

**Cognor S.A.**  
**Condensed Consolidated**  
**Interim Financial Statements**  
**as at 30 June 2014**

29 August 2014

## Condensed consolidated statement of financial position

<i>in PLN thousand</i>	<i>Note</i>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.06.2013</b>
<b>Assets</b>				
Property, plant and equipment	6	294 874	293 145	303 855
Intangible assets		11 762	12 163	13 366
Investment property		-	-	603
Investments in associates		1 917	4 946	1 979
Other investments		295	6 352	3 187
Other receivables		41 647	41 500	43 331
Prepaid perpetual usufruct of land		24 623	18 535	18 744
Deferred tax assets		68 852	74 319	78 352
<b>Total non-current assets</b>		<b>443 970</b>	<b>450 960</b>	<b>463 417</b>
Inventories	7	268 707	234 816	198 410
Other investments		22 889	5 190	5 260
Current income tax receivables		33	12	86
Trade and other receivables		224 750	186 553	212 537
Prepayments		-	9 205	1 604
Cash and cash equivalents	12	27 260	14 778	47 792
Assets classified as held for sale		8 672	8 951	9 760
<b>Total current assets</b>		<b>552 311</b>	<b>459 505</b>	<b>475 449</b>
<b>Total assets</b>		<b>996 281</b>	<b>910 465</b>	<b>938 866</b>

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

<i>in PLN thousand</i>	<i>Note</i>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.06.2013</b>
<b>Equity</b>				
Issued share capital	7	132 444	132 444	132 444
Reserves		231 906	149 575	142 832
Foreign currency translation reserves		(493)	(477)	(500)
Accumulated losses and net result for the period		(159 303)	(166 107)	(151 694)
<b>Total equity attributable to owners of the Parent Company</b>		<b>204 554</b>	<b>115 435</b>	<b>123 082</b>
Non-controlling interests		24 253	13 699	13 192
<b>Total equity</b>		<b>228 807</b>	<b>129 134</b>	<b>136 274</b>
<b>Liabilities</b>				
Interest-bearing loans and borrowings	9	407 504	6 677	5 462
Employee benefits obligation		9 230	7 313	6 719
Other payables		762	-	-
Deferred tax liabilities		4 770	11 637	8 738
<b>Total non-current liabilities</b>		<b>422 266</b>	<b>25 627</b>	<b>20 919</b>
Bank overdraft	9	6 228	-	8 484
Interest-bearing loans and borrowings	9	82 099	562 906	571 901
Employee benefits obligation		1 760	3 250	1 000
Current income tax payables		-	152	165
Provisions for payables		7 213	516	337
Trade and other payables		247 791	188 763	196 565
Government grants and other deferred income		117	117	3 221
<b>Total current liabilities</b>		<b>345 208</b>	<b>755 704</b>	<b>781 673</b>
<b>Total liabilities</b>		<b>767 474</b>	<b>781 331</b>	<b>802 592</b>
<b>Total equity and liabilities</b>		<b>996 281</b>	<b>910 465</b>	<b>938 866</b>

Przemysław Sztuczkowski  
*President of the Management Board*

Przemysław Grzesiak  
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Dominik Barszcz  
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## Condensed consolidated statement of profit or loss and other comprehensive income

<i>in PLN thousand</i>	<i>Note</i>	01.04.2014 - 30.06.2014	01.04.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Sales revenue		367 938	337 687	719 274	622 094
Cost of sales		(331 361)	(309 084)	(641 276)	(579 429)
<b>Gross profit</b>		<b>36 577</b>	<b>28 603</b>	<b>77 998</b>	<b>42 665</b>
Other income		2 551	1 831	6 508	3 712
Distribution expenses		(10 616)	(9 225)	(21 008)	(16 923)
Administrative expenses		(7 189)	(8 851)	(15 700)	(16 458)
Other gains - net		659	2 964	5	6 486
Other expenses		(5 375)	(2 999)	(7 038)	(5 335)
<b>Operating profit before financing costs</b>		<b>16 607</b>	<b>12 323</b>	<b>40 765</b>	<b>14 147</b>
Financial income		-	333	-	375
Financial expenses		(14 666)	(33 945)	(32 153)	(59 548)
<b>Net financing costs</b>		<b>(14 666)</b>	<b>(33 612)</b>	<b>(32 153)</b>	<b>(59 173)</b>
Share of profit of associates		(14)	(33)	(541)	(33)
Gain on bargain purchase	5	3 799	-	5 321	-
<b>Profit/(loss) before tax</b>		<b>5 726</b>	<b>(21 322)</b>	<b>13 392</b>	<b>(45 059)</b>
Income tax expense	14	(1 096)	5 388	(1 842)	4 520
<b>Profit/(loss) for the period</b>		<b>4 630</b>	<b>(15 934)</b>	<b>11 550</b>	<b>(40 539)</b>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Parent Company		4 715	(16 201)	10 822	(40 900)
Non-controlling interests		(85)	267	728	361
<b>Profit/(loss) for the period</b>		<b>4 630</b>	<b>(15 934)</b>	<b>11 550</b>	<b>(40 539)</b>
<b>Other comprehensive income</b>					
- that will be reclassified subsequently to profit or loss when specific conditions are met					
Foreign currency translation differences		2	1	(16)	(29)
<b>Total comprehensive income for the period</b>		<b>4 632</b>	<b>(15 933)</b>	<b>11 534</b>	<b>(40 568)</b>
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Parent Company		4 717	(16 200)	10 806	(40 929)
Non-controlling interests		(85)	267	728	361
<b>Total comprehensive income for the period</b>		<b>4 632</b>	<b>(15 933)</b>	<b>11 534</b>	<b>(40 568)</b>
<b>Basic earnings per share (PLN) attributable to the owners of the Parent Company</b>	8	<b>0,07</b>	<b>(0,24)</b>	<b>0,16</b>	<b>(0,62)</b>
- from continuing operations		0,07	(0,24)	0,16	(0,62)
<b>Diluted earnings per share (PLN) attributable to the owners of the Parent Company</b>	8	<b>0,04</b>	<b>(0,24)</b>	<b>0,10</b>	<b>(0,62)</b>
- from continuing operations		0,04	(0,24)	0,10	(0,62)

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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)

in PLN thousand

	Note	01.07.2013 - 30.06.2014	01.07.2012 - 30.06.2013
Sales revenue		1 391 449	1 193 586
Cost of sales		(1 252 971)	(1 124 970)
<b>Gross profit</b>		<b>138 478</b>	<b>68 616</b>
Other income		13 752	10 394
Distribution expenses		(43 603)	(32 068)
Administrative expenses		(34 206)	(27 657)
Other (losses)/gains - net		(4 502)	5 090
Other expenses		(15 188)	(12 489)
<b>Operating profit before financing costs</b>		<b>54 731</b>	<b>11 886</b>
Financial income		-	20 015
Financial expenses		(48 935)	(89 341)
<b>Net financing costs</b>		<b>(48 935)</b>	<b>(69 326)</b>
Share of profit of associates		(963)	(33)
Gain on bargain purchase	5	8 535	-
<b>Profit/(loss) before tax</b>		<b>13 368</b>	<b>(57 473)</b>
Income tax expense	14	(8 981)	6 605
<b>Profit/(loss) for the period</b>		<b>4 387</b>	<b>(50 868)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Parent Company		3 152	(51 308)
Non-controlling interests		1 235	440
<b>Profit/(loss) for the period</b>		<b>4 387</b>	<b>(50 868)</b>

