

Cognor S.A.
Condensed Consolidated
Interim Financial Statements
as at 30 June 2016

29 August 2016

Condensed consolidated statement of financial position

<i>in PLN thousand</i>	<i>Note</i>	30.06.2016	31.12.2015	30.06.2015
Assets				
Property, plant and equipment	5	288 308	278 043	280 140
Intangible assets		11 051	10 834	10 772
Investments in associates		3 234	3 147	3 196
Other investments		9 578	13 578	13 682
Other receivables		33	49	67
Prepaid perpetual usufruct of land		20 180	20 828	22 450
Deferred tax assets		89 445	82 018	82 394
Total non-current assets		421 829	408 497	412 701
Inventories		248 099	263 476	318 455
Other investments		4 395	4 236	4 424
Current income tax receivables		47	290	10
Trade and other receivables		171 686	127 378	245 847
Cash and cash equivalents	11	20 705	36 928	20 969
Non-current assets classified as held for sale		6 012	5 506	7 110
Total current assets		450 944	437 814	596 815
Total assets		872 773	846 311	1 009 516

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>	30.06.2016	31.12.2015	30.06.2015
Equity				
Issued share capital	6	139 702	139 702	132 444
Reserves		195 447	194 935	202 193
Foreign currency translation reserves		73	32	(525)
Accumulated losses from previous years and net result for the period		(195 280)	(187 547)	(169 100)
Total equity attributable to owners of the Parent Company		139 942	147 122	165 012
Non-controlling interests		20 025	21 569	21 546
Total equity		159 967	168 691	186 558
Liabilities				
Interest-bearing loans and borrowings	8	399 551	386 446	392 497
Employee benefits obligation		9 079	9 113	9 597
Other liabilities		30 807	37 479	35 351
Deferred tax liabilities		6 652	6 409	11 356
Total non-current liabilities		446 089	439 447	448 801
Bank overdraft	8	8 069	15 846	5 574
Interest-bearing loans and borrowings	8	42 745	48 873	110 193
Employee benefits obligation		2 613	4 867	2 429
Current income tax liabilities		347	5	90
Provisions for liabilities		2 362	3 697	3 818
Trade and other liabilities		210 464	164 768	251 936
Government grants and other deferred income		117	117	117
Total current liabilities		266 717	238 173	374 157
Total liabilities		712 806	677 620	822 958
Total equity and liabilities		872 773	846 311	1 009 516

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Member of the Management Board

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Condensed consolidated statement of profit or loss and other comprehensive

<i>in PLN thousand</i>	<i>Note</i>	01.04.2016 - 30.06.2016	01.04.2015 - 30.06.2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Sales revenue		369 507	353 147	725 179	723 929
Cost of products, goods and materials sold		(323 780)	(322 714)	(655 845)	(661 551)
Gross profit		45 727	30 433	69 334	62 378
Other income		933	703	2 138	2 155
Distribution expenses		(13 557)	(11 881)	(24 942)	(22 946)
Administrative expenses		(8 574)	(8 376)	(16 975)	(18 422)
Other gains/(losses) - net		555	1 426	1 353	(1 096)
Other expenses		(1 197)	(1 409)	(2 014)	(3 476)
Operating profit before financing costs		23 887	10 896	28 894	18 593
Financial income		2 353	-	2 380	11 586
Financial expenses		(29 804)	(21 204)	(43 571)	(27 542)
Net financing costs		(27 451)	(21 204)	(41 191)	(15 956)
Share of profits of associates		50	(46)	87	(36)
Gain on bargain purchase		-	-	-	-
(Loss)/profit before tax		(3 514)	(10 354)	(12 210)	2 601
Income tax expense		4 052	3 452	6 199	(1 470)
(Loss)/profit for the period		538	(6 902)	(6 011)	1 131
(Loss)/profit for the period attributable to:					
Owners of the Parent Company		(496)	(6 943)	(6 038)	401
Non-controlling interests		1 034	41	27	730
(Loss)/profit for the period		538	(6 902)	(6 011)	1 131
Other comprehensive income					
- that will be classified subsequently to profit or loss when specific conditions are met					
Foreign currency translation differences		39	56	41	15
Total comprehensive income for the period		577	(6 846)	(5 970)	1 146
Total comprehensive income for the period attributable					
Owners of the Parent Company		(457)	(6 887)	(5 997)	416
Non-controlling interests		1 034	41	27	730
Total comprehensive income for the period		577	(6 846)	(5 970)	1 146
Basic earnings per share (PLN) attributable to the owners of the Parent Company	7	(0,01)	(0,10)	(0,09)	0,01
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	7	-	(0,06)	(0,06)	-

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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

