

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

14 November 2013

## Condensed consolidated statement of financial position

<i>in PLN (in thousands)</i>	<i>Note</i>	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>30.09.2012</b>
<b>Assets</b>					
Property, plant and equipment	5	299 382	303 855	317 671	325 489
Intangible assets		12 755	13 366	15 435	14 571
Investment property		-	603	603	603
Investments in associates		1 962	1 979	-	-
Other investments		4 302	3 187	7 117	7 001
Other receivables		42 204	43 331	40 943	41 398
Prepaid perpetual usufruct of land		18 639	18 744	18 954	19 059
Deferred tax assets		74 969	78 352	71 744	69 765
<b>Total non-current assets</b>		<b>454 213</b>	<b>463 417</b>	<b>472 467</b>	<b>477 886</b>
Inventories		187 452	198 410	179 201	182 325
Other investments		4 922	5 260	5 131	3 714
Current income tax receivables		10	86	82	6
Trade and other receivables		218 438	212 537	181 691	198 319
Prepayments		1 804	1 604	-	-
Cash and cash equivalents		31 274	47 792	64 151	48 898
Assets classified as held for sale		8 698	9 760	11 786	11 877
<b>Total current assets</b>		<b>452 598</b>	<b>475 449</b>	<b>442 042</b>	<b>445 139</b>
<b>Total assets</b>		<b>906 811</b>	<b>938 866</b>	<b>914 509</b>	<b>923 025</b>

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

## Condensed consolidated statement of financial position - continued

<i>in PLN (in thousands)</i>	<i>Note</i>	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>30.09.2012</b>
<b>Equity</b>					
Issued share capital	6	132 444	132 444	132 444	132 444
Reserves		154 403	142 832	141 312	141 312
Foreign currency translation reserves		(514)	(500)	(471)	(527)
Accumulated losses		(162 121)	(151 694)	(109 274)	(97 437)
<b>Total equity attributable to owners of the parent company</b>		<b>124 212</b>	<b>123 082</b>	<b>164 011</b>	<b>175 792</b>
Non-controlling interests		13 555	13 192	12 831	12 694
<b>Total equity</b>		<b>137 767</b>	<b>136 274</b>	<b>176 842</b>	<b>188 486</b>
<b>Liabilities</b>					
Interest-bearing loans and borrowings	8	4 615	5 462	487 020	488 751
Employee benefits obligation		6 705	6 719	6 735	6 560
Government grants and other deferred income		-	-	-	155
Deferred tax liabilities		9 265	8 738	6 618	8 842
<b>Total non-current liabilities</b>		<b>20 585</b>	<b>20 919</b>	<b>500 373</b>	<b>504 308</b>
Bank overdraft	8	3 400	8 484	15 495	13 534
Interest-bearing loans and borrowings	8	536 481	571 901	75 333	69 353
Employee benefits obligation		1 754	1 000	2 815	1 667
Current income tax payables		-	165	315	5
Provisions for payables		432	337	430	535
Trade and other payables		205 356	196 565	142 170	143 369
Government grants and other deferred income		1 036	3 221	736	1 768
<b>Total current liabilities</b>		<b>748 459</b>	<b>781 673</b>	<b>237 294</b>	<b>230 231</b>
<b>Total liabilities</b>		<b>769 044</b>	<b>802 592</b>	<b>737 667</b>	<b>734 539</b>
<b>Total equity and liabilities</b>		<b>906 811</b>	<b>938 866</b>	<b>914 509</b>	<b>923 025</b>

Przemysław Sztuczkowski  
President of the Management Board

Przemysław Grzesiak  
Vice President of the Management Board

Krzysztof Zołta  
Member of the Management Board

Dominik Barszcz  
Member of the Management Board

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## Condensed consolidated statement of profit or loss and other comprehensive income

