	-	-	21
- owner	-	3 028	-	3 028	-	18 721
- companies controlled by the owner	-	18	-	18	-	18
<i>Other expenses</i>						
- related parties (not consolidated)	-	-	-	(22)	(4)	(17)
<i>Financial costs</i>						
- related parties (not consolidated)	-	-	-	-	(5)	(94)
- owner	(2 395)	(2 548)	(4 659)	(5 096)	(9 501)	(8 568)

On 27 March 2012 PS Holdco Sp. z o.o. bought 5 000 000 shares of Cognor S.A. from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.). For further details please refer to note 6.

11 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	30.06.2013	30.06.2012
Cash in bank	34 690	55 217
Cash in bank restricted in use	-	28 942
Cash in hand	252	304
Short-term bank deposit	12 850	-
Other	-	12
Cash and cash equivalents in the statement of financial position	47 792	84 475
Bank overdrafts	(8 484)	(7 687)
Cash and cash equivalents in the statement of cash flows	39 308	76 788

12 Financial instruments

Financial instruments measured at fair values

As at 30 June 2013 there were no financial instruments measured at fair value (31 December 2012: financial assets of PLN 1 318 thousand were carried at fair value - fair value hierarchy Level 2).

Fair values

The following are details of the fair values of the financial instruments for which it is practicable to estimate such value:

- Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
- Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
- Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.

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

Together reach more



• Fixed rate debt securities. The fair value of bonds at 30 June 2013 amounted to PLN 339 634 thousand (31 December 2012: PLN 378 532 thousand) – the amount was estimated on the basis of market transactions on bonds in the period close to the reporting day. The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which is similar to the interest rate applicable for liabilities with similar liquidity risk.

13 Reconciliation of effective tax rate

in PLN thousand

	01.04.2013 - 30.06.2013	01.04.2013 - 30.06.2013	01.04.2012 - 30.06.2012	01.04.2012 - 30.06.2012
Loss before tax	100,0%	(21 322)	100,0%	(4 972)
Income tax using the domestic corporation tax rate	(19,0%)	4 051	(19,0%)	945
Effect of tax rates in foreign jurisdictions	0,5%	(117)	1,0%	(50)
Non-deductible costs	0,6%	(126)	1,2%	(61)
Tax exempt income	(1,4%)	295	(1,9%)	96
Utilisation of tax losses not recognised in previous years	(0,1%)	15	(40,1%)	1 996
Adjustment to prior years' income tax	1,8%	(380)	2,0%	(98)
Adjustment to prior years' deferred tax asset/liabilities	(6,2%)	1 330	26,9%	(1 338)
Other	(1,5%)	320	1,7%	(84)
	(25,3%)	5 388	(28,3%)	1 406

in PLN thousand

	01.01.2013 - 30.06.2013	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012	01.01.2012 - 30.06.2012
(Loss)/Profit before tax	100,0%	(45 059)	100,0%	11 515
Income tax using the domestic corporation tax rate	(19,0%)	8 561	(19,0%)	(2 188)
Effect of tax rates in foreign jurisdictions	0,6%	(269)	(1,3%)	(153)
Non-deductible costs	1,2%	(559)	(9,0%)	(1 037)
Tax exempt income	(1,5%)	662	6,4%	732
Utilisation of tax losses not recognised in previous years	(0,7%)	296	19,3%	2 218
Tax losses for which no deferred tax asset was recognised	8,0%	(3 621)	(2,1%)	(245)
Adjustment to prior years' income tax	0,8%	(380)	-	-
Adjustment to prior years' deferred tax asset/liabilities	0,6%	(290)	(1,5%)	(177)
Other	(0,3%)	120	(1,3%)	(149)
	(10,0%)	4 520	(8,7%)	(999)

in PLN thousand

	01.07.2012 - 30.06.2013	01.07.2012 - 30.06.2013	01.07.2011 - 30.06.2012	01.07.2011 - 30.06.2012
(Loss)/Profit before tax	100,0%	(57 473)	100,0%	(7 717)
- continuing operations	100,0%	(57 473)	131,6%	(10 158)
- discontinued operations	-	-	(31,6%)	2 441
Income tax using the domestic corporation tax rate	(19,0%)	10 920	(19,0%)	1 466
Effect of tax rates in foreign jurisdictions	0,1%	(41)	(3,9%)	300
Non-deductible costs	11,8%	(6 798)	40,6%	(3 136)
Tax exempt income	(8,0%)	4 605	(20,2%)	1 561
Tax losses for which no deferred tax asset was recognised	6,2%	(3 564)	5,5%	(423)
Adjustment to prior years' income tax	0,5%	(282)	7,8%	(603)
Other	(3,1%)	1 765	(7,0%)	542
	(11,5%)	6 605	3,8%	(293)

14 Seasonality

Trading activity on the steel product market is characterized by seasonality of revenue from sales, resulting from the variability of weather conditions in the annual weather cycle. Seasonality is reflected by lower demand for steel products in winter as a result of limitations on investment and infrastructure construction during this period.