<i>Note</i>	01.07.2015 - 30.06.2016	01.07.2014 - 30.06.2015
Sales revenue	1 366 054	1 427 201
Cost of products, goods and materials sold	(1 263 276)	(1 296 138)
Gross profit	102 778	131 063
Other income	4 915	7 030
Distribution expenses	(49 787)	(44 971)
Administrative expenses	(33 193)	(41 218)
Other gains - net	5 401	(454)
Other expenses	(6 451)	(7 597)
Operating profit before financing costs	23 663	43 853
Financial income	17 226	13 375
Financial expenses	(73 007)	(64 481)
Net financing costs	(55 781)	(51 106)
Share of profits of associates	38	(121)
Gain on bargain purchase	-	538
(Loss)/profit before tax	(32 080)	(6 836)
Income tax expense	10 993	6 162
(Loss)/profit for the period from continuing operations	(21 087)	(674)
Discontinued operations		
Loss for the period from discontinued operations, net of tax	-	(4 047)
(Loss)/profit for the period	(21 087)	(4 721)
(Loss)/profit for the period attributable to:		
Owners of the Parent Company	(21 266)	(10 387)
Non-controlling interests	179	5 666
(Loss)/profit for the period	(21 087)	(4 721)

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

	01.07.2015 - 30.06.2016	01.07.2014 - 30.06.2015
Other comprehensive income		
- that will be classified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	598	(32)
Total comprehensive income for the period	(20 489)	(4 753)
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	(20 668)	(10 419)
Non-controlling interests	179	5 666
Total comprehensive income for the period	(20 489)	(4 753)
Basic earnings per share (PLN) attributable to the owners of the Parent Company	7 (0,31)	(0,16)
- from continuing operations	(0,31)	(0,10)
- from discontinued operations	-	(0,06)
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	7 (0,19)	(0,09)
- from continuing operations	(0,19)	(0,06)
- from discontinued operations	-	(0,03)

* not audited

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Condensed consolidated statement of cash flows

in PLN thousand

Cash flows from operating activities

Profit before tax

Adjustments

	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Profit before tax	(12 210)	2 601
Adjustments		
Depreciation	18 113	17 264
Amortization	95	330
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	18 659	(8 831)
Net (gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets classified as held for sale	7	(385)
Interest, transaction costs (related to loans and borrowings) and dividends, net	24 057	19 906
Change in receivables and prepayments	(44 292)	(58 462)
Change in inventories	15 377	(35 397)
Change in trade and other payables	40 366	70 352
Change in provisions	(1 335)	(4 126)
Change in employee benefits obligation	(2 288)	(2 159)
Change in government grants and other deferred income	-	-
Share of loss of associates	(87)	-
Gain on bargain purchase	-	-
Other adjustments	-	-
Cash generated from operating activities	54 297	1 215
Income tax (paid)/refunded	(2)	(192)
Net cash from operating activities	54 295	1 023

Cash flows from investing activities

Proceeds from sale of property, plant and equipment and intangible assets	9 023	1 792
Acquisitions of subsidiaries, net of cash transferred	(63)	(96)
Interest received	56	40
Repayment of loans granted	-	1 294
Other inflows from investing activities	-	205
Acquisition of property, plant and equipment	(22 961)	(8 061)
Acquisition of intangible assets	(832)	(146)
Loans granted	-	(1 200)
Net cash from investing activities	(14 777)	(6 172)

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

Condensed consolidated statement of cash flows - continued

<i>in PLN thousand</i>	<i>Note</i>	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		250	1 498
Proceeds relating to factoring		2 948	13 742
Repayment of interest-bearing loans and borrowings		(23 160)	(387)
Payment of finance lease liabilities		(6 370)	(1 087)
Dividends and interests on exchangeable notes paid		(2 897)	(2 652)
Interest and transaction costs (related to loans and borrowings) paid		(17 398)	(18 935)
Other transactions with the Owner		(1 337)	(292)
Net cash from financing activities		(47 964)	(8 113)
Net change in cash and cash equivalents			
Cash and cash equivalents net of bank overdraft, at 1 January	<i>11</i>	21 082	28 679
- effect of exchange rate fluctuations on cash held		-	(22)
Cash and cash equivalents net of bank overdraft, at 30 June	<i>11</i>	12 636	15 395
- including cash restricted for use	<i>11</i>	721	2

