

# **COGNOR S.A.**

**Condensed Consolidated  
Interim Financial Statement  
as at and for the nine months ended  
30 September 2011**

## Consolidated statement of financial position

As at

in PLN thousand

### Assets

	30 September 2011 (unaudited)	31 December 2010 restated* (unaudited)
Property, plant and equipment	349 170	373 818
Intangible assets	17 880	20 487
Investment property	1 299	1 320
Investments in associates	-	-
Other investments	3 299	3 288
Other receivables	247	241
Prepaid perpetual usufruct of land	20 897	19 257
Deferred tax assets	77 045	40 353
<b>Total non-current assets</b>	<b>469 837</b>	<b>458 764</b>
Inventories	203 499	176 216
Other investments	37 363	10
Income tax receivable	101	590
Trade and other receivables	254 172	142 620
Cash and cash equivalents	40 505	9 280
<b>Total current assets</b>	<b>535 640</b>	<b>328 716</b>
Assets classified as held for sale	16 715	103 733
Assets of disposal groups and discontinued operations	-	544 534
<b>Total assets</b>	<b>1 022 192</b>	<b>1 435 747</b>

\* please see note 5

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

## Consolidated statement of financial position - continued

As at

in PLN thousand

	30 September 2011 (unaudited)	31 December 2010 restated* (unaudited)
<b>Equity</b>		
Issued share capital	132 444	132 444
Reserves	173 636	172 977
Foreign currency translation reserve	(395)	18 185
Retained earnings	(129 346)	(240 551)
<b>Total equity attributable to equity holders of the parent</b>	<b>176 339</b>	<b>83 055</b>
<b>Minority interest</b>	<b>9 082</b>	<b>8 803</b>
<b>Total equity</b>	<b>185 421</b>	<b>91 858</b>
<b>Liabilities</b>		
Interest-bearing loans and borrowings	526 810	503 162
Employee benefits	10 093	11 862
Other payables	-	-
Deferred government grants and other deferred income	805	1 399
Deferred tax liabilities	5 472	8 539
<b>Total non-current liabilities</b>	<b>543 180</b>	<b>524 962</b>
Bank overdraft	26 423	83 884
Interest-bearing loans and borrowings	39 617	107 249
Employee benefits	1 951	4 713
Income tax payable	1 599	-
Provisions for payables	375	403
Trade and other payables	220 801	250 570
Deferred government grants and other deferred income	2 825	1 007
<b>Total current liabilities</b>	<b>293 591</b>	<b>447 826</b>
Liabilities of disposal group classified as held for sale	-	371 101
<b>Total liabilities</b>	<b>836 771</b>	<b>1 343 889</b>
<b>Total equity and liabilities</b>	<b>1 022 192</b>	<b>1 435 747</b>

\* please see note 5

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

## Condensed consolidated interim statement of comprehensive income

For the nine months ended 30 September

in PLN thousand

	Note	2011 (unaudited)	2010 restated* (unaudited)
<b>Continuing operations</b>			
Revenue		1 128 355	732 121
Cost of sales		(999 191)	(685 314)
<b>Gross profit</b>		<b>129 164</b>	<b>46 807</b>
Other income		20 402	14 427
Distribution expenses		(25 824)	(22 936)
Administrative expenses		(29 915)	(27 904)
Other gains / (losses) – net		3 676	(3 432)
Other expenses		(10 131)	(13 237)
<b>Operating profit/(loss) before financing costs</b>		<b>87 372</b>	<b>(6 275)</b>
Other financial income		4 996	2 842
Other financial expenses		(87 321)	(46 367)
<b>Net financing costs</b>		<b>(82 325)</b>	<b>(43 525)</b>
Share of profits of associates		-	-
<b>Profit/(loss) before tax</b>		<b>5 047</b>	<b>(49 800)</b>
Income tax expense		26 102	8 220
<b>Profit/(loss) for the period from continuing operations</b>		<b>31 149</b>	<b>(41 580)</b>
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations		89 393	(6 596)
<b>Profit/(loss) for the period</b>		<b>120 542</b>	<b>(48 176)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the parent		120 263	(46 768)
Minority interest		279	(1 408)
<b>Profit/(loss) for the period</b>		<b>120 542</b>	<b>(48 176)</b>
<b>Basic earnings per share (PLN) attributable to the shareholders of the Parent Company</b>			
- from continuing operations		0,47	(0,61)
- from discontinued operations		1,35	(0,10)
<b>Diluted earnings per share (PLN) attributable to the shareholders of the Parent Company</b>		<b>1,57</b>	<b>(0,71)</b>
- from continuing operations		0,40	(0,61)
- from discontinued operations		1,17	(0,10)

\*please see note 5

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

## Condensed consolidated interim statement of comprehensive income – continued

**For the nine months ended 30 September**

*in PLN thousand*

	Note	<b>2011</b> <i>(unaudited)</i>	<b>2010</b> <b>Restated*</b> <i>(unaudited)</i>
<b>Other comprehensive income</b>			
Currency translation differences		(93)	(5 414)
Loss of control/sale of subsidiaries		(18 487)	-
<b>Total comprehensive loss for the period</b>		<b>101 962</b>	<b>(53 590)</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent		101 661	(52 285)
Minority interest		301	(1 305)
<b>Total comprehensive profit/(loss) for the period</b>		<b>101 962</b>	<b>(53 590)</b>
<b>Basic comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company</b>		<b>1,53</b>	<b>(0,79)</b>
- from continuing operations		0,46	(0,69)
- from discontinued operations		1,07	(0,10)
<b>Diluted comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company</b>		<b>1,33</b>	<b>(0,79)</b>
- from continuing operations		0,40	(0,69)
- from discontinued operations		0,93	(0,10)