<i>in PLN (in thousands)</i>	<i>Note</i>	01.07.2013 - 30.09.2013	01.07.2012 - 30.09.2012	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012
Revenue		343 035	311 332	965 129	1 139 514
Cost of sales		(315 745)	(290 615)	(895 174)	(1 048 968)
<b>Gross profit</b>		<b>27 290</b>	<b>20 717</b>	<b>69 955</b>	<b>90 546</b>
Other income		4 160	2 536	7 872	7 425
Distribution expenses		(10 232)	(5 510)	(27 155)	(24 315)
Administrative expenses		(8 193)	(9 099)	(24 651)	(32 591)
Other gains/(losses) - net		(3 506)	136	2 980	(692)
Other expenses		(3 369)	(5 108)	(8 704)	(9 590)
<b>Operating profit before financing costs</b>		<b>6 150</b>	<b>3 672</b>	<b>20 297</b>	<b>30 783</b>
Financial income		129	15 370	504	32 405
Financial expenses		(921)	(15 278)	(60 469)	(47 909)
<b>Net financing costs</b>		<b>(792)</b>	<b>92</b>	<b>(59 965)</b>	<b>(15 504)</b>
Share of loss of associates		(17)	-	(50)	-
<b>Profit/(loss) before tax</b>		<b>5 341</b>	<b>3 764</b>	<b>(39 718)</b>	<b>15 279</b>
Income tax expense	13	(3 834)	(2 393)	686	(3 392)
<b>Profit/(loss) for the period</b>		<b>1 507</b>	<b>1 371</b>	<b>(39 032)</b>	<b>11 887</b>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the parent company		1 144	1 429	(39 756)	11 394
Non-controlling interests		363	(58)	724	493
<b>Profit/(loss) for the period</b>		<b>1 507</b>	<b>1 371</b>	<b>(39 032)</b>	<b>11 887</b>
<b>Other comprehensive income</b>					
<b>- that will be classified subsequently to profit or loss when specific conditions are met</b>					
Foreign currency translation differences		(14)	(29)	(43)	158
<b>Total comprehensive income for the period</b>		<b>1 493</b>	<b>1 342</b>	<b>(39 075)</b>	<b>12 045</b>
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Parent Company		1 130	1 400	(39 799)	11 552
Non-controlling interests		363	(58)	724	493
<b>Total comprehensive income for the period</b>		<b>1 493</b>	<b>1 342</b>	<b>(39 075)</b>	<b>12 045</b>
<b>Basic earnings per share (PLN) attributable to the owners of the parent company</b>	7	<b>0,02</b>	<b>0,02</b>	<b>(0,60)</b>	<b>0,17</b>
- from continuing operations		0,02	0,02	(0,60)	0,17
<b>Diluted earnings per share (PLN) attributable to the owners of the parent company</b>	7	<b>0,02</b>	<b>0,02</b>	<b>(0,60)</b>	<b>0,17</b>
- from continuing operations		0,02	0,02	(0,60)	0,17

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

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

<i>in PLN (in thousands)</i>	<i>Note</i>	<b>01.10.2012 - 30.09.2013</b>	<b>01.10.2011 - 30.09.2012</b>
<b>Continuing operations</b>			
Revenue		1 225 289	1 560 806
Cost of sales		(1 150 100)	(1 426 853)
<b>Gross profit</b>		<b>75 189</b>	<b>133 953</b>
Other income		12 018	5 322
Distribution expenses		(36 790)	(34 662)
Administrative expenses		(26 751)	(49 276)
Other gains - net		1 448	2 561
Other expenses		(10 750)	(14 005)
<b>Operating profit before financing costs</b>		<b>14 364</b>	<b>43 893</b>
Financial income		4 774	33 971
Financial expenses		(74 984)	(65 629)
<b>Net financing costs</b>		<b>(70 210)</b>	<b>(31 658)</b>
Share of loss of associates		(50)	-
<b>Loss/(profit) before tax</b>		<b>(55 896)</b>	<b>12 235</b>
Income tax expense	<i>13</i>	5 164	(7 607)
<b>Loss/(profit) for the period from continuing operations</b>		<b>(50 732)</b>	<b>4 628</b>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations, net of tax		-	2 618
<b>Loss/(profit) for the period</b>		<b>(50 732)</b>	<b>7 246</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the parent company		(51 593)	6 951
Non-controlling interests		861	295
<b>Loss/(profit) for the period</b>		<b>(50 732)</b>	<b>7 246</b>

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

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

in PLN (in thousands)

	Note	01.10.2012 - 30.09.2013	01.10.2011 - 30.09.2012
<b>Other comprehensive income</b>			
- that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		13	(554)
<b>Total comprehensive income for the period</b>		<b>(50 719)</b>	<b>6 692</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent company		(51 580)	6 397
Non-controlling interests		861	295
<b>Total comprehensive income for the period</b>		<b>(50 719)</b>	<b>6 692</b>
<b>Basic earnings per share (PLN) attributable to the owners of the parent company</b>	7	<b>(0,78)</b>	<b>0,11</b>
- from continuing operations		(0,78)	0,07
- from discontinued operations		-	0,04
<b>Diluted earnings per share (PLN) attributable to the owners of the parent company</b>	7	<b>(0,78)</b>	<b>0,11</b>
- from continuing operations		(0,78)	0,07
- from discontinued operations		-	0,04

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## Condensed consolidated statement of cash flows