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

<b>Other comprehensive income</b>			
- that will be reclassified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		7	(2)
<b>Total comprehensive income for the period</b>		<b>4 394</b>	<b>(50 870)</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Parent Company		3 159	(51 310)
Non-controlling interests		1 235	440
<b>Total comprehensive income for the period</b>		<b>4 394</b>	<b>(50 870)</b>
<b>Basic earnings per share (PLN) attributable to the owners of the Parent Company</b>	8	<b>0,05</b>	<b>(0,77)</b>
- from continuing operations		0,05	(0,77)
<b>Diluted earnings per share (PLN) attributable to the owners of the Parent Company</b>	8	<b>0,04</b>	<b>(0,77)</b>
- from continuing operations		0,04	(0,77)

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## Condensed consolidated statement of cash flows

in PLN thousand

	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Profit/(loss) before tax	13 392	(45 059)
<b>Adjustments</b>		
Depreciation	16 591	18 119
Amortization	510	1 431
Foreign exchange losses	1 231	24 953
Net losses/(gains) on disposal of property, plant and equipment	225	(1 032)
Interest, transaction costs (related to loans and borrowings) and dividends, net	28 572	23 913
Change in receivables and prepayments	(13 853)	(25 899)
Change in inventories	(26 957)	(19 209)
Change in trade and other payables	4 909	62 115
Change in provisions	3 583	(186)
Change in employee benefits obligation	(2 804)	(1 831)
Change in government grants and other deferred income	(233)	2 485
Share of profit of associates	541	-
Gain on bargain purchase	(5 321)	-
Other adjustments	52	-
<b>Cash generated from operating activities</b>	<b>20 438</b>	<b>39 800</b>
Income tax refunded/(paid)	259	(29)
<b>Net cash from operating activities</b>	<b>20 697</b>	<b>39 771</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangibles	2 190	5 185
Acquisitions of subsidiaries, net of cash acquired	(189)	-
Interest received	332	123
Dividends received	-	25
Repayment of loans granted	-	328
Acquisition of property, plant and equipment	(2 887)	(2 387)
Acquisition of intangible assets	(45)	(41)
Acquisition of shares in other companies	-	(2 012)
Loans granted	-	(247)
<b>Net cash from investing activities</b>	<b>(599)</b>	<b>974</b>

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>	<b>01.01.2014 - 30.06.2014</b>	<b>01.01.2013 - 30.06.2013</b>
<b>Cash flows from financing activities</b>			
Proceeds from factoring		13 796	-
Repayment of interest-bearing loans and borrowings		(1 435)	(16 640)
Payment of finance lease liabilities		(2 468)	(3 593)
Interest and transaction costs (related to loans and borrowings) paid		(23 441)	(25 665)
Other transactions with the Owner		(300)	(4 200)
<b>Net cash from financing activities</b>		<b>(13 848)</b>	<b>(50 098)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents net of bank overdraft, at 1 January	12	14 778	48 656
- effect of exchange rate fluctuations on cash held		4	5
<b>Cash and cash equivalents net of bank overdraft, at 30 June</b>	12	<b>21 032</b>	<b>39 308</b>
- including cash restricted for use	12	81	-

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## Condensed consolidated statement of cash flows (last twelve months)

in PLN thousand

	01.07.2013 - 30.06.2014	01.07.2012 - 30.06.2013
Profit/(loss) before tax from continuing operations	13 368	(57 473)
<b>Adjustments</b>		
Depreciation	32 873	37 039
Amortization	1 756	3 084
Impairment losses and valuation allowances	31	-
Foreign exchange (gains)/losses	(17 080)	3 484
Net gains on investment activities	-	(1 482)
Net losses/(gains) on disposal of property, plant and equipment	817	(2 924)
Interest, transaction costs (related to loans and borrowings) and dividends, net	71 691	38 860
Change in receivables and prepayments	7 175	13 909
Change in inventories	(63 363)	(14 559)
Change in trade and other payables	(12 966)	19 719
Change in provisions	3 801	(542)
Change in employee benefits obligation	40	(664)
Change in government grants and other deferred income	(3 337)	(590)
Share of profit of associates	996	-
Gain on bargain purchase	(8 535)	-
Other adjustments	52	17
<b>Cash generated from operating activities</b>	<b>27 319</b>	<b>37 878</b>
Income tax refunded/(paid)	74	(42)
<b>Net cash from operating activities</b>	<b>27 393</b>	<b>37 836</b>

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>	<i>Note</i>	<b>01.07.2013 - 30.06.2014</b>	<b>01.07.2012 - 30.06.2013</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangibles		3 047	5 387
Proceeds from sale of other investments		-	5 985
Interest received		773	144
Dividends received		-	25
Repayment of loans granted		-	352
Other inflows from investing activities		4 000	-
Acquisitions of subsidiaries, net of cash acquired		(189)	-
Acquisition of property, plant and equipment		(7 671)	(5 676)
Acquisition of intangible assets		(82)	(1 841)
Loans granted		(3 018)	(247)
Acquisition of other investments		(175)	(7 330)
<b>Net cash from investing activities</b>		<b>(3 315)</b>	<b>(3 201)</b>
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing loans and borrowings		-	2 667
Proceeds from factoring		26 081	-
Repayment of interest-bearing loans and borrowings		(9 795)	(16 765)
Payment of finance lease liabilities		(993)	(6 615)
Interest and transaction costs (related to loans and borrowings) paid		(57 034)	(40 491)
Other transactions with the Owner		(600)	(10 915)
<b>Net cash from financing activities</b>		<b>(42 341)</b>	<b>(72 119)</b>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(18 263)</b>	<b>(37 484)</b>
Cash and cash equivalents net of bank overdraft, at 1 July	12	39 308	76 788
- effect of exchange rate fluctuations on cash held		(13)	4
<b>Cash and cash equivalents net of bank overdraft, at 30 June</b>	12	<b>21 032</b>	<b>39 308</b>