\*please see not 5

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

## COGNOR S.A.

### Condensed consolidated interim statement of comprehensive income (LTM)

For the twelve months ended 30 September

in PLN thousand

	Note	2011 (unaudited)	2010 Restated* (unaudited)
<b>Continuing operations</b>			
Revenue		1 371 516	890 318
Cost of sales		(1 222 903)	(877 431)
<b>Gross profit</b>		<b>148 613</b>	<b>12 887</b>
Other income		15 673	10 784
Distribution expenses		(35 282)	(30 295)
Administrative expenses		(52 729)	(21 264)
Other gains / (losses) – net		(3 010)	(5 915)
Other expenses		(14 999)	(8 884)
<b>Operating profit/(loss) before financing costs</b>		<b>58 266</b>	<b>(42 687)</b>
Other financial income		3 300	5 746
Other financial expenses		(93 827)	(95 946)
<b>Net financing costs</b>		<b>(90 527)</b>	<b>(90 200)</b>
Share of profits of associates		-	-
<b>Profit/(loss) before tax</b>		<b>(32 261)</b>	<b>(132 887)</b>
Income tax expense		8 966	15 193
<b>Profit/(loss) for the period from continuing operations</b>		<b>(23 295)</b>	<b>(117 694)</b>
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations		7 860	(33 203)
<b>Profit/(loss) for the period</b>		<b>(15 435)</b>	<b>(150 897)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(12 888)	(126 958)
Minority interest		(2 547)	(23 939)
<b>Profit/(loss) for the period</b>		<b>(15 435)</b>	<b>(150 897)</b>
<b>Basic earnings per share (PLN) attributable to the shareholders of the Parent Company</b>			
- from continuing operations		(0,19)	(2,22)
- from discontinued operations		(0,31)	(1,64)
		0,12	(0,58)
<b>Diluted earnings per share (PLN) attributable to the shareholders of the Parent Company</b>			
- from continuing operations		(0,17)	(1,92)
- from discontinued operations		(0,28)	(1,42)
		0,11	(0,50)

\*please see not 5

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

## Condensed consolidated interim statement of comprehensive income (LTM) – continued

**For the twelve months ended 30 September**

*in PLN thousand*

	Note	2011 (unaudited)	2010 Restated* (unaudited)
<b>Other comprehensive income</b>			
Currency translation differences		(3 693)	(47 909)
Loss of control/sale of subsidiaries		(18 487)	-
<b>Total comprehensive loss for the period</b>		<b>(37 615)</b>	<b>(198 806)</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent		(35 101)	(176 281)
Minority interest		(2 514)	(22 525)
<b>Total comprehensive profit/(loss) for the period</b>		<b>(37 615)</b>	<b>(198 806)</b>
<b>Basic comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company</b>		<b>(0,53)</b>	<b>(2,22)</b>
- from continuing operations		(0,37)	(1,64)
- from discontinued operations		(0,16)	(0,58)
<b>Diluted comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company</b>		<b>(0,47)</b>	<b>(1,92)</b>
- from continuing operations		(0,33)	(1,42)
- from discontinued operations		(0,14)	(0,50)

\*please see not 5

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

## Condensed consolidated interim statement of cash flows

For the nine months ended 30 September  
in PLN thousand

	2011 (unaudited)	2010 restated* (unaudited)
<b>Continuing operations</b>		
Profit/(loss) before tax from continuing operations	<b>5 047</b>	<b>(49 800)</b>
<b>Adjustments</b>		
Depreciation	29 857	31 568
Amortization	2 715	3 782
Impairment losses and valuation allowances	(5 898)	3 125
Foreign exchange (gains)/losses	43 589	(2 842)
Net (gains)/losses on investment activities	(13 381)	-
Net (gains)/losses on disposal of property, plant and equipment	(1 576)	(10 425)
Interest, commissions and dividends, net	30 610	43 400
Change in receivables	(124 196)	(46 883)
Change in inventories	(67 011)	(23 984)
Change in trade and other payables	27 562	59 239
Change in provisions	5 308	500
Change in employee benefits	(3 572)	1 331
Change in deferred government grants and other deferred income	1 299	7 529
Other adjustments	34	2 302
<b>Cash generated/(outflows) from continuing operations</b>	<b>(69 613)</b>	<b>18 842</b>
<b>Discontinuing operations</b>		
Operating profit/(loss) from discontinuing operations	<b>91 942</b>	<b>(6 596)</b>
<b>Adjustments</b>		
Depreciation	-	12 269
Impairment losses and valuation allowances	-	(27 855)
Foreign exchange (gains)/losses	-	(21 921)
Net (gains)/losses on investment activities	(15 647)	(468)
Net (gains)/losses on disposal of property, plant and equipment	(63 647)	(26)
Interest, commissions and dividends, net	641	5 475
Change in receivables	7 810	(54 440)
Change in inventories	39 728	16 056
Change in trade and other payables	(46 589)	67 299
Change in provisions	(7 961)	428
Change in employee benefits	(959)	1 815
Change in deferred government grants and other deferred income	(75)	-
<b>Cash generated/(outflows) from discontinuing operations</b>	<b>5 243</b>	<b>(7 964)</b>
<b>Cash generated/(outflows) from operations</b>	<b>(64 370)</b>	<b>10 878</b>
Income tax paid	(6 457)	(5 746)
<b>Net cash from operating activities</b>	<b>(70 827)</b>	<b>5 132</b>