<i>in PLN (in thousands)</i>	<b>01.07.2013 - 30.09.2013</b>	<b>01.07.2012 - 30.09.2012</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.01.2012 - 30.09.2012</b>
Profit/(loss) before tax	<b>5 341</b>	<b>3 764</b>	<b>(39 718)</b>	<b>15 279</b>
<b>Adjustments</b>				
Depreciation	8 240	9 603	26 359	28 923
Amortization	628	840	2 059	2 479
Foreign exchange losses/(gains)	(10 863)	(19 543)	14 090	(38 597)
Net losses on investment activities	-	(1 485)	-	(1 481)
Net gains on disposal of property, plant and equipment	401	213	(631)	(2 453)
Interest, transaction costs (related to loans and borrowings) and dividends, net	20 516	14 475	44 429	45 401
Change in receivables	(12 132)	23 949	(38 031)	6 293
Change in inventories	10 958	1 526	(8 251)	(3 853)
Change in trade and other payables	1 900	(52 375)	64 015	(33 821)
Change in provisions	188	(772)	2	(406)
Change in employee benefits obligation	740	(156)	(1 091)	(5 420)
Change in government grants and other deferred income	(2 185)	(1 888)	300	439
<b>Cash generated from operating activities</b>	<b>23 732</b>	<b>(21 849)</b>	<b>63 532</b>	<b>12 783</b>
Income tax (paid)/refunded	(106)	(1)	(135)	6 584
<b>Net cash from operating activities</b>	<b>23 626</b>	<b>(21 850)</b>	<b>63 397</b>	<b>19 367</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment and intangibles	1 048	1 314	6 233	16 288
Interest received	243	359	366	918
Dividends received	-	-	25	-
Repayment of loans granted	-	-	328	21 583
Acquisition of property, plant and equipment	(3 445)	(1 538)	(5 832)	(11 200)
Acquisition of intangible assets	(10)	(7)	(51)	(39)
Acquisition of shares in other companies	-	-	(2 012)	-
Loans granted	(938)	-	(1 185)	-
<b>Net cash from investing activities</b>	<b>(3 102)</b>	<b>128</b>	<b>(2 128)</b>	<b>27 550</b>

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## Condensed consolidated statement of cash flows - continued

<i>in PLN (in thousands)</i>	<i>Note</i>	<b>01.07.2013 - 30.09.2013</b>	<b>01.07.2012 - 30.09.2012</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.01.2012 - 30.09.2012</b>
<b>Cash flows from financing activities</b>					
Proceeds from interest-bearing loans and borrowings		-	2 583	-	25 000
Repayment of interest-bearing loans and borrowings		(8 360)	(125)	(25 000)	(125)
Payment of finance lease liabilities		(767)	(1 791)	(4 360)	(6 361)
Interest and transaction costs (related to loans and borrowings) paid		(22 827)	(20 368)	(48 492)	(51 995)
Other transactions with the Owner		-	-	(4 200)	-
<b>Net cash from financing activities</b>		<b>(31 954)</b>	<b>(19 701)</b>	<b>(82 052)</b>	<b>(33 481)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11 430)</b>	<b>(41 423)</b>	<b>(20 783)</b>	<b>13 436</b>
Cash and cash equivalents net of bank overdraft, at 1 January/July		39 308	76 788	48 656	21 930
- effect of exchange rate fluctuations on cash held		(4)	(1)	1	(2)
<b>Cash and cash equivalents net of bank overdraft, at 30 September</b>	<i>11</i>	<b>27 874</b>	<b>35 364</b>	<b>27 874</b>	<b>35 364</b>
- including cash restricted for use	<i>11</i>	-	16 934	-	16 934

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with the explanatory notes constituting part of the condensed consolidated interim financial statements

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

<i>in PLN (in thousands)</i>	<b>01.10.2012 - 30.09.2013</b>	<b>01.10.2011 - 30.09.2012</b>
<b>Continuing operations</b>		
(Loss)/Profit before tax from continuing operations	<b>(55 896)</b>	<b>12 235</b>
<b>Adjustments</b>		
Depreciation	35 676	39 835
Amortization	2 872	3 164
Impairment losses and valuation allowances	-	6 331
Foreign exchange losses	12 164	(17 610)
Net gains on investment activities	3	(1 749)
Net (gains)/losses on disposal of property, plant and equipment	(2 736)	2 000
Interest, transaction costs (related to loans and borrowings) and dividends, net	44 901	64 328
Change in receivables	(22 172)	20 981
Change in inventories	(5 127)	21 174
Change in trade and other payables	73 994	(85 325)
Change in provisions	418	(3 119)
Change in employee benefits obligation	232	(3 817)
Change in government grants and other deferred income	(887)	(1 707)
Other adjustments	17	(34)
<b>Cash generated from operating activities</b>	<b>83 459</b>	<b>56 687</b>
Income tax (paid)/refunded	(147)	2 405
<b>Net cash from operating activities</b>	<b>83 312</b>	<b>59 092</b>

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

<i>in PLN (in thousands)</i>	<b>01.10.2012 - 30.09.2013</b>	<b>01.10.2011 - 30.09.2012</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangibles	5 121	15 141
Proceeds from sale of other investments	5 985	-
Interest received	28	(5 386)
Dividends received	25	-
Repayment of loans granted	352	32 565
Disposal of subsidiaries	-	(12 447)
Acquisition of property, plant and equipment	(7 583)	(15 737)
Acquisition of intangible assets	(1 844)	(497)
Loans granted	(1 185)	(382)
Acquisition of other investments	(7 330)	(2 379)
Other outflows from investing activities	-	(1 554)
<b>Net cash from investing activities</b>	<b>(6 431)</b>	<b>9 324</b>
<b>Cash flows from financing activities</b>		
Proceeds from interest-bearing loans and borrowings	84	23 082
Repayment of interest-bearing loans and borrowings	(25 000)	(125)
Payment of finance lease liabilities	(5 591)	(8 054)
Interest and transaction costs (related to loans and borrowings) paid	(42 950)	(62 181)
Other transactions with the owner	(10 915)	-
Payments on capital	-	148
<b>Net cash from financing activities</b>	<b>(84 372)</b>	<b>(47 130)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(7 491)</b>	<b>21 286</b>
Cash and cash equivalents net of bank overdraft, as at 1 October	35 364	14 082
- effect of exchange rate fluctuations on cash held	1	(4)
<b>Cash and cash equivalents net of bank overdraft, as at 30 September</b>	<b>27 874</b>	<b>35 364</b>
- including cash restricted for use	11	16 934