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

<i>in PLN thousand</i>	01.07.2015 - 30.06.2016	01.07.2014 - 30.06.2015
Cash flows from operating activities		
Continuing operations		
(Loss)/profit before tax from continuing operations	(32 080)	(6 836)
Adjustments		
Depreciation	35 911	34 662
Amortization	566	903
Impairment losses and valuation allowances of property, plant and equipment, intangible assets and non-current assets classified as held for sale	(86)	86
Foreign exchange losses/ (gains)	26 543	4 500
Net (gains)/losses on investment activities	(28 178)	-
Net losses on disposal of property, plant and equipment, intangible assets and non-current assets classified as held for sale	(2 847)	162
Interest, transaction costs (related to loans and borrowings) and dividends, net	57 325	35 536
Change in receivables and prepayments	74 197	(24 437)
Change in inventories	70 356	(49 748)
Change in trade and other payables	(46 463)	44 562
Change in provisions	(47)	(1 817)
Change in employee benefits obligation	(334)	1 036
Change in government grants and other deferred income	-	-
Share of losses of associates	(38)	121
Gain on bargain purchase	-	(538)
Other adjustments	-	(548)
Cash generated from continuing operations	154 825	37 644
Discontinued operations		
Loss before tax from discontinued operations	-	(4 252)
Adjustments		
Net losses on disposal of property, plant and equipment	-	1 408
Change in receivables	-	(2 278)
Cash outflows from discontinued operations	-	(5 122)
Cash generated from operating activities	154 825	32 522
Income tax (paid)/refunded	(244)	(401)
- continuing operations	(244)	(401)
- discontinued operations	-	-
Net cash from operating activities	154 581	32 121

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

<i>in PLN thousand</i>	<i>Note</i>	01.07.2015 - 30.06.2016	01.07.2014 - 30.06.2015
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		21 205	9 380
Interest received		152	49
Repayment of loans granted		507	1 927
Other inflows from investing activities		310	205
Acquisitions of subsidiaries, net of cash transferred		(76)	(269)
Acquisition of property, plant and equipment		(31 874)	(20 836)
Acquisition of intangible assets		(1 465)	(295)
Acquisition of assets held for sale		-	(406)
Loans granted		(500)	(1 200)
Acquisition of other investments		(10)	-
Cash outflows on investing activities from continuing operations		(11 751)	(11 445)
Cash generated from discontinued operations		-	6 500
Net cash from investing activities		(11 751)	(4 945)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		18 609	2 132
Proceeds relating to factoring		(57 368)	11 580
Repayment of interest-bearing loans and borrowings		(55 013)	517
Payment of finance lease liabilities		(10 938)	(4 121)
Dividends and interests on exchangeable notes paid		(5 531)	(5 213)
Interest and transaction costs (related to loans and borrowings) paid		(33 919)	(37 211)
Other transactions with the Owner		(1 437)	(492)
Cash outflows on financing activities from continuing operations		(145 597)	(32 808)
Cash outflows from discontinued operations		-	-
Net cash from financing activities		(145 597)	(32 808)
Net change in cash and cash equivalents		(2 767)	(5 632)
Cash and cash equivalents net of bank overdraft, at 1 July	11	15 395	21 032
- effect of exchange rate fluctuations on cash held		8	(5)
Cash and cash equivalents net of bank overdraft, at 30 June	11	12 636	15 395

* not audited

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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>							
Equity as at 1 January 2015	132 444	202 193	(540)	(168 074)	166 023	21 263	187 286
Total comprehensive income	-	-	15	401	416	730	1 146
- profit for the period	-	-	-	401	401	730	1 131
- foreign currency translation differences relating to foreign operations	-	-	15	-	15	-	15
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	(1 245)	(1 245)	-	(1 245)
Interests on exchangeable notes in the period	-	-	-	(1 245)	(1 245)	-	(1 245)
Change in ownership interests	-	-	-	374	374	(470)	(96)
Obtaining control over previously equity-accounted investee and other	-	-	-	374	374	(470)	(96)
Other	-	-	-	(556)	(556)	23	(533)
Equity as at 30 June 2015	132 444	202 193	(525)	(169 100)	165 012	21 546	186 558
Equity as at 1 January 2015	132 444	202 193	(540)	(168 074)	166 023	21 263	187 286
Total comprehensive income	-	-	572	(14 827)	(14 255)	882	(13 373)
- profit for the period	-	-	-	(14 827)	(14 827)	882	(13 945)
- foreign currency translation differences relating to foreign operations	-	-	572	-	572	-	572
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	7 258	(7 258)	-	(3 938)	(3 938)	(39)	(3 977)
Dividends	-	-	-	-	-	(39)	(39)
Conversion of exchangeable notes	8	7 258	(7 258)	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(3 938)	(3 938)	-	(3 938)
Change in ownership interests	-	-	-	396	396	(505)	(109)
Obtaining control over previously equity-accounted investee and other	-	-	-	396	396	(505)	(109)
Other	-	-	-	(1 104)	(1 104)	(32)	(1 136)
Equity as at 31 December 2015	139 702	194 935	32	(187 547)	147 122	21 569	168 691

