

**Cognor S.A.**  
**Condensed Consolidated**  
**Interim Financial Statements**  
**as at 30 June 2015**

28 August 2015

## Condensed consolidated statement of financial position

in PLN thousand

	Note	30.06.2015	31.12.2014	30.06.2014
<b>Assets</b>				
Property, plant and equipment	5	280 140	289 565	294 874
Intangible assets		10 772	11 338	11 762
Investments in associates		3 196	3 232	1 917
Other investments		13 682	13 768	295
Other receivables		67	34	41 647
Prepaid perpetual usufruct of land		22 450	22 794	24 623
Deferred tax assets		82 394	81 932	68 852
<b>Total non-current assets</b>		<b>412 701</b>	<b>422 663</b>	<b>443 970</b>
Inventories		318 455	283 058	268 707
Other investments		4 424	4 607	22 889
Current income tax receivables		10	10	33
Trade and other receivables		245 847	187 421	224 750
Cash and cash equivalents	11	20 969	35 648	27 260
Non-current assets classified as held for sale		7 110	7 110	8 672
<b>Total current assets</b>		<b>596 815</b>	<b>517 854</b>	<b>552 311</b>
<b>Total assets</b>		<b>1 009 516</b>	<b>940 517</b>	<b>996 281</b>

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

## Condensed consolidated statement of financial position - continued

<i>in PLN thousand</i>	<i>Note</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
<b>Equity</b>				
Issued share capital	6	132 444	132 444	132 444
Reserves		202 193	202 193	231 906
Foreign currency translation reserves		(525)	(540)	(493)
Accumulated losses from previous years and net result for the period		(169 100)	(168 074)	(159 303)
<b>Total equity attributable to owners of the Parent Company</b>		<b>165 012</b>	<b>166 023</b>	<b>204 554</b>
Non-controlling interests		21 546	21 263	24 253
<b>Total equity</b>		<b>186 558</b>	<b>187 286</b>	<b>228 807</b>
<b>Liabilities</b>				
Interest-bearing loans and borrowings	8	392 497	408 896	407 504
Employee benefits obligation		9 597	9 597	9 230
Other liabilities		35 351	34 294	762
Deferred tax liabilities		11 356	11 011	4 770
<b>Total non-current liabilities</b>		<b>448 801</b>	<b>463 798</b>	<b>422 266</b>
Bank overdraft	8	5 574	6 969	6 228
Interest-bearing loans and borrowings	8	110 193	87 402	82 099
Employee benefits obligation		2 429	4 588	1 760
Current income tax liabilities		90	105	-
Provisions for liabilities		3 818	6 535	7 213
Trade and other liabilities		251 936	183 717	247 791
Government grants and other deferred income		117	117	117
<b>Total current liabilities</b>		<b>374 157</b>	<b>289 433</b>	<b>345 208</b>
<b>Total liabilities</b>		<b>822 958</b>	<b>753 231</b>	<b>767 474</b>
<b>Total equity and liabilities</b>		<b>1 009 516</b>	<b>940 517</b>	<b>996 281</b>

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

<i>in PLN thousand</i>	<i>Note</i>	01.04.2015 - 30.06.2015	01.04.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
Sales revenue		353 147	367 938	723 929	719 274
Cost of products, goods and materials sold		(322 714)	(331 361)	(661 551)	(641 276)
<b>Gross profit</b>		<b>30 433</b>	<b>36 577</b>	<b>62 378</b>	<b>77 998</b>
Other income		703	2 551	2 155	6 508
Distribution expenses		(11 881)	(10 616)	(22 946)	(21 008)
Administrative expenses		(8 376)	(7 189)	(18 422)	(15 700)
Other gains/(losses) - net		1 426	659	(1 096)	5
Other expenses		(1 409)	(5 375)	(3 476)	(7 038)
<b>Operating profit before financing costs</b>		<b>10 896</b>	<b>16 607</b>	<b>18 593</b>	<b>40 765</b>
Financial income		-	-	11 586	-
Financial expenses		(21 204)	(14 666)	(27 542)	(32 153)
<b>Net financing costs</b>		<b>(21 204)</b>	<b>(14 666)</b>	<b>(15 956)</b>	<b>(32 153)</b>
Share of profits of associates		(46)	(14)	(36)	(541)
Gain on bargain purchase		-	3 799	-	5 321
<b>(Loss)/profit before tax</b>		<b>(10 354)</b>	<b>5 726</b>	<b>2 601</b>	<b>13 392</b>
Income tax expense	13	3 452	(1 096)	(1 470)	(1 842)
<b>(Loss)/profit for the period</b>		<b>(6 902)</b>	<b>4 630</b>	<b>1 131</b>	<b>11 550</b>
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Parent Company		(6 943)	4 715	401	10 822
Non-controlling interests		41	(85)	730	728
<b>(Loss)/profit for the period</b>		<b>(6 902)</b>	<b>4 630</b>	<b>1 131</b>	<b>11 550</b>
<b>Other comprehensive income</b>					
<b>- that will be classified subsequently to profit or loss when specific conditions are met</b>					
Foreign currency translation differences		56	2	15	(16)
<b>Total comprehensive income for the period</b>		<b>(6 846)</b>	<b>4 632</b>	<b>1 146</b>	<b>11 534</b>
<b>Total comprehensive income for the period attributable</b>					
Owners of the Parent Company		(6 887)	4 717	416	10 806
Non-controlling interests		41	(85)	730	728
<b>Total comprehensive income for the period</b>		<b>(6 846)</b>	<b>4 632</b>	<b>1 146</b>	<b>11 534</b>
<b>Basic earnings per share (PLN) attributable to the owners of the Parent Company</b>	7	<b>(0,10)</b>	<b>0,07</b>	<b>0,01</b>	<b>0,16</b>
<b>Diluted earnings per share (PLN) attributable to the owners of the Parent Company</b>	7	<b>(0,06)</b>	<b>0,04</b>	<b>-</b>	<b>0,10</b>