15 Proceedings before the court, arbitration or public authorities

In 2009, Zlomrex S.A. (currently HSJ S.A.) received a binding offer from the Government of the Republic of Croatia for the termination of the contract for the sale of shares in Zeljezara Split (Republic of Croatia) with the Croatian Privatisation Fund. Despite the acceptance of the offer by Zlomrex S.A., 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 Zlomrex S.A. of the amount of EUR 10 million 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 counterparty.

After this period, the Government of Croatia refused to sign the documentation under the terms of the binding offer and proposed a different, less favorable solution, which was not accepted by Zlomrex S.A. Zlomrex S.A. (currently HSJ S.A.) took steps, including those prescribed in the bilateral investment protection agreement concluded between Poland and Croatia, to enforce its rights. In 2012, HSJ instigated dual track legal proceedings: before both the Croatian court and the Arbitration Tribunal. Both are pending and the issuance of rulings is unlikely to occur during the next 12 months as of the date of these condensed consolidated interim financial statements.

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 as at the date of preparing these condensed consolidated interim financial statements, recoverability of the receivable from the Government of the Republic of Croatia is probable.

In connection with the dispute on the final selling price of the Austrian group, Cognor Stahlhandel GmbH, in 2012 the Parent Company and its subsidiaries involved in the sale of Cognor Stahlhandel GmbH's shares, filed for a ruling before the Arbitration Tribunal. This process is likely to conclude in 2013 and the Management Board of the Parent Company considers that receivables from the sale of Cognor Stahlhandel GmbH included in condensed consolidated interim financial statements in the amount of PLN 7 579 thousand are recoverable.

16 Information on the Parent Company or its subsidiary guarantees for credit or loans or warranties

Warranties and guarantees granted to subsidiaries by the Parent Company:

Subsidiary	Type of liability	Guarantee value (in PLN thousand)	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	4 866	till termination of trade agreement
Kapitał S.A.	Agreement of bills discounted	2 500	till 31.12.2013

Warranties and guarantees provided by Huta Stali Jakościowych S.A. (subsidiary) to the Group:

Subsidiary	Type of liability	Guarantee value (in PLN thousand)	Period of guarantee
Zlomrex Metal Sp. z o.o.	Factoring	11 000	till 31.12.2013
Ferrostal Łabędy Sp. z o.o.	Factoring	25 350	till 31.12.2013
Ferrostal Łabędy Sp. z o.o.	Lease liability	37	till November 2013
Kapitał S.A.	Lease liability	51	till September 2013

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

Together reach more



Warranties and guarantees provided by Ferrostal Łabędy Sp. z o.o. (subsidiary) to the Group:

Subsidiary	Type of liability	Guarantee value (in PLN thousand)	Period of guarantee
Cognor S.A.	Lease liability	516	till January 2018
Złomrex Metal Sp. z o.o.	Factoring	11 000	without deadline

The liability for the bonds listed on the Luxemburg Stock Exchange (Euro MTF) issued by the subsidiary Złomrex International Finance S.A. with a carrying value of PLN 528 340 thousands as at 30 June 2013, was secured by a pledge on the shares of the following subsidiaries: Złomrex International Finance S.A., 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. and a related company Odlewnia Metali Szopienice Sp. z o.o. (a subsidiary of PS Holdco Sp. z o.o., the main shareholder of Cognor S.A.).

Guarantees related to the bank loans:

Cognor S.A. and its subsidiaries: Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o. have a revolving credit line with Deutsche Bank PBC S.A. with a limit amounting to PLN 25 000 thousand, that was guaranteed to this amount by these companies. The guarantee period is the same as the credit maturity, i.e. 2 September 2013.

As at 30 June 2013, Cognor S.A. utilised this credit line and the liability amounted to PLN 8 359 thousand.

Cognor S.A. and its subsidiaries: Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o. have a bank overdraft with BRE Bank S.A. with a limit amounting to PLN 10 000 thousand, that was guaranteed to this amount by these companies. The guarantee period is the same as the credit maturity, i.e. 29 August 2013.

As at 30 June 2013, Ferrostal Łabędy Sp. z o.o. utilised this credit line and the liability amounted to PLN 8 484 thousand.

17 Subsequent events

The bank overdraft in the amount of PLN 8 484 thousand due to BRE Bank S.A. which was due on 29 August 2013 was extended until 2 January 2014 (limit of PLN 10 million).

Poraj, 29 August 2013

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board