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## Condensed consolidated statement of changes in equity

	Attributable to owners of the parent company				Total	Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings/ (Accumulated losses)			
<i>in PLN (in thousands)</i>							
<b>Equity as at 1 January 2012</b>	<b>132 444</b>	<b>131 452</b>	<b>(685)</b>	<b>(98 971)</b>	<b>164 240</b>	<b>12 201</b>	<b>176 441</b>
Total comprehensive income	-	-	158	11 394	<b>11 552</b>	493	<b>12 045</b>
- profit	-	-	-	11 394	<b>11 394</b>	493	<b>11 887</b>
- foreign currency translation differences relating to foreign operations	-	-	158	-	<b>158</b>	-	<b>158</b>
<b>Transactions with owners of the company, recognised in equity</b>							
Contribution by and distributions to owners of the company	-	10 000	-	(10 000)	-	-	-
Disposal/transfer of treasury shares	-	10 000	-	(10 000)	-	-	-
Covering of loss	-	(140)	-	140	-	-	-
<b>Equity as at 30 September 2012</b>	<b>132 444</b>	<b>141 312</b>	<b>(527)</b>	<b>(97 437)</b>	<b>175 792</b>	<b>12 694</b>	<b>188 486</b>
<b>Equity as at 1 January 2012</b>	<b>132 444</b>	<b>131 452</b>	<b>(685)</b>	<b>(98 971)</b>	<b>164 240</b>	<b>12 201</b>	<b>176 441</b>
Total comprehensive income	-	-	214	(443)	<b>(229)</b>	630	<b>401</b>
- (loss)/profit	-	-	-	(443)	<b>(443)</b>	630	<b>187</b>
- foreign currency translation differences relating to foreign operations	-	-	214	-	<b>214</b>	-	<b>214</b>
<b>Transactions with owners of the company, recognised in equity</b>							
Contribution by and distributions to owners of the company	-	10 000	-	(10 000)	-	-	-
Disposal/transfer of treasury shares	-	10 000	-	(10 000)	-	-	-
Covering of loss	-	(140)	-	140	-	-	-
<b>Equity as at 31 December 2012</b>	<b>132 444</b>	<b>141 312</b>	<b>(471)</b>	<b>(109 274)</b>	<b>164 011</b>	<b>12 831</b>	<b>176 842</b>

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

## Condensed consolidated statement of changes in equity - continued

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings				
<i>in PLN thousand</i>								
<b>Equity as at 1 January 2013</b>	<b>132 444</b>	<b>141 312</b>	<b>(471)</b>	<b>(109 274)</b>	<b>164 011</b>	<b>12 831</b>	<b>176 842</b>	
Total comprehensive income	-	-	(43)	(39 756)	<b>(39 799)</b>	724	<b>(39 075)</b>	
- (loss)/profit	-	-	-	(39 756)	<b>(39 756)</b>	724	<b>(39 032)</b>	
- foreign currency translation differences relating to foreign operations	-	-	(43)	-	<b>(43)</b>	-	<b>(43)</b>	
Transfer of profit	-	13 091	-	(13 091)	-	-	-	
<b>Equity as at 30 September 2013</b>	<b>132 444</b>	<b>154 403</b>	<b>(514)</b>	<b>(162 121)</b>	<b>124 212</b>	<b>13 555</b>	<b>137 767</b>	
<b>Equity as at 1 July 2013</b>	<b>132 444</b>	<b>142 832</b>	<b>(500)</b>	<b>(151 694)</b>	<b>123 082</b>	<b>13 192</b>	<b>136 274</b>	
Total comprehensive income	-	-	(14)	1 144	<b>1 130</b>	363	<b>1 493</b>	
- profit	-	-	-	1 144	<b>1 144</b>	363	<b>1 507</b>	
- foreign currency translation differences relating to foreign operations	-	-	(14)	-	<b>(14)</b>	-	<b>(14)</b>	
Transfer of profit	-	11 571	-	(11 571)	-	-	-	
<b>Equity as at 30 September 2013</b>	<b>132 444</b>	<b>154 403</b>	<b>(514)</b>	<b>(162 121)</b>	<b>124 212</b>	<b>13 555</b>	<b>137 767</b>	

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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. Up until 29 August 2011, the Parent Company of the Group was Zõmrex S.A. The Company was established in 1991. Since 1994 Cognorõs shares have been quoted on the Warsaw Stock Exchange. Till May 2011, the main activity of the Parent Company was distribution of steel products. With effect from May 2011, Cognor S.A. became a holding company.

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

The Parent Companyõs shares are listed on the Warsaw Stock Exchange.