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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 integral 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

### Continuing operations

	Note	01.07.2014 - 30.06.2015	01.07.2013 - 30.06.2014
Sales revenue		1 427 201	1 391 449
Cost of products, goods and materials sold		(1 296 138)	(1 252 971)
<b>Gross profit</b>		<b>131 063</b>	<b>138 478</b>
Other income		7 030	13 752
Distribution expenses		(44 971)	(43 603)
Administrative expenses		(41 218)	(34 206)
Other gains - net		(454)	(4 502)
Other expenses		(7 597)	(15 188)
<b>Operating profit before financing costs</b>		<b>43 853</b>	<b>54 731</b>
Financial income		13 375	-
Financial expenses		(64 481)	(48 935)
<b>Net financing costs</b>		<b>(51 106)</b>	<b>(48 935)</b>
Share of profits of associates		(121)	(963)
Gain on bargain purchase		538	8 535
<b>(Loss)/profit before tax</b>		<b>(6 836)</b>	<b>13 368</b>
Income tax expense	13	6 162	(8 981)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(674)</b>	<b>4 387</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations, net of tax		(4 047)	-
<b>(Loss)/profit for the period</b>		<b>(4 721)</b>	<b>4 387</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Parent Company		(10 387)	3 152
Non-controlling interests		5 666	1 235
<b>(Loss)/profit for the period</b>		<b>(4 721)</b>	<b>4 387</b>

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

	01.07.2014 - 30.06.2015	01.07.2013 - 30.06.2014
<b>Other comprehensive income</b>		
- that will be classified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	(32)	7
<b>Total comprehensive income for the period</b>	<b>(4 753)</b>	<b>4 394</b>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Parent Company	(10 419)	3 159
Non-controlling interests	5 666	1 235
<b>Total comprehensive income for the period</b>	<b>(4 753)</b>	<b>4 394</b>
<b>Basic earnings per share (PLN) attributable to the owners of the Parent Company</b>	<b>7 (0,16)</b>	<b>0,05</b>
- from continuing operations	(0,10)	0,05
- from discontinued operations	(0,06)	-
<b>Diluted earnings per share (PLN) attributable to the owners of the Parent Company</b>	<b>7 (0,09)</b>	<b>0,04</b>
- from continuing operations	(0,06)	0,04
- from discontinued operations	(0,03)	-

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## Condensed consolidated statement of cash flows

in PLN thousand

### Cash flows from operating activities

	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
Profit before tax	2 601	13 392
<b>Adjustments</b>		
Depreciation	17 264	16 591
Amortization	330	510
Impairment losses and valuation allowances of property, plant and equipment, intangible assets and non-current assets classified as held for sale	86	-
Foreign exchange (gains)/losses	(8 831)	1 231
Net (gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets classified as held for sale	(385)	225
Interest, transaction costs (related to loans and borrowings) and dividends, net	19 906	28 572
Change in receivables and prepayments	(58 462)	(13 853)
Change in inventories	(35 397)	(26 957)
Change in trade and other payables	70 352	4 909
Change in provisions	(4 126)	3 583
Change in employee benefits obligation	(2 159)	(2 804)
Change in government grants and other deferred income	-	(233)
Share of loss of associates	36	541
Gain on bargain purchase	-	(5 321)
Other adjustments	-	52
<b>Cash generated from operating activities</b>	<b>1 215</b>	<b>20 438</b>
Income tax (paid)/refunded	(192)	259
<b>Net cash from operating activities</b>	<b>1 023</b>	<b>20 697</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangible assets	1 792	2 190
Acquisitions of subsidiaries, net of cash transferred	(96)	(189)
Interest received	40	332
Repayment of loans granted	1 294	-
Other outflows from investing activities	205	-
Acquisition of property, plant and equipment	(8 061)	(2 887)
Acquisition of intangible assets	(146)	(45)
Loans granted	(1 200)	-
<b>Net cash from investing activities</b>	<b>(6 172)</b>	<b>(599)</b>

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## Condensed consolidated statement of cash flows - continued

<i>in PLN thousand</i>	<i>Note</i>	<b>01.01.2015 - 30.06.2015</b>	<b>01.01.2014 - 30.06.2014</b>
<b>Cash flows from financing activities</b>			
Proceeds relating to factoring		13 742	13 796
Repayment of interest-bearing loans and borrowings		(387)	(1 435)
Payment of finance lease liabilities		(1 087)	(2 468)
Interest and transaction costs (related to loans and borrowings) paid		(21 587)	(23 441)
Other transactions with the Owner		(292)	(300)
<b>Net cash from financing activities</b>		<b>(8 113)</b>	<b>(13 848)</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents net of bank overdraft, at 1 January	<i>11</i>	28 679	14 778
- effect of exchange rate fluctuations on cash held		(22)	4
<b>Cash and cash equivalents net of bank overdraft, at 30 June</b>	<i>11</i>	<b>15 395</b>	<b>21 032</b>
- including cash restricted for use	<i>11</i>	2	81