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## Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company						
	Issued share capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Accumulat- ed losses and net result for the period	Total	Non- controlling interests	Total equity
<i>in PLN thousand</i>							
<b>Equity as at 1 January 2013</b>	<b>132 444</b>	<b>141 312</b>	<b>(471)</b>	<b>(109 274)</b>	<b>164 011</b>	<b>12 831</b>	<b>176 842</b>
Total comprehensive income	-	-	(29)	(40 900)	<b>(40 929)</b>	361	<b>(40 568)</b>
- (loss)/profit	-	-	-	(40 900)	<b>(40 900)</b>	361	<b>(40 539)</b>
- foreign currency translation differences relating to foreign operations	-	-	(29)	-	<b>(29)</b>	-	<b>(29)</b>
<b>Transactions with owners of the Company, recognised in equity</b>							
Transfer of profit	-	1 520	-	(1 520)	-	-	-
<b>Equity as at 30 June 2013</b>	<b>132 444</b>	<b>142 832</b>	<b>(500)</b>	<b>(151 694)</b>	<b>123 082</b>	<b>13 192</b>	<b>136 274</b>
<b>Equity as at 1 January 2013</b>	<b>132 444</b>	<b>141 312</b>	<b>(471)</b>	<b>(109 274)</b>	<b>164 011</b>	<b>12 831</b>	<b>176 842</b>
Total comprehensive income	-	-	(6)	(48 570)	<b>(48 576)</b>	868	<b>(47 708)</b>
- (loss)/profit	-	-	-	(48 570)	<b>(48 570)</b>	868	<b>(47 702)</b>
- foreign currency translation differences relating to foreign operations	-	-	(6)	-	<b>(6)</b>	-	<b>(6)</b>
<b>Transactions with owners of the Company, recognised in equity</b>							
Transfer of profit	-	8 263	-	(8 263)	-	-	-
<b>Equity as at 31 December 2013</b>	<b>132 444</b>	<b>149 575</b>	<b>(477)</b>	<b>(166 107)</b>	<b>115 435</b>	<b>13 699</b>	<b>129 134</b>

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

## Condensed consolidated statement of changes in equity - continued

	Attributable to owners of the Parent Company					Total	Non-controlling interests	Total equity
	Note	Issued share capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Accumulated losses and net result for the period			
<i>in PLN thousand</i>								
<b>Equity as at 1 January 2014</b>		<b>132 444</b>	<b>149 575</b>	<b>(477)</b>	<b>(166 107)</b>	<b>115 435</b>	<b>13 699</b>	<b>129 134</b>
Total comprehensive income		-	-	(16)	10 822	<b>10 806</b>	728	<b>11 534</b>
- profit		-	-	-	10 822	<b>10 822</b>	728	<b>11 550</b>
- foreign currency translation differences relating to foreign operations		-	-	(16)	-	<b>(16)</b>	-	<b>(16)</b>
<b>Transactions with owners of the Company, recognised in equity</b>								
Contribution by and distributions to owners of the Company		-	82 331	-	(2 075)	<b>80 256</b>	-	<b>80 256</b>
Options for own equity instruments	7	-	(18 713)	-	-	<b>(18 713)</b>	-	<b>(18 713)</b>
Issuing of exchangeable notes	9	-	101 044	-	-	<b>101 044</b>	-	<b>101 044</b>
Interests on exchangeable notes in the period		-	-	-	(2 075)	<b>(2 075)</b>	-	<b>(2 075)</b>
Changes in ownership interests		-	-	-	(1 943)	<b>(1 943)</b>	9 826	<b>7 883</b>
Acquisition of control over previously equity-accounted investee and other		-	-	-	(1 943)	<b>(1 943)</b>	9 826	<b>7 883</b>
<b>Equity as at 30 June 2014</b>		<b>132 444</b>	<b>231 906</b>	<b>(493)</b>	<b>(159 303)</b>	<b>204 554</b>	<b>24 253</b>	<b>228 807</b>

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## 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. Up until May 2011, the main activity of the Parent Company was distribution of steel products. After May 2011, Cognor S.A. became a holding company.

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

The 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 2014 comprise the financial statements of the Parent Company, its subsidiaries and associates (“the Group”). Details of the subsidiaries and associates that comprise the Group as at 30 June 2014 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 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*
KAPITAŁ S.A. Sp. k.	Poland	Properties	51.0%	2008-03-25*
ZŁOMREX INTERNATIONAL FINANCE S.A.	France	Financial services, former 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*
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03*
COGNOR INTERNATIONAL FINANCE S.A.	United Kingdom	Financial services, bond issuer	100.0%	2013-10-24
ZW PROFIL S.A.	Poland	Manufacture of metal products	51.3%**	2014-04-11
4 GROUPS Sp. z o.o.	Poland	Other services	30.0% (associate)	2013-01-21

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

\*\* interest and voting rights owned by Ferrostal Łabędy Sp. z o.o.

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

Together reach more



ZW Profil S.A. is the Parent Company of the ZW Profil S.A. Group. Details of the subsidiaries that comprise the ZW Profil S.A. Group as at 30 June 2014 are presented in the table below.

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights owned by ZW Profil S.A.	Ownership interest owned by Cognor Capital Group
Przedsiębiorstwo Transportu Samochodowego S.A.	Poland	Transport services	80.0%	42.5%
Profil Centrum Sp. z o.o.	Poland	Other	100.0%	53.1%

On 25 March 2014, Ferrostal Łabędy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. After this transaction Ferrostal Łabędy Sp. z o.o. became the owner of 5 240 shares representing 53.06% of the share capital in ZW Profil S.A. (for details see note 5).

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

### 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 IAS 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 full 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 2013 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

The condensed consolidated interim financial statements as at 30 June 2014 and for the 6 month period then ended were reviewed by the Independent Auditor.

The consolidated financial statements as at 31 December 2013 and for the year then ended were audited by the Independent Auditor.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Parent Company on 29 August 2014.

#### b) Going concern basis of accounting

The condensed consolidated interim financial statements as of and for the 6 month period ended 30 June 2014 have been prepared on the going concern basis.

As a result of a successfully conducted issue of two series of bonds on 4 February 2014 (see note 9), including bonds convertible on shares, the Cognor S.A. Group acquired new, stable and long-term source of financing its operations. In the opinion of the Management Board of Cognor S.A. on the date of preparation of these condensed consolidated interim financial statements, there are no threats that might affect the ability of the Group to continue its activities in the next reporting period.

#### c) Significant accounting policies

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 2013 and for the year then ended.

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**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 the 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 2013.

**4 Segment reporting**

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

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

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

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

**Business segments (for the three months ended 30 June)**

*in PLN thousand*

<b>30.06.2014</b>	<b>Scrap division</b>	<b>Production division</b>	<b>Distribution division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenue from external customers	46 836	309 983	3 348	7 771			
Inter-segment revenue	70 107	15 065	12	4 041			
<b>Total revenue</b>	<b>116 943</b>	<b>325 048</b>	<b>3 360</b>	<b>11 812</b>	-	<b>(89 225)</b>	<b>367 938</b>
Cost of sales to external customers	(44 976)	(279 441)	(2 941)	(4 003)			
Inter-segment cost of sales	(67 438)	(15 199)	(18)	(4 040)			
<b>Total cost of sales</b>	<b>(112 414)</b>	<b>(294 640)</b>	<b>(2 959)</b>	<b>(8 043)</b>	-	<b>86 695</b>	<b>(331 361)</b>
<b>Segment result</b>	<b>4 529</b>	<b>30 408</b>	<b>401</b>	<b>3 769</b>	-	<b>(2 530)</b>	<b>36 577</b>
Other income	466	615	24	1 227	12 175	(11 956)	2 551
Distribution and administrative expenses	(5 289)	(10 700)	(363)	(349)	(4 628)	3 524	(17 805)
Other gain/(losses) - net	468	109	20	(316)	374	4	659
Other expenses	(69)	(2 248)	(18)	(225)	(4 505)	1 690	(5 375)
<b>Operating profit/(loss)</b>	<b>105</b>	<b>18 184</b>	<b>64</b>	<b>4 106</b>	<b>3 416</b>	<b>(9 268)</b>	<b>16 607</b>
Net financing costs	(380)	(2 005)	(4)	87	(23 152)	10 788	(14 666)
Share of profit of associates							(14)
Gain on bargain purchase							3 799
Income tax expense							(1 096)
<b>Profit for the period</b>							<b>4 630</b>