## 2 Cognor S.A. Group

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

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL/ 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*
KAPITA/ S.A.	Poland	Financial services	100.0%	2004-06-13*
ZLOMREX INTERNATIONAL FINANCE S.A.	France	Financial services, Bond issuer	100.0%	2006-10-23*
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*
COGNOR FINANSE Sp. z o.o.	Poland	Financial services	100.0%	2007-03-28*
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03*
4 GROUPS Sp. z o.o.	Poland	Other services	30.0% (associate)	2013-01-21

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

### Acquisitions, mergers and disposals of subsidiaries

#### *Acquisitions realised in 2013*

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

#### *Mergers realised in 2013*

No mergers took place until 30 September 2013.

### ***Disposals realised in 2013***

No disposals took place until 30 September 2013.

## **3 Basis of preparation of condensed consolidated interim financial statements**

### **a) Statement of compliance**

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

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

These condensed consolidated interim financial statements were approved by the Board of Directors of the Parent Company on 14 November 2013.

### **b) Going concern basis of accounting**

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

During the crisis of 2008-2010 the Group went through extremely difficult business conditions which resulted in negative net results and cash flows. Unprofitable operations raised numerous challenges for the continuity of operations amid major integration projects pending and relatively high leverage.

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

In 2012 the challenging environment for the steel industry continued and it has persisted throughout Q3 2013. The Group's profits deteriorated significantly, however thanks to all the business restructuring, the Group's operations continued untroubled with good liquidity. The current business model has proved its relative resistance to the industry's cyclicality. We are of the opinion that last year was exceptionally weak for the steel business since we observed some improvement in Q3 2013 compared to the previous quarter. However, in comparison to Q3 2012 our performance is still weaker.

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

The senior Notes issued by the Group, in the amount of EUR 119,7 million (PLN 504,7 million as at 30 September 2013), are scheduled to mature on 1 February 2014. Refinancing of these liabilities by the Group is necessary as the Group will not be able to settle the full amount of the respective debt in the normal course of business at the date of its maturity.

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

Cognor S.A. has agreed contractually with 68.9% of the holders on a proposal for the refinancing of the Notes due in February 2014. The Company and its legal and financial advisors continue to progress the documentation of this proposal, with the intention to make a further public announcement and reach agreement with all remaining noteholders in the near future.

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

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

**c) Significant accounting policies**

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

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

**d) Estimates**

The preparation of financial statements in conformity with IFRS EU requires that the Management Board of the Parent Company makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form the basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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

**4 Segment reporting**

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

*in PLN (in thousands)*

<b>30.09.2013</b>	<b>Scrap division</b>	<b>Production division</b>	<b>Distribution division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenue from external customers	47 124	292 139	3 938	(166)			
Inter-segment revenue	77 782	7 624	-	2 856			
<b>Total revenue</b>	<b>124 906</b>	<b>299 763</b>	<b>3 938</b>	<b>2 690</b>	<b>-</b>	<b>(88 262)</b>	<b>343 035</b>
Cost of sales to external customers	(41 614)	59 353	(3 496)	(329 988)			
Inter-segment cost of sales	(78 518)	(5 161)	-	(1 773)			
<b>Total cost of sales</b>	<b>(120 132)</b>	<b>54 192</b>	<b>(3 496)</b>	<b>(331 761)</b>	<b>-</b>	<b>85 452</b>	<b>(315 745)</b>
<b>Segment result</b>	<b>4 774</b>	<b>353 955</b>	<b>442</b>	<b>(329 071)</b>	<b>-</b>	<b>(2 810)</b>	<b>27 290</b>
Other income	927	(979)	46	1 266	23 592	(20 692)	4 160
Distribution and administrative expenses	(5 443)	(11 477)	(399)	(115)	(3 715)	2 724	(18 425)
Other gain net	(44)	(5 094)	1	(149)	1 335	445	(3 506)
Other expenses	(226)	1 371	(61)	(6)	(6 186)	1 739	(3 369)
<b>Operating profit/(loss)</b>	<b>(12)</b>	<b>337 776</b>	<b>29</b>	<b>(328 075)</b>	<b>15 026</b>	<b>(18 594)</b>	<b>6 150</b>
Net financing costs	(562)	(1 517)	(1)	-	(18 563)	19 851	(792)
Share of profits of associates							(17)
Income tax expense							(3 834)
<b>Loss for the period</b>							<b>1 507</b>