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



**Consolidated statement of cash flows – continued**  
**For the nine months ended 30 September**

**Cash flows from investing activities**

Proceeds from sale of property, plant and equipment and intangibles	2 519	17 524
Dividends received	30	-
Interest received	9 126	67
Disposal of subsidiaries, net of cash disposed	12 447	-
Other inflows from investing activities	59	-
Acquisition of property, plant and equipment	(4 956)	(5 516)
Acquisition of intangible assets	(246)	(628)
Prepaid perpetual usufruct of land	(1 972)	-
Loans granted	(3 186)	-

**Cash generated/(outflows) from continuing operations**

Cash generated from discontinuing operations	273 542	21 552
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**Net cash from investing activities**

	<b>287 363</b>	<b>32 999</b>
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**Cash flows from financing activities**

Net cash receipts from share issue	-	43 800
Receipt of interest-bearing loans and borrowings	12 779	112
Repayment of interest-bearing loans and borrowings	(91 477)	(7 069)
Payment of finance lease liabilities	(8 725)	(10 195)
Interest and commissions paid	(39 766)	(43 534)
Payments on capital	182	-

**Cash outflows from continuing operations**

Cash generated/(outflows) from discontinuing operations	(845)	(7 783)
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**Net cash from financing activities**

	<b>(127 852)</b>	<b>(24 669)</b>
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Net increase in cash and cash equivalents	88 684	13 462
Cash and cash equivalents net of bank overdraft, at 1 January	(74 604)	(96 432)
Effect of exchange rate fluctuations on cash held	2	(304)

**Cash and cash equivalents net of bank overdraft, at 30 September**

including cash restricted for use	24 402	-
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The condensed consolidated interim statement of cash flows should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

**COGNOR S.A.****Condensed consolidated interim statement of cash flows (LTM)**

**For the twelve months ended 30 September**  
**in PLN thousand**

	<b>2011</b>	<b>2010</b>
	<i>(unaudited)</i>	<b>restated*</b> <i>(unaudited)</i>
<b>Continuing operations</b>		
Profit/(loss) before tax from continuing operations	<b>(32 261)</b>	<b>(109 763)</b>
<b>Adjustments</b>		
Depreciation	39 115	33 145
Amortization	3 895	3 628
Impairment losses and valuation allowances	(2 489)	14 785
Foreign exchange (gains)/losses	32 194	(14 230)
Net (gains)/losses on investment activities	(13 381)	130
Net (gains)/losses on disposal of property, plant and equipment	490	(5 639)
Interest, commissions and dividends, net	43 779	60 424
Change in receivables	(54 949)	49 173
Change in inventories	(67 433)	(84 098)
Change in trade and other payables	3 845	(8 036)
Change in provisions	4 555	1 064
Change in employee benefits	(4 252)	(2 120)
Change in deferred government grants and other deferred income	(7 347)	6 174
Other adjustments	(2 268)	4 295
<b>Cash generated/(outflows) from continuing operations</b>	<b>(56 507)</b>	<b>(51 068)</b>
<b>Discontinuing operations</b>		
Operating profit/(loss) from discontinuing operations	<b>10 409</b>	<b>(58 313)</b>
<b>Adjustments</b>		
Depreciation	920	28 742
Impairment losses and valuation allowances	48 750	(12 663)
Foreign exchange (gains)/losses	31 068	(35 317)
Net (gains)/losses on investment activities	(14 694)	(39 499)
Net (gains)/losses on disposal of property, plant and equipment	(59 721)	(4 564)
Interest, commissions and dividends, net	(850)	5 925
Change in receivables	36 267	3 598
Change in inventories	31 005	152 102
Change in trade and other payables	(54 667)	79 025
Change in provisions	(11 455)	1 039
Change in employee benefits	774	279
Change in deferred government grants and other deferred income	(111)	561
Other adjustments	2 048	801
<b>Cash generated from discontinuing operations</b>	<b>19 743</b>	<b>121 716</b>
<b>Cash generated/(outflows) from operations</b>	<b>(36 764)</b>	<b>70 648</b>
Income tax paid	(1 349)	(15 355)
<b>Net cash from operating activities</b>	<b>(38 113)</b>	<b>55 293</b>

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

**Consolidated statement of cash flows (LTM) – continued**  
**For the twelve months ended 30 September**

**Cash flows from investing activities**

Proceeds from sale of property, plant and equipment	2 554	15 342
Interest received	9 341	(3 090)
Dividends received	30	(313)
Disposal of subsidiaries	12 447	(40 636)
Repayment of loans granted	-	5 660
Acquisition of property, plant and equipment	(7 837)	(2 400)
Acquisition of intangible assets	(404)	(392)
Acquisition of investment property	-	(19 104)
Prepaid perpetual usufruct of land	(1 972)	300
Loans granted	(3 186)	-
Other inflows from investing activities	59	(5 976)

**Cash generated/(outflows) from continuing operations**

	<b>11 032</b>	<b>(50 609)</b>
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Cash generated from discontinuing operations

	<b>279 187</b>	<b>54 076</b>
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**Net cash from investing activities**

	<b>290 219</b>	<b>3 467</b>
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**Cash flows from financing activities**

Net cash receipts from share issue	-	43 800
Receipt of interest-bearing loans and borrowings	15 138	3 299
Payments/Proceeds relating to derivative financial instruments	-	6 579
Repayment of interest-bearing loans and borrowings	(92 392)	(8 538)
Payment of finance lease liabilities	(11 478)	(9 370)
Interest and commissions paid	(53 222)	(50 050)
Payments on capital	182	-

**Cash outflows from continuing operations**

	<b>(141 772)</b>	<b>(14 280)</b>
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Cash outflows from discontinuing operations