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

<i>in PLN thousand</i>	<b>01.07.2014 - 30.06.2015</b>	<b>01.07.2013 - 30.06.2014</b>
<b>Cash flows from operating activities</b>		
<b>Continuing operations</b>		
(Loss)/profit before tax from continuing operations	<b>(6 836)</b>	<b>13 368</b>
<b>Adjustments</b>		
Depreciation	34 662	32 873
Amortization	903	1 756
Impairment losses and valuation allowances of property, plant and equipment, intangible assets and non-current assets classified as held for sale	86	31
Foreign exchange losses/ (gains)	4 500	(17 080)
Net losses on disposal of property, plant and equipment, intangible assets and non-current assets classified as held for sale	162	817
Interest, transaction costs (related to loans and borrowings) and dividends, net	35 536	71 691
Change in receivables and prepayments	(24 437)	7 175
Change in inventories	(49 748)	(63 363)
Change in trade and other payables	44 562	(12 966)
Change in provisions	(1 817)	3 801
Change in employee benefits obligation	1 036	40
Change in government grants and other deferred income	-	(3 337)
Share of losses of associates	121	996
Gain on bargain purchase	(538)	(8 535)
Other adjustments	(548)	52
<b>Cash generated from continuing operations</b>	<b>37 644</b>	<b>27 319</b>
<b>Discontinued operations</b>		
Loss before tax from discontinued operations	<b>(4 252)</b>	-
<b>Adjustments</b>		
Net losses on disposal of property, plant and equipment	1 408	-
Change in receivables	(2 278)	-
<b>Cash outflows from discontinued operations</b>	<b>(5 122)</b>	-
<b>Cash generated from operating activities</b>	<b>32 522</b>	<b>27 319</b>
Income tax (paid)/refunded	(401)	74
- continuing operations	(401)	74
- discontinued operations	-	-
<b>Net cash from operating activities</b>	<b>32 121</b>	<b>27 393</b>

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

<i>in PLN thousand</i>	<i>Note</i>	<b>01.07.2014 - 30.06.2015</b>	<b>01.07.2013 - 30.06.2014</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		9 380	3 047
Interest received		49	773
Repayment of loans granted		1 927	-
Other inflows from investing activities		205	4 000
Acquisitions of subsidiaries, net of cash transferred		(269)	(189)
Acquisition of property, plant and equipment		(20 836)	(7 671)
Acquisition of intangible assets		(295)	(82)
Acquisition of assets held for sale		(406)	-
Loans granted		(1 200)	(3 018)
Acquisition of other investments		-	(175)
<b>Cash outflows on investing activities from continuing operations</b>		<b>(11 445)</b>	<b>(3 315)</b>
Cash generated from discontinued operations		6 500	-
<b>Net cash from investing activities</b>		<b>(4 945)</b>	<b>(3 315)</b>
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing loans and borrowings		2 132	-
Proceeds relating to factoring		11 580	26 081
Repayment of interest-bearing loans and borrowings		517	(9 795)
Payment of finance lease liabilities		(4 121)	(993)
Interest and transaction costs (related to loans and borrowings) paid		(42 424)	(57 034)
Other transactions with the Owner		(492)	(600)
<b>Cash outflows on financing activities from continuing operations</b>		<b>(32 808)</b>	<b>(42 341)</b>
Cash outflows from discontinued operations		-	-
<b>Net cash from financing activities</b>		<b>(32 808)</b>	<b>(42 341)</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents net of bank overdraft, at 1 July	<i>11</i>	21 032	39 308
- effect of exchange rate fluctuations on cash held		(5)	(13)
<b>Cash and cash equivalents net of bank overdraft, at 30 June</b>	<i>11</i>	<b>15 395</b>	<b>21 032</b>

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## Condensed consolidated statement of changes in equity

Attributable to owners of the Parent Company							
Note	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Accumulated losses from previous years and net result for the period	Total	Non-controlling interests	Total equity
<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 for the period	-	-	-	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	-	(18 713)	-	-	(18 713)	-	(18 713)
Issuing of exchangeable notes	-	101 044	-	-	101 044	-	101 044
Interests on exchangeable notes in the period	-	-	-	(2 075)	<b>(2 075)</b>	-	<b>(2 075)</b>
Change in ownership interests	-	-	-	(1 943)	<b>(1 943)</b>	9 826	<b>7 883</b>
Obtaining control over previously equity-accounted investee and other	-	-	-	(1 943)	(1 943)	9 826	7 883
<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>
<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	-	-	(63)	34	(29)	5 664	<b>5 635</b>
- profit for the period	-	-	-	34	<b>34</b>	5 664	<b>5 698</b>
- foreign currency translation differences relating to foreign operations	-	-	(63)	-	<b>(63)</b>	-	<b>(63)</b>
<b>Transactions with owners of the Company, recognised in equity</b>							
Contribution by and distributions to owners of the Company	-	46 914	-	(2 561)	<b>44 353</b>	-	<b>44 353</b>
Options for own equity instruments	-	(14 256)	-	-	<b>(14 256)</b>	-	<b>(14 256)</b>
Issuing of exchangeable notes	8	100 385	-	-	<b>100 385</b>	-	<b>100 385</b>
Interests on exchangeable notes in the period	-	-	-	(2 561)	<b>(2 561)</b>	-	<b>(2 561)</b>
Other settlements with the Owner	-	(39 215)	-	-	<b>(39 215)</b>	-	<b>(39 215)</b>
Change in ownership interests	-	-	-	6 523	<b>6 523</b>	1 882	<b>8 405</b>
Obtaining control over previously equity-accounted investee and other	-	-	-	6 523	6 523	1 882	8 405
Transfer of profit	-	5 704	-	(5 704)	-	-	-
Other	-	-	-	(259)	<b>(259)</b>	18	<b>(241)</b>
<b>Equity as at 31 December 2014</b>	<b>132 444</b>	<b>202 193</b>	<b>(540)</b>	<b>(168 074)</b>	<b>166 023</b>	<b>21 263</b>	<b>187 286</b>