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*in PLN (in thousands)*

30.09.2012	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	64 667	239 678	6 228	759			
Inter-segment revenue	56 352	7 726	-	2 829			
<b>Total revenue</b>	<b>121 019</b>	<b>247 404</b>	<b>6 228</b>	<b>3 588</b>	-	<b>(66 907)</b>	<b>311 332</b>
Cost of sales to external customers	(55 924)	(226 976)	(5 886)	(1 829)			
Inter-segment cost of sales	(60 299)	(6 977)	-	(83)			
<b>Total cost of sales</b>	<b>(116 223)</b>	<b>(233 953)</b>	<b>(5 886)</b>	<b>(1 912)</b>	-	<b>67 359</b>	<b>(290 615)</b>
<b>Segment result</b>	<b>4 796</b>	<b>13 451</b>	<b>342</b>	<b>1 676</b>	-	<b>452</b>	<b>20 717</b>
Other income	406	(10 321)	27	6 187	26 249	(20 012)	2 536
Distribution and administrative expenses	(5 982)	6 669	(438)	(9 824)	(5 015)	(19)	(14 609)
Other gain/(losses) net	(263)	(991)	2 875	736	1 872	(4 093)	136
Other expenses	(399)	1 837	(59)	(1 158)	(5 329)	-	(5 108)
<b>Operating profit/(loss)</b>	<b>(1 442)</b>	<b>10 645</b>	<b>2 747</b>	<b>(2 383)</b>	<b>17 777</b>	<b>(23 672)</b>	<b>3 672</b>
Net financing costs	(450)	(1 907)	(45)	(923)	(17 953)	21 370	92
Income tax expense							(2 393)
<b>Profit for the period</b>							<b>1 371</b>

**Business segments (for the nine months ended 30 September)**

*in PLN (in thousands)*

30.09.2013	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	145 088	812 387	7 216	438			
Inter-segment revenue	209 224	20 078	1	10 442			
<b>Total revenue</b>	<b>354 312</b>	<b>832 465</b>	<b>7 217</b>	<b>10 880</b>	-	<b>(239 745)</b>	<b>965 129</b>
Cost of sales to external customers	(132 394)	(426 091)	(6 682)	(330 007)			
Inter-segment cost of sales	(209 302)	(17 920)	(1)	(1 936)			
<b>Total cost of sales</b>	<b>(341 696)</b>	<b>(444 011)</b>	<b>(6 683)</b>	<b>(331 943)</b>	-	<b>229 159</b>	<b>(895 174)</b>
<b>Segment result</b>	<b>12 616</b>	<b>388 454</b>	<b>534</b>	<b>(321 063)</b>	-	<b>(10 586)</b>	<b>69 955</b>
Other income	1 789	2 345	171	3 292	65 619	(65 344)	7 872
Distribution and administrative expenses	(16 443)	(31 348)	(876)	(496)	(11 535)	8 892	(51 806)
Other gain net	557	(334)	11	207	2 477	62	2 980
Other expenses	(536)	(3 570)	(181)	(7)	(7 076)	2 666	(8 704)
<b>Operating profit/(loss)</b>	<b>(2 017)</b>	<b>355 547</b>	<b>(341)</b>	<b>(318 067)</b>	<b>49 485</b>	<b>(64 310)</b>	<b>20 297</b>
Net financing costs	(1 327)	(4 408)	(2)	-	(112 743)	58 515	(59 965)
Share of profits of associates							(50)
Income tax expense							686
<b>Loss for the period</b>							<b>(39 032)</b>

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*in PLN (in thousands)*

30.09.2012	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	206 731	914 459	16 059	2 265			
Inter-segment revenue	236 318	20 301	13	7 892			
<b>Total revenue</b>	<b>443 049</b>	<b>934 760</b>	<b>16 072</b>	<b>10 157</b>	-	<b>(264 524)</b>	<b>1 139 514</b>
Cost of sales to external customers	(177 533)	(853 455)	(15 317)	(2 663)			
Inter-segment cost of sales	(246 425)	(19 581)	(10)	(363)			
<b>Total cost of sales</b>	<b>(423 958)</b>	<b>(873 036)</b>	<b>(15 327)</b>	<b>(3 026)</b>	-	<b>266 379</b>	<b>(1 048 968)</b>
<b>Segment result</b>	<b>19 091</b>	<b>61 724</b>	<b>745</b>	<b>7 131</b>	-	<b>1 855</b>	<b>90 546</b>
Other income	1 745	2 188	128	8 819	63 930	(69 385)	7 425
Distribution and administrative expenses	(18 165)	(12 626)	(1 651)	(10 164)	(13 959)	(341)	(56 906)
Other gain/(losses) net	(541)	29	5 588	564	1 330	(7 662)	(692)
Other expenses	(914)	(2 452)	(138)	(1 729)	(5 903)	1 546	(9 590)
<b>Operating profit/(loss)</b>	<b>1 216</b>	<b>48 863</b>	<b>4 672</b>	<b>4 621</b>	<b>45 398</b>	<b>(73 987)</b>	<b>30 783</b>
Net financing costs	(1 615)	(6 190)	(182)	(2 267)	(66 166)	60 916	(15 504)
Income tax expense							(3 392)
<b>Profit for the period</b>							<b>11 887</b>