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>							
Equity as at 1 January 2016	139 702	194 935	32	(187 547)	147 122	21 569	168 691
Total comprehensive income	-	-	41	(6 038)	(5 997)	27	(5 970)
- profit for the period	-	-	-	(6 038)	(6 038)	27	(6 011)
- foreign currency translation differences relating to foreign operations	-	-	41	-	41	-	41
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	512	-	(2 698)	(2 186)	(313)	(2 499)
Dividends	-	-	-	-	-	(313)	(313)
Transfer of profit	-	512	-	(512)	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 186)	(2 186)	-	(2 186)
Changes in the ownership interests	-	-	-	1 195	1 195	(1 258)	(63)
Acquisition on non-controlling interest without change in control	-	-	-	1 195	1 195	(1 258)	(63)
Other	-	-	-	(192)	(192)	-	(192)
Equity as at 30 June 2016	139 702	195 447	73	(195 280)	139 942	20 025	159 967

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1 Reporting entity

Cognor S.A. (õCognorõ, õthe Companyõ, õthe Parent Companyõ) with its seat in Poraj, Poland, is the Parent Company of the Group. Till 29 August 2011, the Parent Company of the Group was Zõmrex S.A. The Company was established in 1991. Since 1994 Cognorõs 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 2016 comprise the Parent Company and its subsidiaries (õthe Groupõ). Details of the subsidiaries and associates that comprise the Group as at 30 June 2016 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/ AB DY 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 JAKO CIOWYCH S.A.	Poland	Manufacture of metal products	100.0%	2006-01-27*
COGNOR S.A. Sp. k. (previously KAPITA/ S.A. Sp. k.)	Poland	Properties	51.0%	2008-03-25*
Z/ OMREX 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	96.41%	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 Zõmrex S.A. Group

** interest and voting rights owned by Ferrostal/ ab dy 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 2016 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
Przedsi biorstwo Transportu Samochodowego S.A.	Poland	Transport services	92.71%	89.38%
Madrohut Sp. z o.o.	Poland	Production of aggregates from blast furnace slag and steel-mill waste	22.35% (associate)	22.35%

Acquisitions, mergers and disposals of subsidiaries

Acquisitions in 2016

In the first half of 2016, ZW Profil S.A. has made a series of acquisitions of shares in Przedsi biorstwo Transportu Samochodowego S.A. For the amount of PLN 40 thousands ZW Profil S.A. has acquired 1,560 of shares in Przedsi biorstwo Transportu Samochodowego S.A. As a result the ownership interests has increased from 89,75% as at December 31, 2015 to 92,71% as at June 30, 2016.

In the first half of 2016, Ferrostal/ abedy Sp. z o.o. has made a series of acquisitions of shares in ZW Profil S.A. For the amount of PLN 23 thousands ZW Profil S.A. has acquired 490 of shares in ZW Profil S.A. As a result the ownership interests has increased from 95,82% as at December 31, 2015 to 96,41% as at June 30, 2016.

Mergers realised in 2016

No mergers took place until 30 June 2016.

Disposals realised in 2016

No disposals took place until 30 June 2016.

Liquidations realised in 2016

On January 28, 2016 after the process of liquidation the subsidiary Profil Centrum Sp. Z o.o. has been removed from the National Court Register.

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 2015 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 2016 and for the six months then ended were reviewed by the independent auditor.

The consolidated financial statements as at 31 December 2015 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 29 August 2016.

b) Going concern basis of accounting

The condensed consolidated financial statements as of and for the period ended 30 June 2016 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 2015.

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 2015.

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 2015.

Business segments (for the three months ended 30 June)

in PLN thousand

30.06.2016	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	45 765	312 878	3 715	7 149	-	-	-
Inter-segment revenue	51 621	35 220	-	4 534	-	-	-
Total revenue	97 386	348 098	3 715	11 683	-	(91 375)	369 507
Cost of sales to external customers	(38 038)	(280 894)	(3 170)	(5 934)	-	-	-
Inter-segment cost of sales	(53 623)	(26 708)	-	(2 294)	-	-	-
Total cost of sales	(91 661)	(307 602)	(3 170)	(8 228)	-	86 881	(323 780)
Segment result	5 725	40 496	545	3 455	-	(4 494)	45 727
Other income	568	572	(5)	(108)	680	(559)	1 148
Distribution and administrative expenses	(5 296)	(17 935)	350	154	(3 671)	4 267	(22 131)
Other gains/(losses) net	370	104	9	71	1 559	(1 558)	555
Other expenses	(27)	(1 301)	2	-	(554)	683	(1 197)
Operating profit/(loss)	1 340	21 936	901	3 572	(1 986)	(1 661)	24 102
Net financing costs	(139)	(636)	(71)	6	(32 508)	5 682	(27 666)
Share of loss of associates	-	-	-	-	-	-	50
Gain on bargain purchase	-	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	-	4 052
Loss for the period	-	-	-	-	-	-	538