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

## Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company						
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Accumulated losses from previous years and net result for the period	Total	Non-controlling interests	Total equity
<i>in PLN thousand</i>							
<b>Equity as at 1 January 2015</b>	<b>132 444</b>	<b>202 193</b>	<b>(540)</b>	<b>(168 074)</b>	<b>166 023</b>	<b>21 263</b>	<b>187 286</b>
Total comprehensive income	-	-	15	401	<b>416</b>	730	<b>1 146</b>
- profit for the period	-	-	-	401	<b>401</b>	730	<b>1 131</b>
- foreign currency translation differences relating to foreign operations	-	-	15	-	<b>15</b>	-	<b>15</b>
<b>Transactions with owners of the Company, recognised in equity</b>							
Contribution by and distributions to owners of the Company	-	-	-	(1 245)	<b>(1 245)</b>	-	<b>(1 245)</b>
Interests on exchangeable notes in the period	-	-	-	(1 245)	<b>(1 245)</b>	-	<b>(1 245)</b>
Changes in the ownership interests	-	-	-	374	<b>374</b>	(470)	<b>(96)</b>
Acquisition on non-controlling interest without change in control	-	-	-	374	<b>374</b>	(470)	<b>(96)</b>
Other	-	-	-	(556)	<b>(556)</b>	23	<b>(533)</b>
<b>Equity as at 30 June 2015</b>	<b>132 444</b>	<b>202 193</b>	<b>(525)</b>	<b>(169 100)</b>	<b>165 012</b>	<b>21 546</b>	<b>186 558</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. Till 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. 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.

## 2 Cognor S.A. Group

The condensed consolidated interim financial statements as at and for the six months ended 30 June 2015 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries and associates that comprise the Group as at 30 June 2015 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. komandytowa	Poland	Properties	51.0%	2008-03-25*
ZŁOMREX INTERNATIONAL FINANCE S.A. in liquidation	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*
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03*
COGNOR INTERNATIONAL FINANCE plc	Great Britain	Financial services, Bond issuer	100.0%	2013-10-24
4 GROUPS Sp. z o.o.	Poland	Other services	30.0% (associate)	2013-01-21
ZW PROFIL S.A.	Poland	Manufacture of metal products	95.72%**	2014-04-11
FER HOLDING Sp. z o.o.	Poland	Holding	100.0%**	2015-04-30
HSJ HOLDING Sp. z o.o.	Poland	Holding	100.0%	2015-05-04

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

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

ZW Profil S.A. is the parent company of the ZW Profil S.A. Group. Details of the subsidiaries that comprise ZW Profil S.A. Group at 30 June 2015 are presented in the following table:

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights owned by ZW Profil S.A.	Ownership interest and voting rights in Cognor Group
Przedsiębiorstwo Transportu Samochodowego S.A.	Poland	Transport services	89.1%	78.8%
Profil Centrum Sp. z o.o.	Poland	Other	100.0%	88.5%
Madrohut Sp. z o.o.	Poland	Production of aggregates from blast furnace slag and steel-mill waste	22.3% (associate)	19.7%

### Acquisitions, mergers and disposals of subsidiaries

#### Establishment of subsidiaries in 2015

On 30 April 2015, the National Register Court has registered new company FER Holding Sp. z o.o. established by Ferrostal Łąbędy Sp. z o.o. which owns 100% of shares in the company.

On 4 May 2015, the National Register Court has registered new company HSJ Holding Sp. z o.o. established by Huta Stali Jakościowych S.A. which owns 100% of shares in the company.

#### Acquisitions in 2015

In first half of 2015, ZW Profil S.A. has entered into a number of agreements to purchase shares in Przedsiębiorstwo Transportu Samochodowego S.A. ZW Profil S.A. has acquired 4,836 shares in Przedsiębiorstwo Transportu Samochodowego S.A. for the amount of PLN 97 thousand. As a result the ownership interests has increased from 80% as at December 31, 2014 to 89.09% as at June 30, 2015.

## 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 Financial Reporting Standard 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 2014 prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS EU).

These condensed interim consolidated financial statements as at 30 June 2015 and for the six months then ended were reviewed by the independent auditor.

The consolidated financial statements as at 31 December 2014 and for the year then ended were audited by the auditor.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Parent Company on 28 August 2015.

### b) Going concern basis of accounting

The condensed consolidated financial statements as of and for the period ended 30 June 2015 have been prepared on the going concern basis. In the opinion of the Management Board of Cognor S.A. on the date of preparation of these condensed interim consolidated financial statements, there are no threats that could affect the ability of the Group to continue its activities in the next twelve-month 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 for 2014.

### d) Estimates and judgements

The preparation of interim 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 accounting 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 2014.

## 4 Segment reporting

Operating segments classification has not changed and is consistent with the policies described in the consolidated financial statements as at and for the year ended 31 December 2014.

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

in PLN thousand

30.06.2015	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	65 093	275 734	3 927	8 393			
Inter-segment revenue	64 453	18 868	-	4 271			
<b>Total revenue</b>	<b>129 546</b>	<b>294 602</b>	<b>3 927</b>	<b>12 664</b>	-	<b>(87 592)</b>	<b>353 147</b>
Cost of sales to external customers	(61 886)	(254 308)	(3 437)	(4 963)			
Inter-segment cost of sales	(60 262)	(18 006)	-	(3 564)			
<b>Total cost of sales</b>	<b>(122 148)</b>	<b>(272 314)</b>	<b>(3 437)</b>	<b>(8 527)</b>	-	<b>83 712</b>	<b>(322 714)</b>
<b>Segment result</b>	<b>7 398</b>	<b>22 288</b>	<b>490</b>	<b>4 137</b>	-	<b>(3 880)</b>	<b>30 433</b>
Other income	312	344	10	1 373	14 208	(15 544)	703
Distribution and administrative expenses	(5 914)	(14 706)	(391)	(104)	(3 083)	3 941	(20 257)
Other gains/(losses) net	427	(120)	6	7	1 071	35	1 426
Other expenses	(172)	(322)	(4)	(56)	(1 117)	262	(1 409)
<b>Operating profit/(loss)</b>	<b>2 051</b>	<b>7 484</b>	<b>111</b>	<b>5 357</b>	<b>11 079</b>	<b>(15 186)</b>	<b>10 896</b>
Net financing costs	(375)	(1 218)	(1)	(172)	(41 591)	22 153	(21 204)
Share of loss of associates							(46)
Gain on bargain purchase							-
Income tax expense							3 452
<b>Loss for the period</b>							<b>(6 902)</b>