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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			
<b>Total revenue</b>	<b>117 814</b>	<b>296 755</b>	<b>2 391</b>	<b>5 500</b>	-	<b>(84 773)</b>	<b>337 687</b>
Cost of sales to external customers	(40 332)	(266 509)	(2 239)	(4)			
Inter-segment cost of sales	(73 460)	(6 004)	-	22			
<b>Total cost of sales</b>	<b>(113 792)</b>	<b>(272 513)</b>	<b>(2 239)</b>	<b>18</b>	-	<b>79 442</b>	<b>(309 084)</b>
<b>Segment result</b>	<b>4 022</b>	<b>24 242</b>	<b>152</b>	<b>5 518</b>	-	<b>(5 331)</b>	<b>28 603</b>
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/(losses) - net	503	2 906	(5)	247	(261)	(426)	2 964
Other expenses	(223)	(2 741)	(104)	(1)	(424)	494	(2 999)
<b>Operating profit/(loss)</b>	<b>(845)</b>	<b>14 340</b>	<b>(57)</b>	<b>5 613</b>	<b>19 161</b>	<b>(25 889)</b>	<b>12 323</b>
Net financing costs	(369)	(796)	-	-	(51 649)	19 202	(33 612)
Share of profit of associates							(33)
Income tax expense							5 388
<b>Loss for the period</b>							<b>(15 934)</b>

**Business segments (for the six months ended 30 June)**

in PLN thousand

30.06.2014	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	87 114	618 672	5 503	7 985			
Inter-segment revenue	141 920	21 538	12	23 829			
<b>Total revenue</b>	<b>229 034</b>	<b>640 210</b>	<b>5 515</b>	<b>31 814</b>	-	<b>(187 299)</b>	<b>719 274</b>
Cost of sales to external customers	(79 532)	(552 833)	(4 900)	(4 011)			
Inter-segment cost of sales	(140 933)	(21 226)	(18)	(19 831)			
<b>Total cost of sales</b>	<b>(220 465)</b>	<b>(574 059)</b>	<b>(4 918)</b>	<b>(23 842)</b>	-	<b>182 008</b>	<b>(641 276)</b>
<b>Segment result</b>	<b>8 569</b>	<b>66 151</b>	<b>597</b>	<b>7 972</b>	-	<b>(5 291)</b>	<b>77 998</b>
Other income	981	1 065	101	2 382	36 530	(34 551)	6 508
Distribution and administrative expenses	(10 272)	(24 065)	(639)	(529)	(8 044)	6 841	(36 708)
Other gain/(losses) - net	462	152	5	(284)	(20 202)	19 872	5
Other expenses	(131)	(2 819)	(111)	(909)	(6 931)	3 863	(7 038)
<b>Operating profit/(loss)</b>	<b>(391)</b>	<b>40 484</b>	<b>(47)</b>	<b>8 632</b>	<b>1 353</b>	<b>(9 266)</b>	<b>40 765</b>
Net financing costs	(774)	(3 555)	(4)	-	(62 585)	34 765	(32 153)
Share of profit of associates							(541)
Gain on bargain purchase							5 321
Income tax expense							(1 842)
<b>Profit for the period</b>							<b>11 550</b>



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in PLN thousand

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

**Business segments (for the twelve months ended 30 June)**

in PLN thousand

	30.06.2014	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers		175 187	1 195 037	12 716	8 509			
Inter-segment revenue		305 537	40 841	16	39 762			
<b>Total revenue</b>		<b>480 724</b>	<b>1 235 878</b>	<b>12 732</b>	<b>48 271</b>	-	<b>(386 156)</b>	<b>1 391 449</b>
Cost of sales to external customers		(155 602)	(1 081 940)	(11 392)	(4 037)			
Inter-segment cost of sales		(308 224)	(35 649)	(22)	(19 972)			
<b>Total cost of sales</b>		<b>(463 826)</b>	<b>(1 117 589)</b>	<b>(11 414)</b>	<b>(24 009)</b>	-	<b>363 867</b>	<b>(1 252 971)</b>
<b>Segment result</b>		<b>16 898</b>	<b>118 289</b>	<b>1 318</b>	<b>24 262</b>	-	<b>(22 289)</b>	<b>138 478</b>
Other income		2 470	2 742	177	5 228	101 365	(98 230)	13 752
Distribution and administrative expenses		(21 358)	(58 053)	(1 486)	(946)	(15 438)	19 472	(77 809)
Other gain/(losses) - net		742	2 831	(35)	(364)	20 210	(27 886)	(4 502)
Other expenses		(593)	(7 058)	(243)	(1 214)	(27 511)	21 431	(15 188)
<b>Operating profit/(loss)</b>		<b>(1 841)</b>	<b>58 751</b>	<b>(269)</b>	<b>26 966</b>	<b>78 626</b>	<b>(107 502)</b>	<b>54 731</b>
Net financing costs		(2 117)	(7 175)	(34)	(2 976)	(120 749)	84 116	(48 935)
Share of profit of associates								(963)
Gain on bargain purchase								8 535
Income tax expense								(8 981)
<b>Profit for the period</b>								<b>4 387</b>

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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			
<b>Total revenue</b>	<b>452 833</b>	<b>985 989</b>	<b>12 396</b>	<b>21 660</b>	-	(279 292)	<b>1 193 586</b>
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)			
<b>Total cost of sales</b>	<b>(437 378)</b>	<b>(928 609)</b>	<b>(11 954)</b>	<b>(2 848)</b>	-	255 819	<b>(1 124 970)</b>
<b>Segment result</b>	<b>15 455</b>	<b>57 380</b>	<b>442</b>	<b>18 812</b>	-	(23 473)	<b>68 616</b>
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)
<b>Operating profit/(loss)</b>	<b>(7 376)</b>	<b>15 963</b>	<b>1 841</b>	<b>24 877</b>	<b>63 745</b>	<b>(87 164)</b>	<b>11 886</b>
Net financing costs	(292)	(5 539)	(46)	(2 267)	(138 617)	77 435	(69 326)
Share of profit of associates							(33)
Income tax expense							6 605
<b>Loss for the period</b>							<b>(50 868)</b>

in PLN thousand

30.06.2014	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
Segment assets	75 039	691 352	11 321	25 444	193 125	<b>996 281</b>
Segment liabilities	21 604	150 651	5 556	4 884	584 779	<b>767 474</b>

in PLN thousand

31.12.2013	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
Segment assets	73 106	630 559	6 700	18 645	181 455	<b>910 465</b>
Segment liabilities	33 698	123 461	1 901	8 202	614 069	<b>781 331</b>