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2015							
Revenue from external customers		65 093	275 734	3 927	8 393			
Inter-segment revenue		64 453	18 868	-	4 271			
Total revenue		129 546	294 602	3 927	12 664	-	(87 592)	353 147
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)			
Total cost of sales		(122 148)	(272 314)	(3 437)	(8 527)	-	83 712	(322 714)
Segment result		7 398	22 288	490	4 137	-	(3 880)	30 433
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)
Operating profit/(loss)		2 051	7 484	111	5 357	11 079	(15 186)	10 896
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
Profit for the period								(6 902)

Business segments (for the six months ended 30 June)

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2016							
Revenue from external customers		92 041	613 001	5 938	14 199			
Inter-segment revenue		80 577	60 331	-	8 747			
Total revenue		172 618	673 332	5 938	22 946	-	(149 655)	725 179
Cost of sales to external customers		(76 092)	(566 740)	(5 197)	(12 038)			
Inter-segment cost of sales		(86 150)	(47 019)	-	(4 395)			
Total cost of sales		(162 242)	(613 759)	(5 197)	(16 433)	-	141 786	(655 845)
Segment result		10 376	59 573	741	6 513	-	(7 869)	69 334
Other income		1 066	1 060	-	-	1 014	(787)	2 353
Distribution and administrative expenses		(10 163)	(32 055)	-	(149)	(7 878)	8 328	(41 917)
Other gains/(losses) net		251	193	-	105	2 270	(1 466)	1 353
Other expenses		(78)	(1 598)	-	-	(1 429)	1 091	(2 014)
Operating profit/(loss)		1 452	27 173	741	6 469	(6 023)	(703)	29 109
Net financing costs		(377)	(1 612)	-	(149)	(46 491)	7 223	(41 406)
Share of losses of associates								87
Gain on bargain purchase								-
Income tax expense								6 199
Profit for the period								(6 011)

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2015							
Revenue from external customers		117 701	583 116	6 327	16 785			
Inter-segment revenue		121 680	36 611	-	10 330			
Total revenue		239 381	619 727	6 327	27 115	-	(168 621)	723 929
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)			
Total cost of sales		(227 153)	(571 649)	(5 685)	(18 991)	-	161 927	(661 551)
Segment result		12 228	48 078	642	8 124	-	(6 694)	62 378
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 gain/(losses) net		408	(1 201)	8	(20)	(273)	(18)	(1 096)
Other expenses		(218)	(1 944)	(25)	(68)	(1 653)	432	(3 476)
Operating (loss)/profit		2 130	16 696	49	10 249	19 499	(30 030)	18 593
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)
Profit for the period								1 131

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

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2016							
Revenue from external customers		186 422	1 134 730	13 768	31 134			
Inter-segment revenue		142 515	108 727	7	16 359			
Total revenue		328 937	1 243 457	13 775	47 493	-	(267 608)	1 366 054
Cost of sales to external customers		(219 087)	(1 073 081)	(11 519)	(24 994)			
Inter-segment cost of sales		(218 786)	(83 096)	(8)	(9 465)			
Total cost of sales		(310 557)	(1 156 177)	(11 527)	(34 459)	-	249 444	(1 263 276)
Segment result		18 380	87 280	2 248	13 034	-	(18 164)	102 778
Other income		2 420	4 265	109	(2 389)	35 671	(35 161)	4 915
Distribution and administrative expenses		(31 550)	(58 664)	(1 538)	(524)	(6 760)	16 056	(82 980)
Other gain/(losses) net		(595)	24 567	170	125	3 102	(21 968)	5 401
Other expenses		(444)	(4 069)	(13)	63	(5 329)	3 341	(6 451)
Operating profit/(loss)		(11 789)	53 379	976	10 309	26 684	(55 896)	23 663
Net financing costs		(945)	(2 090)	(25)	(2 926)	(94 105)	44 310	(55 781)
Share of losses of associates								38
Gain on bargain purchase								-
Income tax expense								10 993
Loss for the period								(21 087)

<i>in PLN thousand</i>		Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
	30.06.2015							
Revenue from external customers		221 180	1 155 022	14 898	36 101			
Inter-segment revenue		239 473	83 523	79	30 020			
Total revenue		460 653	1 238 545	14 977	66 121	-	(353 095)	1 427 201
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)			
Total cost of sales		(437 873)	(1 108 494)	(13 439)	(40 920)	-	304 588	(1 296 138)
Segment result		22 780	130 051	1 538	25 201	-	(48 507)	131 063
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)
Operating profit/(loss)		2 055	64 452	171	26 362	10 964	(60 151)	43 853
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
Profit for the period								(674)