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	<b>30.06.2014</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 gains/(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 loss of associates								(14)
Gain on bargain purchase								3 799
Income tax expense								(1 096)
<b>Profit for the period</b>								<b>4 630</b>

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

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	<b>30.06.2015</b>							
Revenue from external customers		117 701	583 116	6 327	16 785			
Inter-segment revenue		121 680	36 611	-	10 330			
<b>Total revenue</b>		<b>239 381</b>	<b>619 727</b>	<b>6 327</b>	<b>27 115</b>	-	<b>(168 621)</b>	<b>723 929</b>
Cost of sales to external customers		(112 564)	(536 582)	(5 685)	(15 551)			
Inter-segment cost of sales		(114 589)	(35 067)	-	(3 440)			
<b>Total cost of sales</b>		<b>(227 153)</b>	<b>(571 649)</b>	<b>(5 685)</b>	<b>(18 991)</b>	-	<b>161 927</b>	<b>(661 551)</b>
<b>Segment result</b>		<b>12 228</b>	<b>48 078</b>	<b>642</b>	<b>8 124</b>	-	<b>(6 694)</b>	<b>62 378</b>
Other income		640	923	127	2 785	28 742	(31 062)	2 155
Distribution and administrative expenses		(10 928)	(29 160)	(703)	(572)	(7 317)	7 312	(41 368)
Other gains/(losses) net		408	(1 201)	8	(20)	(273)	(18)	(1 096)
Other expenses		(218)	(1 944)	(25)	(68)	(1 653)	432	(3 476)
<b>Operating profit/(loss)</b>		<b>2 130</b>	<b>16 696</b>	<b>49</b>	<b>10 249</b>	<b>19 499</b>	<b>(30 030)</b>	<b>18 593</b>
Net financing costs		(697)	(2 389)	(2)	(284)	(44 086)	31 502	(15 956)
Share of losses of associates								(36)
Gain on bargain purchase								-
Income tax expense								(1 470)
<b>Profit for the period</b>								<b>1 131</b>



<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	<b>30.06.2014</b>							
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 (loss)/profit</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 losses of associates								(541)
Gain on bargain purchase								5 321
Income tax expense								(1 842)
<b>Profit for the period</b>								<b>11 550</b>

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

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	<b>30.06.2015</b>							
Revenue from external customers		221 180	1 155 022	14 898	36 101			
Inter-segment revenue		239 473	83 523	79	30 020			
<b>Total revenue</b>		<b>460 653</b>	<b>1 238 545</b>	<b>14 977</b>	<b>66 121</b>	-	<b>(353 095)</b>	<b>1 427 201</b>
Cost of sales to external customers		(219 087)	(1 038 720)	(13 379)	(33 783)			
Inter-segment cost of sales		(218 786)	(69 774)	(60)	(7 137)			
<b>Total cost of sales</b>		<b>(437 873)</b>	<b>(1 108 494)</b>	<b>(13 439)</b>	<b>(40 920)</b>	-	<b>304 588</b>	<b>(1 296 138)</b>
<b>Segment result</b>		<b>22 780</b>	<b>130 051</b>	<b>1 538</b>	<b>25 201</b>	-	<b>(48 507)</b>	<b>131 063</b>
Other income		1 626	3 814	182	4 979	65 229	(68 800)	7 030
Distribution and administrative expenses		(22 351)	(68 038)	(1 461)	(1 250)	(14 408)	21 319	(86 189)
Other gain/(losses) net		744	2 209	(17)	232	4 055	(7 677)	(454)
Other expenses		(744)	(3 584)	(71)	(2 800)	(43 912)	43 514	(7 597)
<b>Operating profit/(loss)</b>		<b>2 055</b>	<b>64 452</b>	<b>171</b>	<b>26 362</b>	<b>10 964</b>	<b>(60 151)</b>	<b>43 853</b>
Net financing costs		(1 663)	(4 924)	(39)	(1 820)	(122 261)	79 601	(51 106)
Share of losses of associates								(121)
Gain on bargain purchase								538
Income tax expense								6 162
<b>Loss for the period</b>								<b>(674)</b>

<i>in PLN thousand</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribution division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>30.06.2014</b>							
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 losses of associates								(963)
Gain on bargain purchase								8 535
Income tax expense								(8 981)
<b>Profit for the period</b>								<b>4 387</b>

<i>in PLN thousand</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
	<b>30.06.2015</b>						
Segment assets		81 162	733 307	5 773	29 748	159 526	<b>1 009 516</b>
Segment liabilities		36 311	186 776	1 588	5 906	592 377	<b>822 958</b>

<i>in PLN thousand</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
	<b>31.12.2014</b>						
Segment assets		71 543	660 006	5 652	34 281	169 035	<b>940 517</b>
Segment liabilities		20 286	136 672	191	8 364	587 718	<b>753 231</b>

<i>in PLN thousand</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
	<b>30.06.2014</b>						
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>

#### Unallocated assets

*in PLN thousand*

	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Long-term and short-term investments	21 302	21 607	25 101
Deferred tax assets	82 394	81 932	68 852
Income tax receivable	10	10	33
Cash and cash equivalents	20 969	35 648	27 260
Assets held for sale	7 110	7 110	8 672
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	27 741	22 728	63 207
	<b>159 526</b>	<b>169 035</b>	<b>193 125</b>

## Unallocated liabilities

in PLN thousand

	30.06.2015	31.12.2014	30.06.2014
Interest-bearing loans and borrowings	502 690	496 298	489 603
Bank overdraft	5 574	6 969	6 228
Deferred tax liabilities	11 356	11 011	4 770
Employee benefits	12 026	14 185	10 990
Government grants and other deferred income	117	117	117
Current income tax payables	90	105	-
Other liabilities	60 524	59 033	73 071
	<b>592 377</b>	<b>587 718</b>	<b>584 779</b>

## 5 Property, plant and equipment

During the three months ended 30 June 2015, the Group acquired property, plant and equipment at a cost of PLN 5 534 thousand (three months ended 30 June 2014: PLN 2 374 thousand). Assets with a net book value of PLN 600 thousand were disposed of during the three months ended 30 June 2015 (three months ended 30 June 2014: PLN 83 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 553 thousand (three months ended 30 June 2014: a net gain on disposal of PLN 544 thousand).