	<b>(12 558)</b>	<b>(47 105)</b>
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**Net cash from financing activities**

	<b>(154 330)</b>	<b>(61 385)</b>
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Net increase/(decrease) in cash and cash equivalents	97 776	(2 625)
Cash and cash equivalents net of bank overdraft, at 1 October	(83 274)	(101 440)
Effect of exchange rate fluctuations on cash held	(420)	20 791

**Cash and cash equivalents net of bank overdraft, at 30 September**

	<b>14 082</b>	<b>(83 274)</b>
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The condensed consolidated interim statement of cash flows should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

## Condensed consolidated interim statement of changes in equity

**For the nine months ended 30 September**

*In PLN thousand*

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Issued capital	Reserves	Foreign currency translation reserve	Retained earnings			
<b>Equity as at 1 January 2010*</b>	<b>102 374</b>	<b>224 959</b>	<b>27 313</b>	<b>(126 344)</b>	<b>228 302</b>	<b>12 923</b>	<b>241 225</b>
Transfer of profit	-	(21 912)	-	21 912	-	-	-
Total comprehensive income for the period	-	-	(5 517)	(46 768)	<b>(52 285)</b>	(1 305)	<b>(53 590)</b>
Conversion of warranties to shares	30 070	(30 070)	-	-	-	-	-
Operation on own shares	-	-	-	43 800	<b>43 800</b>	-	<b>43 800</b>
<b>Equity as at 30 September 2010</b>	<b>132 444</b>	<b>172 977</b>	<b>21 796</b>	<b>(107 400)</b>	<b>219 817</b>	<b>11 618</b>	<b>231 435</b>
<b>Equity as at 1 January 2010</b>	<b>102 374</b>	<b>224 959</b>	<b>27 313</b>	<b>(126 344)</b>	<b>228 302</b>	<b>12 923</b>	<b>241 225</b>
Transfer of profit	-	(21 912)	-	21 912	-	-	-
Total comprehensive income for the period	-	-	(9 128)	(179 919)	<b>(189 047)</b>	(4 120)	<b>(193 167)</b>
Conversion of warranties to shares	30 070	(30 070)	-	-	-	-	-
Operation on own shares	-	-	-	43 800	<b>43 800</b>	-	<b>43 800</b>
<b>Equity as at 30 December 2010</b>	<b>132 444</b>	<b>172 977</b>	<b>18 185</b>	<b>(240 551)</b>	<b>83 055</b>	<b>8 803</b>	<b>91 858</b>
<b>Equity as at 1 January 2011</b>	<b>132 444</b>	<b>172 977</b>	<b>18 185</b>	<b>(240 551)</b>	<b>83 055</b>	<b>8 803</b>	<b>91 858</b>
Transfer of profit	-	328	-	(328)	-	-	-
Change in minority interest	-	-	(18 487)	-	<b>(18 487)</b>	-	<b>(18 487)</b>
Increase in share capital	-	331	-	-	<b>331</b>	-	<b>331</b>
Total comprehensive income for the period	-	-	(93)	120 263	<b>120 170</b>	279	<b>120 449</b>
Others	-	-	-	(8 730)	<b>(8 730)</b>	-	<b>(8 730)</b>
<b>Equity as at 30 September 2011</b>	<b>132 444</b>	<b>173 636</b>	<b>(395)</b>	<b>(129 346)</b>	<b>176 339</b>	<b>9 082</b>	<b>185 421</b>

\* please see note 5

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

## COGNOR S.A.

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

#### 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 August 29<sup>th</sup>, 2011 the Parent Company of the Group was Złomrex S.A.

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

On the 27<sup>th</sup> of August 2011:

- (i) PSH, Złomrex and some of its subsidiaries entered into the supplemental Indenture following the receipt of the consent from the holders of the Notes. This supplement has enabled Złomrex to conduct its Modified Internal Reorganisation as described in details in the consent solicitation statement dated as of the 2<sup>nd</sup> of June 2011,
- (ii) Złomrex sold all its equity interest in Odlewnia Metali Szopienice sp. z o.o. to PSH together with certain other non-material subsidiaries.

On the 29<sup>th</sup> of August 2011:

- (iii) Złomrex repurchased approximately 56% of its own shares from PSH for the purpose of further cancellation. Prior to that transfer PSH established a pledge on those shares for the benefit of the Noteholders.
- (iv) Cognor purchased approximately 44% of shares in Złomrex S.A. and established a pledge on those shares for the benefit of the Noteholders.

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

- (i) 92,4% stake in Ferrostal Łabędy sp. z o.o.
- (ii) 100,0% stake in HSW – Huta Stali Jakościowych S.A.
- (iii) 100,0% stake in Złomrex Metal sp. z o.o.
- (iv) 99,9% stake in Zlomrex International Finance SA

As the result of the above mentioned transactions the Parent Company of the Group has changed from Złomrex S.A. to Cognor S.A. This reorganization in the Group was a transaction under joint control and not influenced on change of person who control the Group (Mr. Przemysław Sztuczkowski). Consolidated financial statements of Cognor S.A. are the continuation of consolidated financial statements of Złomrex S.A., but without taking to consolidation the subsidiary Odlewnia Metali Szopienice Sp. z o.o., that was sold to PS HoldCo on the 27<sup>th</sup> of August 2011.

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

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

Złomrex S.A. sold all its warrants to PS Hold Co.