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

*in PLN (in thousands)*

30.09.2013	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	203 025	1 011 368	10 104	792			
Inter-segment revenue	253 695	26 980	2	19 970			
<b>Total revenue</b>	<b>456 720</b>	<b>1 038 348</b>	<b>10 106</b>	<b>20 762</b>	-	<b>(300 647)</b>	<b>1 225 289</b>
Cost of sales to external customers	(193 895)	(615 951)	(9 562)	(330 692)			
Inter-segment cost of sales	(247 392)	(24 513)	(2)	(2 005)			
<b>Total cost of sales</b>	<b>(441 287)</b>	<b>(640 464)</b>	<b>(9 564)</b>	<b>(332 697)</b>	-	<b>273 912</b>	<b>(1 150 100)</b>
<b>Segment result</b>	<b>15 433</b>	<b>397 884</b>	<b>542</b>	<b>(311 935)</b>	-	<b>(26 735)</b>	<b>75 189</b>
Other income	2 292	3 212	315	1 516	91 171	(86 488)	12 018
Distribution and administrative expenses	(21 836)	(63 232)	(1 450)	8 813	(11 131)	25 295	(63 541)
Other gain/(losses) net	438	(1 978)	15	(628)	1 733	1 868	1 448
Other expenses	(2 273)	(3 794)	(299)	1 419	(9 777)	3 974	(10 750)
<b>Operating profit/(loss)</b>	<b>(5 946)</b>	<b>332 092</b>	<b>(877)</b>	<b>(300 815)</b>	<b>71 996</b>	<b>(82 086)</b>	<b>14 364</b>
Net financing costs	(404)	(5 149)	(2)	(1 344)	(139 227)	75 916	(70 210)
Share of profits of associates							(50)
Income tax expense							5 164
<b>Loss for the period</b>							<b>(50 732)</b>

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<i>in PLN (in thousands)</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribution division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>30.09.2012</b>								
Revenue from external customers		280 007	1 252 075	24 305	4 419			
Inter-segment revenue		310 381	20 763	1 207	13 956			
<b>Total revenue</b>		<b>590 388</b>	<b>1 272 838</b>	<b>25 512</b>	<b>18 375</b>	-	<b>(346 307)</b>	<b>1 560 806</b>
Cost of sales to external customers		(214 167)	(1 178 319)	(23 951)	(10 416)			
Inter-segment cost of sales		(348 870)	(19 173)	(493)	(3 299)			
<b>Total cost of sales</b>		<b>(563 037)</b>	<b>(1 197 492)</b>	<b>(24 444)</b>	<b>(13 715)</b>	-	<b>371 835</b>	<b>(1 426 853)</b>
<b>Segment result</b>		<b>27 351</b>	<b>75 346</b>	<b>1 068</b>	<b>4 660</b>	-	<b>25 528</b>	<b>133 953</b>
Other income		3 575	2 660	10 434	15 597	43 738	(79 062)	(3 058)
Distribution and administrative expenses		(24 591)	(33 696)	(7 686)	(12 805)	(22 861)	17 701	(83 938)
Other gain/(losses) net		542	(1 800)	5 336	1 070	1 670	4 123	10 941
Other expenses		(1 069)	(10 201)	(656)	(3 053)	(5 505)	6 479	(14 005)
<b>Operating profit/(loss)</b>		<b>5 808</b>	<b>32 309</b>	<b>8 496</b>	<b>5 469</b>	<b>17 042</b>	<b>(25 231)</b>	<b>43 893</b>
Net financing costs		(3 068)	(5 619)	(346)	(2 098)	(114 597)	94 070	(31 658)
Income tax expense								(7 607)
<b>Profit for the period from continuing operations</b>								<b>4 628</b>
Profit from discontinued operations		-	-	2 618	-	-	-	2 618
<b>Loss for the period</b>								<b>7 246</b>

<i>in PLN (in thousands)</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
<b>30.09.2013</b>							
Segment assets		78 048	621 229	7 327	13 330	186 877	<b>906 811</b>
Segment liabilities		40 277	136 400	1 841	3 817	586 709	<b>769 044</b>

<i>in PLN (in thousands)</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
<b>30.06.2013</b>							
Segment assets		74 695	638 559	6 611	11 350	207 652	<b>938 867</b>
Segment liabilities		30 814	142 816	747	4 619	623 596	<b>802 592</b>

<i>in PLN (in thousands)</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
<b>31.12.2012</b>							
Segment assets		85 170	597 324	5 252	14 009	212 754	<b>914 509</b>
Segment liabilities		32 964	90 921	173	1 372	612 237	<b>737 667</b>

<i>in PLN (in thousands)</i>		<b>Scrap division</b>	<b>Production division</b>	<b>Distribu- tion division</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>
<b>30.09.2012</b>							
Segment assets		91 054	614 757	8 305	19 036	189 873	<b>923 025</b>
Segment liabilities		33 737	91 784	275	594	608 149	<b>734 539</b>

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**Unallocated assets**

in PLN (in thousands)

	30.09.2013	30.06.2013	31.12.2012	30.09.2012
Long-term and short-term investments	9 224	8 447	12 248	10 715
Investments in associates	1 962	1 979	-	-
Deferred tax assets	74 969	78 353	71 744	69 795
Investment property	-	603	603	603
Income tax receivable	10	86	82	-
Cash and cash equivalents	31 274	47 792	64 151	48 898
Assets held for sale	8 698	9 760	11 786	11 877
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	60 740	60 632	52 140	48 015
	<b>186 877</b>	<b>207 652</b>	<b>212 754</b>	<b>189 903</b>

**Unallocated liabilities**

in PLN (in thousands)