During the six months ended 30 June 2015, the Group acquired property, plant and equipment at a cost of PLN 8 520 thousand (six months ended 30 June 2014: PLN 4 200 thousand). Assets with a net book value of PLN 962 thousand were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: PLN 2 121 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 748 thousand (six months ended 30 June 2014: a net loss on disposal of PLN 689 thousand).

During the twelve months ended 30 June 2015, the Group acquired property, plant and equipment at a cost of PLN 43 713 thousand (twelve months ended 30 June 2014: PLN 9 630 thousand). Assets with a net book value of PLN 7 318 thousand were disposed of during the twelve months ended 30 June 2015 (twelve months ended 30 June 2014: PLN 2 452 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 84 thousand (twelve months ended 30 June 2014: a net loss on disposal of PLN 841 thousand).

### Capital commitments

As at 30 June 2015 the Group had capital commitments in the amount of PLN 3 017 thousand (31 December 2014: PLN 4 609 thousand; 30 June 2014: PLN 1 206 thousand).

## 6 Equity

### Issued share capital

	30.06.2015	31.12.2014	30.06.2014
Registered shares number at reporting date	66 222 248	66 222 248	66 222 248
Number of issued warrants	66 220 200	66 220 200	66 220 200
<b>Nominal value of 1 share</b>	<b>2 PLN</b>	<b>2 PLN</b>	<b>2 PLN</b>

At 30 June 2015, the Parent Company's share capital comprised 66 222 248 ordinary shares (31 December 2014: 66 222 248; 30 June 2014: 66 222 248) with a nominal value of PLN 2 each.

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

The ownership structure as at 30 June 2015 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>100.00%</b>	<b>66 222 248</b>	<b>100.00%</b>

\* Przemysław Sztuczowski owns 100% of 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 latest condensed consolidated interim financial statements (15 May 2015) 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>100.00%</b>	<b>66 222 248</b>	<b>100.00%</b>

\* Przemysław Sztuczowski owns 100% of 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 these condensed consolidated interim financial statements (28 August 2015) 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	65.88%	43 691 307	65.88%
TFI PZU	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 222 290	27.48%	18 222 290	27.48%
<b>Total</b>	<b>66 313 737</b>	<b>100.00%</b>	<b>66 313 737</b>	<b>100.00%</b>

\* Przemysław Sztuczowski owns 100% of 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.

In July and August 2015 share capital was increased by 91,489 shares series no. 9. These shares were subscribed by other shareholders. The increase was related to the conversion of Exchangeable Notes into shares of Cognor S.A.

On 18 August 2015 the Management Board of Cognor S.A. adopted the resolution based on the authorization of the General Meeting, on allocating 457 446 shares of series no. 9 to the investor, in connection to his conversion request of Exchangeable Notes to shares of Cognor S.A.

Information on conditional capital increase and the principles on which the PS Holdco Sp. z o.o. transferred to the Group ownership of subscription warrants series B was presented in the annual consolidated financial statements for 2014 and in note no. 8 to these condensed interim consolidated financial statements.

## 7 Earnings per share

The calculation of basic earnings per share for the three-month period ended 30 June 2015 was based on the loss attributable to ordinary shareholders of PLN 6 943 thousand (the three-month period ended 30 June 2014: net gain PLN 4 715 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 June 2015 of 66 222 thousand (the three-month period ended 30 June 2014: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the three months ended 30 June 2015 was 113 656 thousand\* (30 June 2014: 114 039 thousand\*).

The calculation of basic earnings per share for the six-month period ended 30 June 2015 was based on the gain attributable to ordinary shareholders of PLN 401 thousand (the six-month period ended 30 June 2014: gain PLN 10 822 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2015 of 66 222 thousand (the six-month period ended 30 June 2014: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the six months ended 30 June 2015 was 113 465 thousand\* (30 June 2014: 106 069 thousand\*).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2015 was based on the loss attributable to ordinary shareholders of PLN 10 387 thousand (the twelve-month period ended 30 June 2014: gain PLN 3 152 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2015 of 66 222 thousand (the twelve-month period ended 30 June 2014: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2015 was 113 465 thousand\* (30 June 2014: 86 146 thousand\*).

\*The calculation of diluted earnings per share was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in the given periods excluding interest paid in these periods.

As at 30 June 2015, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share warrants was based on quoted average market prices for the period during which the warrants were outstanding.

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

in PLN thousand

### Non-current liabilities

Secured fixed interest rate debt	381 105	397 088	398 843
Finance lease liabilities	9 366	9 637	6 704
Secured bank loans	1 246	1 602	1 957
Other borrowings	780	569	-
	<b>392 497</b>	<b>408 896</b>	<b>407 504</b>

### Current liabilities

Current portion of secured fixed interest rate debt	32 546	25 965	19 358
Current portion of finance lease liabilities	5 202	3 990	3 541
Factoring and bill of exchange liabilities	41 519	33 408	36 846
Reverse factoring	28 549	22 918	21 642
Other borrowings	1 665	409	-
Current portion of secured bank loans	712	712	712
	<b>110 193</b>	<b>87 402</b>	<b>82 099</b>

Bank overdraft	5 574	6 969	6 228
	<b>115 767</b>	<b>94 371</b>	<b>88 327</b>

In the first half of 2015 Cognor S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o.) utilised bank overdraft in mBank S.A. Based on Annex No. 10 dated 29 June 2015 the contract has been extended till 29 June 2016 and the limit increased from PLN 9.1 million to PLN 25 million.