The condensed consolidated interim financial statements of the Company as at and for the nine months ended 30 September 2011 comprise the Company and its subsidiaries (together referred to as the “Group”). The basic information about the subsidiaries comprising the Group as at 30 September 2011 is presented in the table below:

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL-ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.4%	2004-02-19*
ZW-WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2005-01-13*
HUTA STALI JAKOŚCIOWYCH Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2006-01-27*

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

NOWA JAKOŚĆ – Organizacja Odzysku S.A.	Poland	Purchasing, packaging, reselling of paper and plastic waste for further production	100.0%	2004-06-13*
ZŁOMREX INTERNATIONAL FINANCE SA	France	Financial services, Bond issuer	100.0%	2006-10-23*
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2007-04-02*
STEELCO Sp. z o.o.	Poland	Holding company	100.0%	2006-08-07*
ZŁOMREX S.A.	Poland	Holding company	100.0%	2006-08-07**
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.4%	2007-08-01
STALEXPORT-METALZBYT BIAŁYSTOK Sp. z o.o.	Poland	Trade in metal products	98.8%	2007-10-01
ZŁOMREX CENTRUM Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2006-03-29*
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100.0%	2006-05-15*
COGNOR SERVICES Sp. z o.o.	Poland	Other services	100.0%	2010-10-13
CENTROSTAL Sp. z o.o. w Szczecinie	Poland	Trade in metal products	100.0%	2007-01-26*
KAPITAŁ Sp. z o.o.	Poland	Financial services	100.0%	2006-01-04*
COGNOR FINANSE Sp. z o.o. (previous name COGNOR STAHLHANDEL POLSKA Sp. z o.o.)	Poland	Trade in metal products	100.0%	2007-03-28*

\* date of obtaining control in Zlomrex Capital Group

\*\* date of obtaining control on Cognor S.A. by Zlomrex S.A.

## 2. 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. They 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 2010.

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 November 2011.

## 3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

## 4. Estimates

The preparation of interim financial statements requires management to make 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. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by 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 2010.

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

**5. Changes in presentation of comparative data**

The Group Management has made a decision to qualify material part of assets as assets held for sale. In addition to the non-core or non-operational assets which have been put on sale previously a significant group of other assets which relate to the Group's distribution operations in Poland has also been included following the preliminary asset sale agreement concluded in November 2010. Divestment of those domestic distribution assets was finalized in May 2011. In addition to the Polish distribution operations, the Group finalized sale of its international distribution division based on preliminary agreement concluded in December 2010 on sale of shares of Cognor Stahlhandel GmbH (Austria). As a result of the above majority of our distribution business is presented within the discontinued operations in the statement of comprehensive income. Moreover the consolidated statement of financial position has changed due to the fact that since the 29<sup>th</sup> of August Cognor S.A. has become the Parent Company. As the result the equity has changed in comparative data. Also on the 27<sup>th</sup> of August 2011 the subsidiary Odlewnia Metali Szopienice Sp. z o.o. was sold to PS HoldCo and is no longer in the Group and that is why it was excluded from consolidated financial statements as at opening balance of comparative data. The comparative data was changed accordingly as follows:

**Condensed consolidated interim statement of comprehensive income**

*For the period ended 30 September 2010*

	<b>01.01.2010- 30.09.2010 published</b>	<b>Restatements</b>	<b>01.01.2010- 30.09.2010 restated</b>
<b>Continuing operations</b>			
Revenue	1 425 517	(693 396)	732 121
Cost of sales	(1 287 169)	601 855	(685 314)
<b>Gross profit/(loss)</b>	<b>138 348</b>	<b>(91 541)</b>	<b>46 807</b>
Other income	15 936	(1 509)	14 427
Distribution expenses	(93 168)	70 232	(22 936)
Administrative expenses	(59 173)	31 269	(27 904)
Other gains / (losses) – net	21 884	(25 316)	(3 432)
Other expenses	(16 679)	3 442	(13 237)
<b>Operating profit/(loss) before financing costs</b>	<b>7 148</b>	<b>(13 423)</b>	<b>(6 275)</b>
Other financial income	6 726	(3 884)	2 842
Other financial expenses	(52 715)	6 348	(46 367)
<b>Net financing costs</b>	<b>(45 989)</b>	<b>2 464</b>	<b>(43 525)</b>
Share of profits of associates	468	(468)	-
<b>Profit/(loss) before tax</b>	<b>(38 373)</b>	<b>(11 427)</b>	<b>(49 800)</b>
Income tax expense	3 889	4 331	8 220
<b>Profit/(loss) for the period from continuing operations</b>	<b>(34 484)</b>	<b>(7 096)</b>	<b>(41 580)</b>
<b>Discontinued operations</b>			
Profit /(loss) for the period from discontinued operations	4 390	(10 986)	(6 596)
<b>Profit/(loss) for the period</b>	<b>(30 094)</b>	<b>(18 082)</b>	<b>(48 176)</b>

**Condensed consolidated interim statement of comprehensive income**

*For the twelve months ended 30 September 2010*

	<b>01.10.2009 - 30.09.2010 Published</b>	<b>Restatements</b>	<b>01.10.2009 - 30.09.2010 Restated</b>
<b>Continuing operations</b>			
Revenue	1 765 938	(875 620)	890 318
Cost of sales	(1 658 160)	780 729	(877 431)

## COGNOR S.A.

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

(in PLN thousand, unless stated otherwise)