* not audited

<i>in PLN thousand</i>		Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
	30.06.2016						
Segment assets		68 136	608 244	4 320	19 902	172 171	872 773
Segment liabilities		23 272	151 186	960	1 182	536 206	712 806

<i>in PLN thousand</i>		Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
	31.12.2015						
Segment assets		63 657	558 566	3 497	49 951	170 640	846 311
Segment liabilities		11 181	126 646	1 063	3 983	534 747	677 620

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

Unallocated assets

in PLN thousand

	30.06.2016	31.12.2015	30.06.2015
Long-term and short-term investments	17 207	20 961	21 302
Deferred tax assets	89 445	82 018	82 394
Income tax receivable	47	290	10
Cash and cash equivalents	20 705	36 928	20 969
Assets held for sale	6 012	5 506	7 110
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	38 755	24 937	27 741
	172 171	170 640	159 526

Unallocated liabilities

in PLN thousand

	30.06.2016	31.12.2015	30.06.2015
Interest-bearing loans and borrowings	442 296	435 319	502 690
Bank overdraft	8 069	15 846	5 574
Deferred tax liabilities	6 652	6 409	11 356
Employee benefits	11 692	13 980	12 026
Government grants and other deferred income	117	117	117
Current income tax payables	347	5	90
Other liabilities	67 033	63 071	60 524
	536 206	534 747	592 377

5 Property, plant and equipment

During the three months ended 30 June 2016, the Group acquired property, plant and equipment at a cost of PLN 19 480 thousand (three months ended 30 June 2015: PLN 5 534 thousand). Assets with a net book value of PLN 575 thousand were disposed of during the three months ended 30 June 2016 (three months ended 30 June 2015: PLN 600 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 232 thousand (three months ended 30 June 2015: a net gain on disposal of PLN 553 thousand).

During the six months ended 30 June 2016, the Group acquired property, plant and equipment at a cost of PLN 36 746 thousand (six months ended 30 June 2015: PLN 8 520 thousand). Assets with a net book value of PLN 8 216 thousand were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: PLN 962 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 316 thousand (six months ended 30 June 2015: a net gain on disposal of PLN 748 thousand).

During the twelve months ended 30 June 2016, the Group acquired property, plant and equipment at a cost of PLN 58 449 thousand (twelve months ended 30 June 2015: PLN 43 713 thousand). Assets with a net book value of PLN 14 491 thousand were disposed of during the twelve months ended 30 June 2016 (twelve months ended 30 June 2015: PLN 7 318 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 800 thousand (twelve months ended 30 June 2015: a net loss on disposal of PLN 84 thousand).

Capital commitments

As at 30 June 2016 the Group had capital commitments in the amount of PLN 7 261 thousand (31 December 2015: PLN 4 795 thousand; 30 June 2015: PLN 3 017 thousand).

6 Equity

Issued share capital

	30.06.2016	31.12.2015	30.06.2015
Registered shares number at reporting date	69 851 487	69 851 487	66 222 248
Number of issued warrants	62 590 761	62 590 761	66 220 200
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

At 30 June 2016, the Parent Company's share capital comprised 69 851 487 ordinary shares (31 December 2015: 69 851 487; 30 June 2015: 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 2016 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.*	46 214 258	66.16%	46 214 258	66.16%
Other shareholders	23 637 229	33.84%	23 637 229	33.84%
Total	69 851 487	100.00%	69 851 487	100.00%

* Przemysław Sztuczkowski 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 Sztuczkowski in Cognor S.A.

The ownership structure as at the date of the publication of latest condensed consolidated interim financial statements (16 May 2016) 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	62.55%	43 691 307	62.55%
Other shareholders	26 160 180	37.45%	26 160 180	37.45%
Total	69 851 487	100.00%	69 851 487	100.00%

* Przemysław Sztuczkowski 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 Sztuczkowski in Cognor S.A.

The ownership structure as at the date of the publication of these condensed consolidated interim financial statements (29 August 2016) 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.*	46 214 258	65.35%	46 214 258	65.35%
Przemysław Sztuczkowski	635 580	0.90%	635 580	0.90%
Other shareholders	23 870 105	33.75%	23 870 105	33.75%
Total	70 719 943	100.00%	70 719 943	100.00%

* Przemysław Sztuczkowski 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 Sztuczkowski in Cognor S.A.

Przemysław Grzesiak, Vice President of the Management Board, until 21 June 2016. Held 3.61% of the shares in the company Cognor SA (2 522 951 pcs. Of shares), giving 3.61% of votes at the AGM.

On 26 April 2016 PS HoldCo Sp. z o.o. announced a tender offer for the sale of all ordinary bearer shares Cognor SA. As a result of the call on 21 June 2016 Mr Przemysław Grzesiak sold 2 522 951 of shares to PS HoldCo Sp. z o.o.