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	207 651	<b>938 866</b>
Segment liabilities	30 814	142 816	747	4 619	623 596	<b>802 592</b>

**Unallocated assets**

in PLN thousand

	30.06.2014	31.12.2013	30.06.2013
Long-term and short-term investments	23 184	11 542	8 447
Investments in associates	1 917	4 946	1 979
Deferred tax assets	68 852	74 319	78 353
Investment property	-	-	603
Current income tax receivables	33	12	86
Cash and cash equivalents	27 260	14 778	47 792
Assets classified as held for sale	8 672	8 951	9 760
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	63 207	66 907	60 631
	<b>193 125</b>	<b>181 455</b>	<b>207 651</b>

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**Unallocated liabilities**

in PLN thousand

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.06.2013</b>
Interest-bearing loans and borrowings	489 603	569 583	577 363
Bank overdraft	6 228	-	8 484
Deferred tax liabilities	4 770	11 637	8 738
Employee benefits obligation	10 990	10 563	7 719
Government grants and other deferred income	117	117	3 221
Current income tax payables	-	152	165
Other liabilities	73 071	22 017	17 906
	<b>584 779</b>	<b>614 069</b>	<b>623 596</b>

**5 Acquisition of ZW Profil S.A. Group**

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

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

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

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

As a result of the acquisition of ZW Profil S.A. a surplus of the share in the fair value of identifiable net assets acquired over the consideration transferred in the total amount of PLN 8 535 thousand was recognised (including PLN 5 321 thousand recognised in these condensed consolidated interim financial statements for the six month period ended 30 June 2014). The gain on bargain purchase results, among other things, from fair value remeasurement of property, plant and equipment and perpetual usufruct of land. An adjustment to fair values was based mainly on an expert's valuation of buildings, structures and perpetual usufruct of land. In respect of other assets, the Company estimated their fair values based on market prices and expected useful life.

From the acquisition date up to 30 June 2014, ZW Profil S.A. Group accomplished sales revenue in the amount of PLN 15 669 thousand and incurred a net loss in the amount of PLN 668 thousand that were included in the condensed consolidated interim financial statements of Cognor S.A. Group. The Management of the Group assessed that if the acquisition had occurred on 1 January 2014, the consolidated sales revenue would have increased by PLN 6 884 thousand in the first half of 2014 and the consolidated profit would have increased by PLN 366 thousand. In determining these amounts, the Management has assumed that the fair value adjustments made at the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

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

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

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

**Gain on bargain purchase**

Consideration transferred for additional 18.71% shares	121
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	8 318
Fair value of existing interest at the date of obtaining control	4 767
Fair value of identifiable net assets	(15 766)
<b>Gain on bargain purchase recognized during the six months ended on 30 June 2014</b>	<b>2 560</b>
Remeasurement to fair value*	2 761
<b>Gain on bargain purchase recognized in the statement of profit or loss and other comprehensive income</b>	<b>5 321</b>

\* The remeasurement to fair value of the Group's existing 30.32% shares in ZW Profil S.A. Group resulted in a gain of PLN 2 761 thousand mainly due to the final settlement of the acquisition of 30.32% shares based on the fair value of acquired assets and liabilities. This gain has been included as gain on bargain purchase in the condensed consolidated interim financial statements for the six-month period ended 30 June 2014.

**6 Property, plant and equipment**

During the three months ended 30 June 2014, the Group acquired property, plant and equipment at a cost of PLN 2 374 thousand (three months ended 30 June 2013: PLN 1 594 thousand). Assets with a net book value of PLN 83 thousand were disposed of during the three months ended 30 June 2014 (three months ended 30 June 2013: PLN 108 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 544 thousand (three months ended 30 June 2013: a net gain on disposal of PLN 25 thousand).

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at a cost of PLN 4 200 thousand (six months ended 30 June 2013: PLN 5 541 thousand). Assets with a net book value of PLN 2 121 thousand were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: PLN 1 448 thousand). On the sale of property, plant and equipment the Group achieved a net loss on disposal of PLN 689 thousand (six months ended 30 June 2013: a net gain on disposal of PLN 321 thousand).

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During the twelve months ended 30 June 2014, the Group acquired property, plant and equipment at a cost of PLN 9 630 thousand (twelve months ended 30 June 2013: PLN 9 086 thousand). Assets with a net book value of PLN 2 452 thousand were disposed of during the twelve months ended 30 June 2014 (twelve months ended 30 June 2013: PLN 1 432 thousand). On the sale of property, plant and equipment the Group achieved a net loss on disposal of PLN 841 thousand (twelve months ended 30 June 2013: a net profit on disposal of PLN 1 237 thousand).

**Capital commitments**

As at 30 June 2014 the Group had capital commitments in the amount of PLN 1 206 thousand (31 December 2013: PLN 752 thousand; 30 June 2013: PLN 710 thousand).

**7 Equity**

**Issued share capital**

	30.06.2014	31.12.2013	30.06.2013
Registered shares number at reporting date	66 222 248	66 222 248	66 222 248
Number of issued warrants	66 220 000	66 220 000	6 622
<b>Nominal value of 1 share</b>	<b>2 PLN</b>	<b>2 PLN</b>	<b>2 PLN</b>

At 30 June 2014, the Parent Company's share capital comprised 66 222 248 ordinary shares (31 December 2013: 66 222 248; 30 June 2013: 66 222 248) with a nominal value of PLN 2 each.

On 19 August 2011, the Parent Company completed the resolution no. 13 of the General Meeting of Shareholders of the Company dated 14 March 2011 and issued 6 622 series B warrants with the nominal value of PLN 50. Warrants entitled to acquire 66 220 000 ordinary shares of new issue no. 9 with the conversion price of 4 PLN for 1 share. Under the resolution of the Management Board dated 13 September 2011 warrants were allocated in the following way:

- Zlomrex S.A. (presently Huta Stali Jakościowych S.A.) 6 086 warrants;
- other shareholders – 536 warrants.

As a result of the agreement signed on 20 September 2011 Zlomrex S.A. sold all its warrants to PS Holdco Sp. z o.o. and on 3 February 2014 PS Holdco Sp. z o.o. transferred these warrants to Cognor International Finance plc, a company established in the United Kingdom, a direct subsidiary of Huta Stali Jakościowych S.A.

On 30 December 2013, the General Meeting of Shareholders of the Company made changes to the issue of series B subscription warrants by their division in this way that each of the 6 622 warrants with a nominal value of PLN 50 was divided into 10 000 warrants with a nominal value of PLN 0.005 each. As a result of this division, holders of warrants will have the right to cover no more than 66 220 000 ordinary shares of Cognor S.A. Warrants may be converted into shares at a conversion price of PLN 2.35 per share.