As at 30 June 2015, the bank overdraft was utilised as follows: Ferrostal Łabędy Sp. z o.o. PLN 944 thousand, Huta Stali Jakościowych S.A. PLN 4 630 thousand.

### **Secured fixed interest debt**

On 4 February 2014, Cognor International Finance plc, established in the United Kingdom (a subsidiary of Huta Stali Jakościowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Złomrex 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-Walcoznia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal SP. z o.o. and Kapitał S.A.

Liability for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) of the book value of PLN 413 651 thousand on 30 June 2015 was secured as follows:

- financial pledge on shares of companies: Złomrex Metal Sp. z o.o., ZW-Walcoznia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o. and Kapitał S.A.;
- registered pledge on:
  - (i) shares in the following companies: Złomrex Metal Sp. z o.o., ZW-Walcoznia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o. and Kapitał S.A.
  - (ii) certain non-current assets of Cognor S.A. currently leased to Ferrostal Łabędy Sp. z o.o.,
  - (iii) certain non-current assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcoznia Bruzdowa Sp. z o.o.,
  - (iv) issued by Huta Stali Jakościowych S.A. intercompany bonds;
- mortgages on real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcoznia Bruzdowa Sp. z o.o.;
- governed by English law a lien on the shares of the issuer Cognor International Finance plc;
- statements of execution notarially confirmed by Cognor International Finance plc and all companies which guarantee issuance of Senior Secured Notes.

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

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

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

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

## **Liabilities to the Owner**

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 bonds into shares. The transfer of warrants was a key element enabling the structuring of terms of Exchangeable Notes in a manner acceptable to investors and thus the successful finalization of the issue. Terms of the agreement between PS Holdco Sp. z o.o. and Cognor International Finance plc provide among other things, that warrants not used for 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.

## **9 Contingencies, guarantees and other commitments**

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

### **Contingencies**

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

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

## **10 Related parties**

### **Identity of related parties**

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

#### **Owner:**

- PS Holdco Sp. z o.o.

#### **Related parties not consolidated are as follows:**

- Odlewnia Metali Szopienice Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Złomrex Finanse 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. (from April 11th, 2014)

#### **Companies controlled by the owner:**

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

#### **Associates (consolidated equity method):**

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

in PLN thousand	30.06.2015	31.12.2014	30.06.2014
<i>Short-term receivables:</i>			
- related parties (not consolidated)	6 474	7 647	7 603
- associates	3	-	-
- owner	7	7	9
- companies controlled by the owner	18	18	442
<i>Other investments (option on own shares)</i>			
- owner	13 513	13 513	17 738
<i>Trade and other liabilities</i>			
- related parties (not consolidated)	434	280	54
- associates	44	57	58
- owner	41 617	40 396	53 318
- companies controlled by the owner	461	256	248
<i>Loans granted</i>			
- related parties (not consolidated)	3 950	3 834	3 762
- owner	110	203	400
<i>Loans received</i>			
- companies controlled by the owner	-	344	-

in PLN thousand	01.04.2015 - 30.06.2015	01.04.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	01.07.2014 - 30.06.2015	01.07.2013 - 30.06.2014
<i>Revenues from sale of products</i>						
- associates	-	-	-	-	-	17
<i>Revenues from sale of services</i>						
- related parties (not consolidated)	118	115	237	230	476	490
- associates	7	7	14	14	29	2
- owner	1	1	1	1	1	2
- companies controlled by the owner	(44)	26	(44)	57	17	104
<i>Revenues from sale of raw materials and</i>						
- related parties (not consolidated)	6 535	4 265	10 662	7 731	19 212	19 339
- companies controlled by the owner	-	251	-	251	-	251
<i>Purchase of commodities and raw materials</i>						
- related parties (not consolidated)	3 915	3 153	7 788	6 120	12 021	12 284
- companies controlled by the owner	411	159	795	388	1 290	768
<i>Purchase of services</i>						
- related parties (not consolidated)	-	-	-	-	-	7
- associates	125	140	248	6 908	562	7 295
- companies controlled by the owner	498	581	1 072	1 104	1 883	2 196
<i>Other income</i>						
- related parties (not consolidated)	58	57	115	127	234	277
- owner	3	8	7	17	7 489	50
- associates	-	-	-	-	-	-
<i>Other gain/(losses) net</i>						
- companies controlled by the owner	-	4	-	4	-	4
<i>Other expenses</i>						
- related parties (not consolidated)	-	-	-	-	-	-
<i>Financial income/(costs)</i>						
- related parties (not consolidated)	-	-	-	-	(5)	(4)
- owner	(598)	119	(1 514)	(2 188)	(3 702)	(7 805)



## 11 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	30.06.2015	31.12.2014	30.06.2014
Cash in bank	18 255	24 137	22 656
Cash in bank restricted in use	311	395	81
Cash in hand	412	253	292
Short-term bank deposit	1 989	10 859	4 218
Other	2	4	13
<b>Cash and cash equivalents</b>	<b>20 969</b>	<b>35 648</b>	<b>27 260</b>
Bank overdrafts	(5 574)	(6 969)	(6 228)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>15 395</b>	<b>28 679</b>	<b>21 032</b>

## 12 Financial instruments

### Financial instruments measured at fair values

As at 30 June 2015, 31 December 2014 and 30 June 2014 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. The fair value of bonds at 30 June 2015 amounted to PLN 415 167 thousand (31 December 2014: PLN 435 863 thousand) - due to lack of market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date, fair value as at 30 June 2015 was determined with use of valuation model which was based on the market interest rate changes in the period from the date of bond issue to 30 June 2015 (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 applicable for liabilities with similar risk.