<b>Gross profit/(loss)</b>	<b>107 778</b>	<b>(94 891)</b>	<b>12 887</b>
Other income	15 388	(4 604)	10 784
Distribution expenses	(154 675)	124 380	(30 295)
Administrative expenses	(36 464)	15 200	(21 264)
Other gains / (losses) – net	(3 492)	(2 423)	(5 915)
Other expenses	(16 103)	7 219	(8 884)
<b>Operating profit/(loss) before financing costs</b>	<b>(87 568)</b>	<b>44 881</b>	<b>(42 687)</b>
Other financial income	9 967	(4 221)	5 746
Other financial expenses	(65 164)	(30 782)	(95 946)
<b>Net financing costs</b>	<b>(55 197)</b>	<b>(35 003)</b>	<b>(90 200)</b>
Share of profits of associates	(1 526)	1 526	-
<b>Profit/(loss) before tax</b>	<b>(144 291)</b>	<b>11 404</b>	<b>(132 887)</b>
Income tax expense	19 217	(4 024)	15 193
<b>Profit/(loss) for the period from continuing operations</b>	<b>(125 074)</b>	<b>7 380</b>	<b>(117 694)</b>
<b>Discontinued operations</b>			
Profit /(loss) for the period from discontinued operations	(7 817)	(25 386)	(33 203)
<b>Profit/(loss) for the period</b>	<b>(132 891)</b>	<b>(18 006)</b>	<b>(150 897)</b>

### Consolidated statement of financial position

	<b>01.01.2010 Published</b>	<b>Restatements</b>	<b>01.01.2010 restated</b>
<b>Assets</b>			
Property, plant and equipment	667 965	(4 514)	663 451
Intangible assets	42 175	-	42 175
Investment property	603	-	603
Investments in associates	5 050	-	5 050
Other investments	8 391	444	8 835
Other receivables	3 295	-	3 295
Prepaid perpetual usufruct of land	46 023	(166)	45 857
Deferred tax assets	57 198	(707)	56 491
<b>Total non-current assets</b>	<b>830 700</b>	<b>(4 943)</b>	<b>825 757</b>
Inventories	256 901	(7 849)	249 052
Other investments	5 536	-	5 536
Income tax receivable	3 103	(1 099)	2 004
Trade and other receivables	205 453	(1 218)	204 235
Cash and cash equivalents	32 496	(74)	32 422
<b>Total current assets</b>	<b>503 489</b>	<b>(10 240)</b>	<b>493 249</b>
Assets classified as held for sale	43 039	-	43 039
Assets of disposal groups and discontinued operations	196 014	-	196 014
<b>Total assets</b>	<b>1 573 242</b>	<b>(15 183)</b>	<b>1 558 059</b>
<b>Equity</b>			
Issued share capital	47 691	54 683	102 374
Reserves	224 959	-	224 959
Foreign currency translation reserve	27 313	-	27 313
Retained earnings	(140 917)	14 573	(126 344)
<b>Total equity attributable to equity holders of the parent</b>	<b>159 046</b>	<b>69 256</b>	<b>228 302</b>



## COGNOR S.A.

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

(in PLN thousand, unless stated otherwise)

Minority interest	91 952	(79 029)	12 923
<b>Total equity</b>	<b>250 998</b>	<b>(9 773)</b>	<b>241 225</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	534 267	(157)	534 110
Employee benefits	39 057	(238)	38 819
Other payables	115	-	115
Deferred government grants and other deferred income	2 409	-	2 409
Deferred tax liabilities	16 195	-	16 195
<b>Total non-current liabilities</b>	<b>592 043</b>	<b>(395)</b>	<b>591 648</b>
Bank overdraft	129 543	(2 886)	126 657
Interest-bearing loans and borrowings	170 056	(152)	169 904
Employee benefits	2 338	(21)	2 317
Income tax payable	323	-	323
Provisions for payables	834	-	834
Trade and other payables	271 030	(1 956)	269 074
Deferred government grants and other deferred income	1 145	-	1 145
<b>Total current liabilities</b>	<b>575 269</b>	<b>(5 015)</b>	<b>570 254</b>
Liabilities of disposal group classified as held for sale	154 932	-	154 932
<b>Total liabilities</b>	<b>1 322 244</b>	<b>(5 410)</b>	<b>1 316 834</b>
<b>Total equity and liabilities</b>	<b>1 573 242</b>	<b>(15 183)</b>	<b>1 558 059</b>

### Consolidated statement of financial position

	31.12.2010 published	Restatements	31.12.2010 restated
<b>Assets</b>			
Property, plant and equipment	377 959	(4 141)	373 818
Intangible assets	20 487	-	20 487
Investment property	1 320	-	1 320
Other investments	2 844	444	3 288
Other receivables	241	-	241
Prepaid perpetual usufruct of land	19 419	(162)	19 257
Deferred tax assets	41 006	(653)	40 353
<b>Total non-current assets</b>	<b>463 276</b>	<b>(4 512)</b>	<b>458 764</b>
Inventories	182 640	(6 424)	176 216
Other investments	10	-	10
Income tax receivable	863	(273)	590
Trade and other receivables	143 857	(1 237)	142 620
Cash and cash equivalents	9 337	(57)	9 280
<b>Total current assets</b>	<b>336 707</b>	<b>(7 991)</b>	<b>328 716</b>
Assets classified as held for sale	103 733	-	103 733
Assets of disposal groups and discontinued operations	544 534	-	544 534
<b>Total assets</b>	<b>1 448 250</b>	<b>(12 503)</b>	<b>1 435 747</b>
<b>Equity</b>			
Issued share capital	47 691	84 753	132 444
Reserves	203 624	(30 647)	172 977
Foreign currency translation reserve	18 185	-	18 185
Retained earnings	(250 714)	10 163	(240 551)
<b>Total equity attributable to equity holders of the parent</b>	<b>18 786</b>	<b>64 269</b>	<b>83 055</b>
Minority interest	79 574	(70 771)	8 803
<b>Total equity</b>	<b>98 360</b>	<b>(6 502)</b>	<b>91 858</b>
<b>Liabilities</b>			