On 30 December 2013, the General Meeting of Shareholders of the Company passed a resolution to issue up to 200 units of series C subscription warrants with the right to acquire no more than 200 ordinary shares of the Company of new issue no. 10. Warrants will be offered for subscription by way of a private subscription directed to PS Holdco Sp. z o.o. The conversion price of 1 warrant of series C is PLN 1 million.

Implementation of these agreements / resolutions may have an impact on the current proportion of shares held by particular shareholders, the quantification of this impact depends on the amount and the time in which the described operations would take place.

In accordance with the bonds' issue agreement the Group is permitted to pay dividends up to the limit of EUR 5 million. There were no dividends declared or paid in the reporting periods.

The ownership structure as at 30 June 2014 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

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

The ownership structure as at the date of the publication of latest condensed consolidated interim financial statements (15 May 2014) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

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

The ownership structure as at the date of the publication of these condensed consolidated interim financial statements (29 August 2014) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

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

In the reporting period, there were no transactions that could have changed the ownership structure.

The Parent Company's equity contains the capital payment in the amount of PLN 145 995 thousand on the basis of the Agreement signed on 29 August 2011 between Cognor S.A. and PS Holdco Sp. z o.o. regarding the financing of shares' purchase of Złomrex S.A. by Cognor S.A.

On 30 December 2011, an annex no. 1 to the Agreement dated 29 August 2011 was signed between Cognor S.A. and PS Holdco Sp. z o.o., which establishes that Cognor S.A. will make the payments for purchased shares of Złomrex S.A. immediately upon receiving from PS Holdco Sp. z o.o. the converting price of subscription warrants covered by PS Holdco Sp. z o.o.



On 13 September 2012 Cognor S.A. and PS Holdco Sp. z o.o. signed annex no. 2 to the Agreement of 29 August 2011 on the financing of acquisition of shares of Złomrex S.A. pursuant to which the parties have changed the payment of interests, the maturity of which will fall at the date of a coverage of the conversion price of subscription warrants. To this day Cognor S.A. will be obliged to partial repayment in such amounts that the total amount of the unpaid part of the price, including accrued interest does not fall below the value of PLN 145 995 116.10.

In connection with allocation of the series B warrants and other equity instruments owned by PS Holdco Sp. z o.o. for use in the restructuring process of the Group (for details see note 9), on 31 March 2014 PS Holdco Sp. z o.o. and Cognor S.A. signed an annex no. 3 to the agreement of 29 August 2011 on the financing of the purchase of shares of Złomrex S.A., which upheld the existing mechanism of the price settlement concerning shares of Złomrex S.A. and additionally linked this agreement with restructuring activities. In particular:

- payment of the price with reservations described in Annex 1 to the Agreement will take place immediately on the receipt of a payment from PS Holdco Sp. z o.o. of the conversion price of series B and/or series C of subscription warrants;
- PS Holdco Sp. z o.o. committed itself that in the period up to 31 December 2021 it will pay an appropriate quantity of warrants so the amount of the payment was at least the equivalent of the required price (an extension of settlement of the obligation and the recapitalization of the Company in relation to the linkage of subscription warrants series B with Exchangeable Notes);
- the interest rate of liability to PS Holdco Sp. z o.o. was maintained at the level of 7% p.a.

The date of the liability's settlement relating to the purchase of shares of Złomrex S.A. and the recapitalization of the company were prolonged to 31 December 2021 in reference to connection between subscription warrants of series B and Exchangeable Notes.

As a result of signed annex no. 3, in these condensed consolidated interim financial statements it was recognized a liability to the Owner in the amount of PLN 43 028 thousand constituting discounted interest payments. This liability in the part attributable to equity instruments (options for own equity instruments), whose usage is solely under the control of the Group, is presented, including deferred tax, as a decrease of equity (as at 30 June 2014: the amount of PLN 18 713 thousand), while the rest of the liability is presented in current assets as other investments (as at 30 June 2014: the amount of PLN 17 738 thousand). Options recognised in current assets are valued at historical cost less depreciation / usage or expiration of the right to use its own equity instruments.

## **8 Earnings per share**

The calculation of basic earnings per share for the three-month period ended 30 June 2014 was based on the gain attributable to ordinary shareholders of PLN 4 715 thousand (the three-month period ended 30 June 2013: loss PLN 16 201 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 June 2014 of 66 222 thousand (the three-month period ended 30 June 2013: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the three months ended 30 June 2014 was 114 039 thousand \* (the weighted average number of shares used to calculate diluted loss per share during the three months ended 30 June 2013 was 66 222 thousand).

The calculation of basic earnings per share for the six-month period ended 30 June 2014 was based on the gain attributable to ordinary shareholders of PLN 10 822 thousand (the six-month period ended 30 June 2013: loss PLN 40 900 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2014 of 66 222 thousand (the six-month period ended 30 June 2013: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the six months ended 30 June 2014 was 106 069 thousand \* (the weighted average number of shares used to calculate diluted loss per share during the six months ended 30 June 2013 was 66 222 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2014 was based on the gain attributable to ordinary shareholders of PLN 3 152 thousand (the twelve-month period ended 30 June 2013: loss PLN 51 308 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2014 of 66 222 thousand (the twelve-month period ended 30 June 2013: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2014 was 86 146 thousand \* (the weighted average number of shares used to calculate diluted loss per share during the twelve months ended 30 June 2013 was 66 222 thousand).

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\* The calculation of diluted earnings per share was based on the number of ordinary shares and the number of potential ordinary shares which would have been issued upon the conversion of a nominal value of the convertible bonds and interest attributable to these bonds in the period from February to June 2014.

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 price of warrants conversion. 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.

## 9 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.06.2014	31.12.2013	30.06.2013
<b>Non-current liabilities</b>			
Secured fixed interest rate debt	398 843	-	-
Finance lease liabilities	6 704	6 677	5 462
Secured bank loans	1 957	-	-
	<b>407 504</b>	<b>6 677</b>	<b>5 462</b>
<b>Current liabilities</b>			
Current portion of secured fixed interest rate debt*	19 358	515 742	528 340
Current portion of finance lease liabilities	3 541	2 472	1 570
Factoring and bill of exchange liabilities	36 846	29 367	22 718
Reverse factoring	21 642	15 325	10 914
Other borrowings	-	-	8 359
Current portion of secured bank loans	712	-	-
	<b>82 099</b>	<b>562 906</b>	<b>571 901</b>
Bank overdraft	6 228	-	8 484
	<b>88 327</b>	<b>562 906</b>	<b>580 385</b>

\* As at 30 June 2013 and 31 December 2013, the bond liabilities were presented as short-term borrowings as they were due for settlement in February 2014. As at 30 June 2014 the bond liabilities are presented as long-term borrowings (accrued interests as current liabilities) following the refinancing conducted on 4 February 2014 (see below).

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

The Senior Secured Notes have an aggregate principal amount of EUR 100 348 109, mature on 1 February 2020, interest will be payable semi-annually in arrears on 1 February and 1 August in each year and depend on the interest payment periods:

- 1st and 2nd year – 7.5%
- 3rd year – 10.0%
- 4th to 6th year – 12.5%.