## 13 Reconciliation of effective tax rate

in PLN (in thousands)	01.04.2015- 30.06.2015	01.04.2015- 30.06.2015	01.04.2014 - 30.06.2014	01.04.2014 - 30.06.2014
(Loss)/profit before tax	100.0%	(10 354)	100.0%	5 726
Income tax using the domestic corporation tax rate	19.0%	1 967	(19.0%)	(1 088)
Effect of tax rates in foreign jurisdictions	-	-	13.0%	73
Non-deductible costs	(7.3%)	(761)	(9.0%)	(517)
Tax exempt income	1.4%	149	15.6%	891
Utilisation of tax losses not recognised in previous years	2.0%	212	4.1%	235
Tax losses for which no deferred tax asset was recognised	11.3%	1 173	(0.5%)	(30)
Adjustment to income tax for previous years	-	-	7.2%	412
Adjustment to deferred tax asset/liabilities for previous years	-	-	(15.6%)	(896)
Temporary differences for which no deferred tax was recognised	3.5%	362	-	-
Other	3.4%	350	(3.2%)	(176)
	<b>33.3%</b>	<b>3 452</b>	<b>(19.1%)</b>	<b>(1 096)</b>

in PLN (in thousands)

	01.01.2015- 30.06.2015	01.01.2015- 30.06.2015	01.01.2014 - 30.06.2014	01.01.2014 - 30.06.2014
Profit before tax	<b>100.0%</b>	<b>2 601</b>	<b>100.0%</b>	<b>13 392</b>
Income tax using the domestic corporation tax rate	(19.0%)	(494)	(19.0)%	(2 544)
Effect of tax rates in foreign jurisdictions	-	-	(0.8%)	(106)
Non-deductible costs	(75.2%)	(1 957)	(11.1%)	(1 483)
Tax exempt income	6.5%	168	9.8%	1 316
Utilisation of tax losses not recognised in previous years	10.6%	277	1.8%	235
Tax losses for which no deferred tax asset was recognised	(28.1%)	(732)	(0.8%)	(113)
Adjustment to income tax for previous years	-	-	3.1%	412
Adjustment to deferred tax asset/liabilities for previous years	16.6%	432	3.8%	510
Temporary differences for which no deferred tax was recognised	26.7%	694	-	-
Other	5.6%	142	(0.5%)	(69)
	<b>(56.5%)</b>	<b>(1 470)</b>	<b>(13.7%)</b>	<b>(1 842)</b>

in PLN (in thousands)

	01.07.2014- 30.06.2015	01.07.2014 - 30.06.2015	01.07.2013 - 30.06.2014	01.07.2013 - 30.06.2014
(Loss)/Profit before tax	<b>100.0%</b>	<b>(6 836)</b>	<b>100.0%</b>	<b>13 368</b>
Income tax using the domestic corporation tax rate	19.0%	1 299	(19.0)%	(2 539)
Effect of tax rates in foreign jurisdictions	1.4%	93	1.8%	243
Non-deductible costs	(19.7%)	(1 350)	(28.5%)	(3 808)
Tax exempt income	7.1%	486	(17.2%)	2 305
Utilisation of tax losses not recognised in previous years	39.9%	2 726	(0.4%)	(61)
Tax losses for which no deferred tax asset was recognised	(8.6%)	(587)	25.4%	3 390
Adjustment to income tax for previous years	(1.3%)	(89)	(16.3%)	(2 176)
Adjustment to prior years' deferred tax asset/liabilities	50.6%	3 460	16.5%	2 203
Temporary differences for which no deferred tax was recognised	1.0%	67	(64.0%)	(8 550)
Other	0.7%	57	0.1%	12
	<b>90.1%</b>	<b>6 162</b>	<b>(67.2%)</b>	<b>(8 981)</b>

## 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 a court, an arbitration or a public authority

Information on the proceedings before a court, an arbitration or a public authority was presented in the annual consolidated financial statements of the Group for 2014. During the six month period ended June 30, 2015 there were no significant changes in the status of these proceedings.

## 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	3 839	till termination of trade agreement
Ferrostal Łabędy Sp. z o.o.	Trade liability	2 064	without deadline

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
Huta Stali Jakościowych S.A.	Lease liability	3 163	till 01.2020
Złomrex Metal Sp. z o.o.	Factoring	50 000	without deadline
Przedsiębiorstwo Transportu Samochodowego S.A.	Loan from WFOŚiGW	500	without deadline

Huta Stali Jakościowych S.A. issued a guarantee to a related company Odlewnia Metali Szopienice Sp. z o.o. to PLN 1 859 thousand to May 2017 in order to obtain a bank guarantee.

Shares in consolidated companies are treated as a security for liabilities for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) issued by the Cognor International Finance plc. For details, see note 8.

Guarantees related to the bank loans:

Cognor S.A. together with 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. with the limit of PLN 25 000 thousand, guaranteed by the above mentioned companies. The guarantee period coincides with the credit maturity, i.e. June 29, 2016.

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.

## 17 Subsequent events

On 31 July 2015 a subsidiary Ferrostal Łabędy Sp. z o.o. signed a factoring agreement with Coface Poland Factoring Sp. z o.o. with client's limit PLN 35 million.

On 31 July 2015 a subsidiary Huta Stali Jakościowych S.A. signed a factoring agreement with Coface Poland Factoring Sp. z o.o. with client's limit PLN 40 million.

On 21 August 2015 a subsidiary Ferrostal Łabędy Sp. z o.o. signed a factoring agreement with KUKI Finance S.A. with client's limit PLN 35 million.

Except for the increase of share capital, described in note 6 and signing the factoring agreements, there were no other subsequent events to be disclosed in these condensed consolidated interim financial statements.

Poraj, 28 August 2015

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