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

Interest-bearing loans and borrowings	503 222	(60)	503 162
Employee benefits	12 121	(259)	11 862
Deferred government grants and other deferred income	1 399	-	1 399
Deferred tax liabilities	8 539	-	8 539
<b>Total non-current liabilities</b>	<b>525 281</b>	<b>(319)</b>	<b>524 962</b>
Bank overdraft	86 782	(2 898)	83 884
Interest-bearing loans and borrowings	107 376	(127)	107 249
Employee benefits	4 735	(22)	4 713
Provisions for payables	403	-	403
Trade and other payables	253 205	(2 635)	250 570
Deferred government grants and other deferred income	1 007	-	1 007
<b>Total current liabilities</b>	<b>453 508</b>	<b>(5 682)</b>	<b>447 826</b>
Liabilities of disposal group classified as held for sale	371 101	-	371 101
<b>Total liabilities</b>	<b>1 349 890</b>	<b>(6 001)</b>	<b>1 343 889</b>
<b>Total equity and liabilities</b>	<b>1 448 250</b>	<b>(12 503)</b>	<b>1 435 747</b>

## 6. Segment reporting

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

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

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

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

Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

# COGNOR S.A.

## Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

### 6. Segment reporting (continued)

For the nine months ended 30 September

	Scrap division		Production division		Distribution division		Other		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues	155 637	132 236	938 784	565 140	31 345	29 827	2 589	4 918	1 128 355	732 121
Segment result	7 930	8 121	118 546	37 500	1 582	2 138	1 106	(952)	129 164	46 807
Unallocated income/expense									(42 603)	(53 082)
Operating profit before financing costs									86 561	(6 275)

**Explanatory notes to the condensed consolidated interim financial statements**  
(in PLN thousand, unless stated otherwise)**7. Assets of disposal group classified as held for sale and discontinued operations****Disposal groups**

The assets and liabilities related to Zeljezara Split (Croatia) have been presented as held for sale following the decision of Board Members of Parent Company to sell this subsidiary at the end of 2008. In 2009 an agreement was concluded between Croatian Government and Zlomrex SA relating to the sale of all shares together with all claims against Zeljezara Split. The sale of shares in Zeljezara Split was not finalized in the course of 2009 and 2010 at the request of the Croatian side to postpone the closing for a limited period of time. Then the Croatian Government refused to fulfill the agreement at all and proposed other terms which were not acceptable to Zlomrex. At present Zlomrex has undertaken all necessary actions to enforce its rights. On 11<sup>th</sup> March 2011, the bankruptcy of Zelejezara Split d.d., Croatia (a subsidiary of Zlomrex S.A.) was announced by Commercial Court in Split. The proceedings was initiated by a creditor's demand – HEP – Opskrba d.o.o., Zagreb.

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

**Assets held for sale**

On the 26th of November 2010, Cognor S.A. (a subsidiary of Zlomrex S.A.) entered into a conditional asset sale agreement with ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. The transaction relates to Cognor's distribution operations in Poland and comprise in particular:

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

In connection with the conditional asset sale agreement the tangible and intangible assets which will be sold were qualified as assets held for sale. The actual transaction was concluded on the 5th of May 2011.

**8. Acquisitions, mergers and disposals of subsidiaries*****Acquisitions realised in 2011***

No acquisitions took place until 30 June 2011.

***Mergers realised in 2011***

No mergers took place until 30 June 2011.

***Disposals realised in 2011***

On the 9<sup>th</sup> of December 2010, Zlomrex S.A. together with Cognor S.A. (Cognor, the Seller), a 64,4% subsidiary of Zlomrex, entered into a conditional share sale agreement with Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH both with their corporate seats in Vienna (the Buyers) on sale of shares in Cognor Stahlhandel GmbH (Cognor Austria). Cognor Stahlhandel GmbH was part of Zlomrex Distribution Division and it conducted all the Groups' international (other than in Poland) operations in steel products distribution business. At that time the Seller held 74,9% interest in Cognor Austria with an option (the Option) to acquire the remaining 25,1% of shares from

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

voestalpine Stahl GmbH, a minority shareholder in Cognor Austria. Pursuant to the Agreement Cognor and Złomrex conditionally agreed to sell both currently held and the Option shares. The price for 100% of the Company's share capital has been agreed at EUR 32,771 thousand (the Price). The Price will be subject to an adjustment by the difference between Cognor Austria's equity as of December 31, 2009 and as of closing. The transaction proceeds also include repayment of the intercompany loans at the amount of EUR 9,710 thousand.

Closing of the Transaction occurred on the 4<sup>th</sup> of February 2011. Cognor has received 75% of the Price and the remaining portion has been deposited on the escrow account. Part of that amount shall be released for the benefit of Cognor after the aforementioned Price adjustment has been established. Since the amount calculated by the Buyers and proposed to be released for the benefit of Cognor is in our opinion incorrect Cognor entered into further discussions with the Buyers. We are of the opinion that the dispute on the amount may require application of certain arbitration mechanisms which may further delay the receipt of the remaining part of Price. It is difficult now to predict the timing.

The repayment of the intercompany loan proceeds according to the agreed instalments. Cognor shall receive two last remaining instalments: (i) on the 30<sup>th</sup> of October 2011 – the amount of EUR 2,913 thousand and (ii) on the 31<sup>st</sup> of January 2012 - EUR 4,855 thousand; both amounts increased by the accrued interest.