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

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



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

- (i) deliver (or procure the issue or transfer and delivery of) Cognor S.A. shares,
- (ii) pay a cash settlement amount, or
- (iii) a combination thereof.

Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

In these condensed consolidated interim financial statements the Exchangeable Notes are presented within reserve equity.

Within the debt restructuring process described above, on 3 February 2014 PS Holdco Sp. z o.o. transferred to Cognor International Finance plc (CIF) an ownership of 60 860 000 of subscription warrants of series B that are convertible into 60 860 000 shares of Cognor S.A. for a remuneration in the amount of PLN 304 thousand and also entered into an option agreement for delivery of additional 30.082.812 shares of Cognor S.A. free of charge in order to secure the holders of the Exchangeable Notes with the possibility of conversion them into shares. The transfer of warrants was a key element enabling the structuring of terms of Exchangeable Notes in a manner acceptable to investors and thus the successful finalization of the issue. Terms of the agreement between PS Holdco Sp. z o.o. and Cognor International Finance plc provide among other things, that warrants not used for conversion of the bonds into shares will be transferred back to PS Holdco Sp. z o.o. Depending on a choice of a payment form of the Exchangeable Notes' coupon up to 15 million warrants may return to PS Holdco Sp. z o.o. Their exact number will be known after the final settlement of the Exchangeable Notes of Cognor S.A.

## **10 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 4 February 2011 (refer also to note 16), 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 above mentioned agreements is remote. The obligations will expire no later than in 2017.

## **11 Related parties**

### **Identity of related parties**

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

#### **Owner:**

- PS Holdco Sp. z o.o.

#### **Related parties not consolidated:**

- Odlewnia Metali Szopienice Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Złomrex Finans Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Złomrex China Limited (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- AB Stahl AG
- Profil Centrum Sp. z o.o. (control obtained on April 1st, 2014)

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**Companies controlled by the owner:**

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

**Associates:**

- 4 Groups Sp. z o.o.
- ZW Profil S.A. (from September 13th, 2013 till March 31, 2014)
- Przedsiębiorstwo Transportu Samochodowego S.A. (from September 13th, 2013 till March 31, 2014)
- Profil Centrum Sp. z o.o. (from September 13th, 2013 till March 31, 2014)

in PLN thousand

	30.06.2014	31.12.2013	30.06.2013
<i>Short-term receivables:</i>			
- related parties (not consolidated)	7 603	9 997	6 840
- associates	-	-	9
- owner	9	9	7
- companies controlled by the owner	442	34	24
<i>Short-term investments (options for own equity instruments)</i>			
- owner*	17 738	-	-
<i>Short-term liabilities</i>			
- related parties (not consolidated)	54	602	68
- associates	58	6 850	54
- owner	10 290	12 638	6 153
- companies controlled by the owner	248	245	237
<i>Loans granted</i>			
- related parties (not consolidated)	3 762	3 642	3 501
- owner	400	533	800
<i>Other liabilities</i>			
- owner*	43 028	-	-

\* please refer to note 7 for the details of presentation of transaction with PS Holdco Sp. z o.o.

in PLN thousand	01.04.2014 - 30.06.2014	01.04.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013	01.07.2013 - 30.06.2014	01.07.2012 - 30.06.2013
<i>Revenues from sale of products</i>						
- associates	-	-	-	-	17	-
<i>Revenues from sale of services</i>						
- related parties (not consolidated)	115	225	230	232	490	247
- associates	7	7	14	12	2	12
- owner	1	1	1	1	2	2
- companies controlled by the owner	26	22	57	45	104	224
<i>Revenues from sale of raw materials and commodities</i>						
- related parties (not consolidated)	4 265	2 436	7 731	4 021	19 339	14 904
- companies controlled by the owner	251	-	251	2	251	3
<i>Purchase of commodities and raw materials</i>						
- related parties (not consolidated)	3 153	2 560	6 120	4 014	12 284	6 800
- companies controlled by the owner	159	150	388	290	768	1 016
<i>Purchase of services</i>						
- related parties (not consolidated)	-	6	-	6	7	6
- associates	140	104	6 908	206	7 295	206
- companies controlled by the owner	581	923	1 104	1 045	2 196	1 624
<i>Other income</i>						
- related parties (not consolidated)	57	-	127	271	277	823
- owner	8	7	17	7	50	7
- associates	-	3	-	3	-	3

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<i>Other gain - net</i>						
- companies controlled by the owner	4	-	4	-	4	-
<i>Other expenses</i>						
- related parties (not consolidated)	-	-	-	-	-	(4)
<i>Financial income/(costs)</i>						
- related parties (not consolidated)	-	-	-	-	(4)	(5)
- owner	119	(2 395)	(2 188)	(4 659)	(7 805)	(9 501)

## 12 Cash and cash equivalents

in PLN thousand

	30.06.2014	30.06.2013
Cash in bank	22 656	34 690
Cash in bank restricted in use	81	-
Cash in hand	292	252
Short-term bank deposit	4 218	12 850
Other	13	-
<b>Cash and cash equivalents in the statement of financial position</b>	<b>27 260</b>	<b>47 792</b>
Bank overdrafts	(6 228)	(8 484)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>21 032</b>	<b>39 308</b>

## 13 Financial instruments

### Financial instruments measured at fair values

As at 30 June 2014, 31 December 2013 and 30 June 2013 there were no financial instruments measured at fair value.

### Fair values

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

- Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
- Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
- Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates (level 2 in fair value hierarchy).
- Fixed rate debt securities. Due to the short term from the date of the bonds' issue and stable level of market rates within this period, the level of credit risk of the debt securities as at 30 June 2014 has not significantly changed, therefore the fair value of the bonds may be assumed to approximate to their carrying amount of PLN 416 136 thousand (level 2 in fair value hierarchy). Up until the date of preparation of these condensed consolidated interim financial statements there were no market transactions on the above mentioned bonds. As at 31 December 2013 the fair value of bonds amounted to PLN 318.174 thousand – the amount was estimated on the basis of market transactions on bonds in the period close to reporting day (level 2 in fair value hierarchy). The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which is similar to the interest rate

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**14 Reconciliation of effective tax rate**

*in PLN thousand*

	<b>01.04.2014 - 30.06.2014</b>	<b>01.04.2013 - 30.06.2013</b>	<b>01.04.2013 - 30.06.2013</b>	<b>01.04.2013 - 30.06.2013</b>
Profit/(loss) before tax	<b>100.0%</b>	<b>5 726</b>	<b>100.0%</b>	<b>(21 322)</b>
Income tax using the domestic corporation tax rate	(19.0%)	(1 088)	(19.0%)	4 051
Effect of tax rates in foreign jurisdictions	1.3%	73	0.5%	(117)
Non-deductible costs	(9.0%)	(517)	0.6%	(126)
Tax exempt income	15.6%	891	(1.4%)	295
Utilisation of tax losses not recognised in previous years	4.1%	235	(0.1%)	15
Tax losses for which no deferred tax asset was recognised	(0.5%)	(30)	-	-
Adjustment to prior years' income tax	7.2%	412	1.8%	(380)
Adjustment to prior years' deferred tax asset/liabilities	(15.6%)	(896)	(6.2%)	1 330
Other	(3.1%)	(176)	(1.5%)	320
	<b>(19.1%)</b>	<b>(1 096)</b>	<b>(25.3%)</b>	<b>5 388</b>