In July Mr Przemysław Sztuczkowski has bought the Exchangeable Notes with a nominal value EUR 2 158 987, which in the future as a result of conversion will issue 3 950 486 shares of Cognor S.A.

Additionally on August 10, 2016 Warsaw Stock Exchange admitted to trading 635 590 shares of Cognor S.A. in the issue no.9 converted from purchased Exchangeable Notes by Mr Przemysław Sztuczkowski in December 2015 with a nominal value EUR 347 352. The package represents 0.90% of the shares in the Company Cognor S.A., giving 0.90% of votes at the AGM.

In total PS HoldCo Sp. z o.o. and Mr Przemysław Sztuczkowski own 66.25% of the shares in the company Cognor S.A., giving 66.25% of votes at the AGM.

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 2016 was based on the loss attributable to ordinary shareholders of PLN 496 thousand (the three-month period ended 30 June 2015: net loss PLN 6 943 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 June 2016 of 69 851 thousand (the three-month period ended 30 June 2015: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the three months ended 30 June 2016 was 109 906 thousand* (30 June 2015: 113 656 thousand*).

The calculation of basic earnings per share for the six-month period ended 30 June 2016 was based on the net loss attributable to ordinary shareholders of PLN 6 038 thousand (the six-month period ended 30 June 2015: gain PLN 401 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2016 of 69 851 thousand (the six-month period ended 30 June 2015: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the six months ended 30 June 2016 was 109 730 thousand* (30 June 2015: 113 465 thousand*).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2016 was based on the loss attributable to ordinary shareholders of PLN 21 266 thousand (the twelve-month period ended 30 June 2015: loss PLN 10 387 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2016 of 68 745 thousand (the twelve-month period ended 30 June 2015: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2016 was 111 625 thousand* (30 June 2015: 113 465 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 2016, 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

	30.06.2016	31.12.2015	30.06.2015
Secured fixed interest rate debt	377 421	370 730	381 105
Finance lease liabilities	21 043	14 161	9 366
Secured bank loans	534	889	1 246
Other borrowings	553	666	780
	399 551	386 446	392 497

Current liabilities

Current portion of secured fixed interest rate debt	17 988	11 439	32 546
Current portion of finance lease liabilities	9 163	6 936	5 202
Factoring and bill of exchange liabilities	12 700	9 752	41 519
Reverse factoring	-	-	28 549
Other borrowings	2 182	5 710	1 665

Current portion of secured bank loans	712	712	712
Scrap pre-financing	-	14 324	-
	42 745	48 873	110 193
Bank overdraft	8 069	15 846	5 574
	50 814	64 719	115 767

In the first half of 2016 Cognor S.A. and its subsidiaries (Ferrostal / ab dy Sp. z o.o., Huta Stali Jako ciowych 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 and the split between companies has been established: Ferrostal / ab dy Sp. z o.o. PLN 11.65 million, Huta Stali Jako ciowych S.A. PLN 13.35 million. On January 7, 2016 the limits has been changed for both companies for PLN 0 million. On January 27, 2016 the limit for Huta Stali Jakosciowych S.A. has been established at PLN 10 million, then increased to PLN 15 million on July 18, 2016 and finally to PLN 25 million on July 27, 2016. Based on Annex No. 13 dated 26 June 2016 the bank overdraft has been extended till July 27, 2017.

As at 30 June 2016, the bank overdraft was utilised as follows: Ferrostal / ab dy Sp. z o.o. PLN 0 thousand, Huta Stali Jako ciowych S.A. PLN 8 069 thousand.

Secured fixed interest debt

On 4 February 2014, Cognor International Finance plc, established in the United Kingdom (a subsidiary of Huta Stali Jako ciowych 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 ó 7.5%
- 3rd year ó 10.0%
- 4th to 6th year ó 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 Jako ciowych S.A., Ferrostal / ab dy 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 395 409 thousand on 30 June 2016 was secured as follows:

- financial pledge on shares of companies: Złomrex Metal Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jako ciowych S.A., Ferrostal / ab dy Sp. z o.o. and Kapitał S.A.;

- registered pledge on:

(i) shares in the following companies: Złomrex Metal Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jako ciowych S.A., Ferrostal / ab dy Sp. z o.o. and Kapitał S.A.

(ii) certain non-current assets of Cognor S.A. currently leased to Ferrostal / ab dy Sp. z o.o.,

(iii) certain non-current assets of Ferrostal / ab dy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.,

(iv) issued by Huta Stali Jako ciowych S.A. intercompany bonds;

- mortgages on real estate of Ferrostal / ab dy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.;

- governed by English law a lien on the shares of the issuer Cognor International Finance plc;

- statements of execution notarially confirmed by Cognor International Finance plc and all companies which guarantee issuance of Senior Secured Notes.