On the 4<sup>th</sup> of July 2011 Złomrex S.A. sold 4 390 shares in CKM Włókniarz S.A to Marian Maślanka. The nominal value of shares was PLN 2.195 thousands, but the sale price was PLN 10 thousands due to negative equity of the company.

On the 27<sup>th</sup> of August 2011 Złomrex S.A sold to PS Holdco the following subsidiaries:

- Odlewnia Metali Szopienice sp. z o.o.
- Złomrex Finanse Sp. z o.o.
- Złomrex China.

**9. Property, plant and equipment**

**Acquisitions and disposals**

During the nine months ended 30 September 2011, the Group acquired property, plant and equipment at a cost of PLN 6 387 thousand (nine months ended 30 September 2010: PLN 7 291 thousand). Assets with a net book value of PLN 835 thousand were disposed during the nine months of 2011 (nine months ended 30 September 2010: PLN 9 275 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 887 thousand (nine months ended 30 September 2010: a net gain on disposal of PLN 10 286 thousand).

**Capital commitments**

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

As at 31 December 2007, the Group has contractual commitment relating to the acquisition of Zeljezara Split concluded with The Croatian Privatization Fund relating to the obligation of the Company to ensure that Zeljezara Split makes capital investments of HRK 114 million within the period of 2008-2011 as well as to maintain its present certain employment level for the period of three years.

As of the date of this report both the employment and the investment obligations have been fulfilled. In terms of details regarding the investments: in 2009 the Group has realised capital investments of HRK 57,385 thousand by means of a share capital increase and in 2010 Złomrex S.A. followed with another share capital increase in Zeljezara Split at the amount of HRK 104,853 thousand .

**Explanatory notes to the condensed consolidated interim financial statements**  
 (in PLN thousand, unless stated otherwise)
**10. Interest-bearing loans and borrowings**

In order to finance the acquisition of Cognor Stahlhandel GmbH and to refinance some existing indebtedness, the Group has issued, through Złomrex International Finance SA high-yield bonds with a nominal value of EUR 170 000 thousand under the Purchase Agreement dated 23 January 2007. These bonds are due in 2014 and are listed on the Luxembourg Stock Exchange (Euro MTF). The bonds are secured by first-priority pledges of shares owned by the parent Company in:

- Złomrex International Finance SA,
- Ferrostal Łabędy Sp. z o.o.,
- ZW-Walcownia Bruzdowa Sp. z o.o.,
- HSW-HSJ S.A.,
- Business Support Services Sp. z o.o.,
- Złomrex Metal Sp. z o.o.

From November 2008 till 30 June 2011 the Group has performed the buy out of own bonds in the nominal value of EUR 50 059 thousand. Outstanding value of the bonds as at 30 September 2011 according to amortized cost method is EUR 122 365 thousand.

According to the aforementioned Purchase Agreement, the issuer is obliged to meet certain financial covenants until the repayment date. These include among others: maximum indebtedness ratio, limitations on dividend payments, liens, sales of assets and certain reporting requirements.

**11. Other payables**

As at 30 September 2011, the investment payables regarding the acquisition of HSW-Huta Stali Jakościowych Sp. z o.o. was paid.

**12. Contingencies, guarantees and other commitments**

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

**Contingencies**

There were no significant claims or contingent liabilities as at 30 September 2011

**13. Related parties**

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

*in PLN thousand*

	<b>30.09.2011</b>	<b>30.09.2010</b>
<i>Long-term receivables:</i>		
- related parties (not consolidated)	78	837
<i>Short-term receivables:</i>		
- related parties (not consolidated)	8 998	7 945
- associates (consolidated under the equity method)	-	136
- companies controlled by the parent Company's Management Board members	4	85
<i>Short-term liabilities</i>		
- related parties (not consolidated)	216	457
- associates (consolidated under the equity method)	-	208
- companies controlled by the parent Company's Management Board members	270	142
<i>Loans granted</i>		
- related parties (not consolidated)	3 186	578

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

*in PLN thousand*

	<b>1.1.2011 - 30.09.2011</b>	<b>1.1.2010 – 30.09.2010</b>
<i>Revenues from sale of services</i>		
- related parties (not consolidated)	52	410
- associates (consolidated under the equity method)	-	1 160
- companies controlled by the parent Company's Management Board members	25	11
<i>Revenues from sale of raw materials and commodities</i>		
- related parties (not consolidated)	17 671	6 059
- associates (consolidated under the equity method)	-	12
<i>Purchase of commodities and raw materials</i>		
- related parties (not consolidated)	6 192	4 047
- associates (consolidated under the equity method)	-	256
<i>Purchase of services</i>		
- related parties (not consolidated)	58	581
- companies controlled by the parent Company's Management Board members	545	709
<i>Other income</i>		
- related parties (not consolidated)	435	321
<i>Other expenses</i>		
- related parties (not consolidated)	(10)	-
- associates (consolidated under the equity method)	-	(24)
<i>Other gains/losses net</i>		
- related parties (not consolidated)	(6 178)	(462)

**Transactions with the members of the Management and Supervisory Boards**

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

	<b>Nine months ended</b>	
	<b>30 September 2011</b>	<b>30 September 2010</b>
Management Board of the parent Company	2 606	270
Supervisory Board of the parent Company	273	18
Management Boards of subsidiaries	1 542	3 340
Supervisory Boards of subsidiaries	114	276
	<b>4 535</b>	<b>3 904</b>

**14. Subsequent events**

On the 2<sup>nd</sup> of November Złomrex S.A. has merged with HSW Huta Stali Jakościowych S.A. and with Steelco Sp. z o.o. At the same moment Złomrex S.A. has changed its name on Huta Stali Jakościowych S.A. and its seat from Poraj to Stalowa Wola.