*in PLN thousand*

	<b>01.01.2014 - 30.06.2014</b>	<b>01.01.2014 - 30.06.2014</b>	<b>01.01.2013 - 30.06.2013</b>	<b>01.01.2013 - 30.06.2013</b>
Profit/(loss) before tax	<b>100.0%</b>	<b>13 392</b>	<b>100.0%</b>	<b>(45 059)</b>
Income tax using the domestic corporation tax rate	(19.0%)	(2 544)	(19.0%)	8 561
Effect of tax rates in foreign jurisdictions	(0.8%)	(106)	0.6%	(269)
Non-deductible costs	(11.1%)	(1 483)	1.2%	(559)
Tax exempt income	9.8%	1 316	(1.5%)	662
Utilisation of tax losses not recognised in previous years	1.8%	235	(0.7%)	296
Tax losses for which no deferred tax asset was recognised	(0.8%)	(113)	8.0%	(3 621)
Adjustment to prior years' income tax	3.1%	412	0.8%	(380)
Adjustment to prior years' deferred tax asset/liabilities	3.8%	510	0.6%	(290)
Other	(0.5%)	(69)	(0.3%)	120
	<b>(13.8%)</b>	<b>(1 842)</b>	<b>(10.0%)</b>	<b>4 520</b>

*in PLN thousand*

	<b>01.07.2013 - 30.06.2014</b>	<b>01.07.2013 - 30.06.2014</b>	<b>01.07.2012 - 30.06.2013</b>	<b>01.07.2012 - 30.06.2013</b>
Profit/(loss) before tax	<b>100.0%</b>	<b>13 368</b>	<b>100.0%</b>	<b>(57 473)</b>
Income tax using the domestic corporation tax rate	(19.0%)	(2 539)	(19.0%)	10 920
Effect of tax rates in foreign jurisdictions	1.8%	243	0.1%	(41)
Non-deductible costs	(28.5%)	(3 808)	11.8%	(6 798)
Tax exempt income	17.2%	2 305	(8.0%)	4 605
Utilisation of tax losses not recognised in previous years	(0.5%)	(61)	-	-
Temporary differences for which no deferred tax asset was recognised	(64.0%)	(8 550)	-	-
Tax losses for which no deferred tax asset was recognised	24.5%	3 390	6.2%	(3 564)
Adjustment to prior years' income tax	(16.3%)	(2 176)	0.5%	(282)
Adjustment to prior years' deferred tax asset/liabilities	16.5%	2 203	-	-
Other	0.1%	12	(3.1%)	1 765
	<b>(67.2%)</b>	<b>(8 981)</b>	<b>(11.5%)</b>	<b>6 605</b>

**15 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.

## 16 Proceedings before a court, an arbitration or a public authority

The Group is involved in a number of court proceedings, the vast majority of acting as plaintiff. Cognor S.A. is not a defendant in any single or group of procedures that together could materially affect financial results or the level of commitments. There are two legal proceedings relating to receivables not covered by the write-downs that fill the criterion of significance:

- claims against the Republic of Croatia due to the implementation of the agreement of 16 October 2009 (relating to the sale of shares in Zeljezara Split), as well as on payments of receivables in the amount of PLN 41.6 million - equivalent of EUR 10.0 million. In 2012 Cognor S.A. instituted a legal proceeding under the jurisdiction of the Republic of Croatia, as well as before the International Court of Arbitration. In the opinion of the Management of the Parent Company, supported by consultation with legal advisers and based on the progress of the case, a recoverability of this receivables is high, however the time of the end of the proceeding is evaluated as longer than 12 months from the date of these condensed consolidated interim financial statements.

- a claim against the companies: Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH (from Mechel Group) related to the implementation of obligations under the agreement dated 4 February 2011 for the sale of shares in a Cognor Stahlhandel GmbH (the Agreement) and the payment of the amount of PLN 7.2 million. On 15 January 2014, Cognor S.A. obtained a favourable award of the Arbitration Tribunal requesting the respondents to fulfill their obligations in accordance with the request contained in the claim (Ruling).

On 1 July 2014, respondents prepared and provided financial records, which more closely meets the conditions of the Agreement and Ruling. Cognor S.A. conducted an analysis of the documentation and obtained a limited access to the accounting books of the companies. Despite further existing material deficiencies in financial records as well as restrictions on access to the accounting books, Cognor S.A. decided to launch the next stage of the procedure of the disputes' resolution provided for by the Agreement and called on the respondents on 12 August 2014 to a conciliatory settlement. Depending on a further development of the case Cognor S.A. will promptly take next steps provided for by the Agreement and available in the relevant jurisdiction.

## 17 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	3 832	till termination of trade agreement
Ferrostal Łabędy Sp. z o.o.	Trade liability	2 100	for an indefinite period

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	1 001	till 2018
Złomrex Metal Sp. z o.o.	Factoring	50 000	for an indefinite period

Liabilities relating to the Senior Secured Notes listed on the Luxemburg Stock Exchange (Euro MTF) issued by a subsidiary Cognor International Finance plc with a total carrying amount of PLN 416 136 thousand as at 30 June 2014, was secured by:

- first ranking financial pledges established on:

- (i) shares of Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o. and Kapitał S.A.
- (ii) certain fixed assets of Cognor S.A. currently leased by Ferrostal Łabędy Sp. z o.o.
- (iii) certain fixed assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
- (iv) Intercompany Proceeds Note issued by Huta Stali Jakościowych S.A.

- mortgages established over the real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.

- an English law equitable charge over all the shares in Cognor International Finance plc

- submission to enforcement by Cognor International Finance plc and each of the Guarantors in a form of notarial deed.

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 bank overdraft in mBank S.A. (previously 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. 28 May 2015. In 2014 the limit has been split between Ferrostal Łabędy Sp. z o.o. (PLN 3.7 million) and Huta Stali Jakościowych S.A. (PLN 6.3 million). As at 30 June 2014, only Huta Stali Jakościowych S.A. utilised this credit line and the liability amounted to PLN 5 320 thousand.

The bank overdraft incurred by the subsidiary ZW Profil S.A. is secured by a collateral mortgage to the amount of PLN 12 750 thousand established over perpetual usufruct of land, an assignment of insurance policy of the above mentioned properties, a blank bill of exchange and a clause of a deduction from the company's bank accounts in PKO Bank Polski S.A.

A repayment of an investment credit of a subsidiary ZW Profil S.A. is secured by a blank bill of exchange, an ordinary mortgage in the amount of PLN 7 000 thousand and a collateral mortgage up to the amount of PLN 1 100 thousand over the perpetual usufruct of land, buildings and structures situated on this land as well as the transfer of assignment of the insurance policy of the above mentioned properties.

## **18 Subsequent events**

There were no subsequent events to be disclosed in these condensed consolidated interim financial statements.

Poraj, 29 August 2014

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*