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

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

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

In these 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:

- AB Stahl AG
- Profil Centrum Sp. z o.o. (from April 11th, 2014)
- FER Holding Sp. z o.o.
- HSJ Holding Sp. z o.o.

Companies controlled by the owner:

- 4 Workers Przemysł Sztuczki (previous name Wiedza i Praca Sp. z o.o.)
- Odlewnia Metali Szopienice Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- KDPP Doradztwo Biznesowe 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.)

Associates (consolidated equity method):

- 4 Groups Sp. z o.o. (from January 21st, 2013)
- Madrohut Sp. z o.o. (from April 11th, 2014)

in PLN thousand

	30.06.2016	31.12.2015	30.06.2015
<i>Short-term receivables:</i>			
- associates	3	3	3
- owner	-	-	7
- companies controlled by the owner	2 831	4 680	4 952
<i>Other investments (option on own shares)</i>			
- owner	9 513	13 513	13 513
<i>Trade and other liabilities</i>			
- associates	66	3	44
- owner	37 399*	43 910*	41 617*
- companies controlled by the owner	531	424	895
<i>Loans granted</i>			
- companies controlled by the owner	4 262	4 109	5 490
- owner	121	115	110

in PLN thousand

	01.04.2016 - 30.06.2016	01.04.2015 - 30.06.2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015	01.07.2015 - 30.06.2016	01.07.2014 - 30.06.2015
<i>Revenues from sale of services</i>						
- related parties (not consolidated)						
- associates	7	7	14	14	29	29
- owner	1	1	1	1	1	1
- companies controlled by the owner	63	74	111	193	309	493
<i>Revenues from sale of raw materials and</i>						
- companies controlled by the owner	6 636	6 535	13 182	10 662	23 544	19 212
<i>Purchase of commodities and raw materials</i>						
- companies controlled by the owner	4 112	4 326	9 887	8 583	18 858	13 311
<i>Purchase of services</i>						
- associates	307	125	468	248	775	562
- companies controlled by the owner	533	498	1 193	1 072	2 820	1 883
<i>Other income</i>						
- owner	2	3	5	7	10	7 489
- companies controlled by the owner	80	58	153	115	-	234
<i>Financial income/(costs)</i>						
- companies controlled by the owner	-	-	-	-	-	(5)
- owner	(663)	(598)	(1 327)	(1 514)	(2 841)	(3 702)

*This liability to PS HoldCo Sp. z o.o. does not include the liability resulting from purchase of shares in Zlomrex S.A. which is presented in other reserves

11 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	30.06.2016	31.12.2015	30.06.2015
Cash in bank	18 952	21 815	18 255
Cash in bank restricted in use	721	474	311
Cash in hand	378	211	412
Short-term bank deposit	651	14 421	1 989
Other	3	7	2
Cash and cash equivalents	20 705	36 928	27 260
Bank overdrafts	(8 069)	(15 846)	(5 574)
Cash and cash equivalents in the statement of cash flows	12 636	21 082	21 032

12 Financial instruments

Financial instruments measured at fair values

As at 30 June 2016, 31 December 2015 and 30 June 2015 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:

ÉCash 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.

ÉTrade 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.

ÉInterest-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).

ÉFixed rate debt securities. The fair value of bonds (Senior Secured Notes) at 30 June 2016 amounted to PLN 282 599 thousand (31 December 2015: PLN 196 913 thousand) - which was calculated on the basis of the market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date (level 1 in fair value hierarchy).

The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which is similar to the interest rate applicable for liabilities with similar risk.

13 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. In these condensed interim consolidated financial statement the Company has included the statement of profit and loss for last twelve months (LTM) ended June 30, 2015 and June 30, 2016.

14 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 2015. During the six month period ended June 30, 2016 there were no significant changes in the status of these proceedings.

15 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	3 885	without deadline
Ferrostal/ ab dy Sp. z o.o.	Trade liability	2 234	without deadline

Warranties and guarantees provided by Ferrostal/ ab dy 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	487	till 01.2019
Huta Stali Jako ciowych S.A.	Lease liability	5 127	till 01.2020
ZW Profil S.A.	Lease liability	1 184	till 12.2019
Przedsi biorstwo Transportu Samochodowego S.A.	Loan from WFO iGW	500	till 2024

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

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Ferrostal/ ab dy Sp. z o.o.	Bank loan	5 000	till 09.2016

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

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	500	without deadline

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/ ab dy Sp. z o.o., Huta Stali Jako ciowych S.A. 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 27, 2017.

16 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 29 August 2016

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zosiński
Member of the Management Board

Dominik Barszcz
Member of the Management Board