	30.09.2013	30.06.2013	31.12.2012	30.09.2012
Interest-bearing loans and borrowings	541 096	577 363	562 353	558 104
Bank overdraft	3 400	8 484	15 495	13 534
Deferred tax liabilities	9 265	8 738	6 618	8 842
Employee benefits obligation	8 459	7 719	9 550	8 227
Government grants and other deferred income	1 036	3 221	736	1 923
Current income tax payables	-	165	315	5
Other payables	23 453	17 906	17 170	17 514
	<b>586 709</b>	<b>623 596</b>	<b>612 237</b>	<b>608 149</b>

**5 Property, plant and equipment**

During the three months ended 30 September 2013, the Group acquired property, plant and equipment at a cost of PLN 3 758 thousand (three months ended 30 September 2012: PLN 2 197 thousand). Assets with a net book value of PLN 96 thousand were disposed of during the three months ended 30 September 2013 (three months ended 30 September 2012: PLN 60 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 17 thousand (three months ended 30 September 2012: a net gain on disposal of PLN 446 thousand).

During the nine months ended 30 September 2013, the Group acquired property, plant and equipment at a cost of PLN 9 299 thousand (nine months ended 30 September 2012: PLN 15 676 thousand). Assets with a net book value of PLN 1 544 thousand were disposed of during the nine months ended 30 September 2013 (nine months ended 30 September 2012: PLN 4 333 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 338 thousand (nine months ended 30 September 2012: a net gain on disposal of PLN 3 491 thousand).

During the twelve months ended 30 September 2013, the Group acquired property, plant and equipment at a cost of PLN 10 647 thousand (twelve months ended 30 September 2012: PLN 21 352 thousand). Assets with a net book value of PLN 1 468 thousand were disposed of during the twelve months ended 30 September 2013 (twelve months ended 30 September 2012: PLN 6 817 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 808 thousand (twelve months ended 30 September 2012: a net gain on disposal of PLN 833 thousand).

**Capital commitments**

As at 30 September 2013 the Group had capital commitments in the amount of PLN 3 265 thousand (30 June 2013: PLN 710 thousand; 31 December 2012: PLN 460 thousand; 30 September 2012: PLN 1 360 thousand).

**6 Equity**

**Issued share capital**

	30.09.2013	30.06.2013	31.12.2012	30.09.2012
Registered shares at reporting date (number)	66 222 248	66 222 248	66 222 248	66 222 248
Issued warrants (number)	6 622	6 622	6 622	6 622
<b>Nominal value of 1 share</b>	<b>2 PLN</b>	<b>2 PLN</b>	<b>2 PLN</b>	<b>2 PLN</b>

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(in PLN thousand, unless stated otherwise)

*Together reach more*



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

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

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

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

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

Shareholder	Number of shares	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS Holdco Sp. z o.o.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 930 022	7.44%	4 930 022	7.44%
Other shareholders	17 600 919	26.58%	17 600 919	26.58%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

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

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

Shareholder	Number of shares	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS Holdco Sp. z o.o.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 930 022	7.44%	4 930 022	7.44%
Other shareholders	17 600 919	26.58%	17 600 919	26.58%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

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

The ownership structure as at the date of the publication of these condensed consolidated interim financial statements (14 November 2013) is presented in the table below:

Shareholder	Number of shares	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS Holdco Sp. z o.o.*	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 930 022	7.44%	4 930 022	7.44%
Other shareholders	17 600 919	26.58%	17 600 919	26.58%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

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

#### **Changes in the period**

There were no transactions that could have changed the ownership structure.

**Explanatory notes  
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(in PLN thousand, unless stated otherwise)

*Together reach more*



**Treasury shares**

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

**7 Earnings per share**

The calculation of basic earnings per share for the three-month period ended 30 September 2013 was based on the profit attributable to ordinary shareholders of PLN 1 144 thousand (the three-month period ended 30 September 2012: profit of PLN 1 429 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 September 2013 of 66 222 thousand (the three-month period ended 30 September 2012: 66 222 thousand).

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

The calculation of basic earnings per share for the nine-month period ended 30 September 2013 was based on the loss attributable to ordinary shareholders of PLN 39 756 thousand (the nine-month period ended 30 September 2012: profit of PLN 11 394 thousand) and a weighted average number of ordinary shares (excluding the number of treasury shares held by the Group) outstanding during the nine-month period ended 30 September 2013 of 66 222 thousand (the nine-month period ended 30 September 2012: 66 222 thousand).

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

The calculation of basic earnings per share for the twelve-month period ended 30 September 2013 was based on the loss attributable to ordinary shareholders of PLN 51 593 thousand (the twelve-month period ended 30 September 2012: profit of PLN 6 951 thousand) and a weighted average number of ordinary shares (excluding the number of treasury shares held by the Group) outstanding during the twelve-month period ended 30 September 2013 of 66 222 thousand (the twelve-month period ended 30 September 2012: 66 222 thousand).

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

In the reporting periods described above, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares was lower than PLN 4. The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on the quoted market prices for the period during which the warrants were outstanding.

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

*in PLN (in thousands)*

	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>30.09.2012</b>
<b>Non-current liabilities</b>				
Secured fixed interest rate debt	-	-	483 307	482 360
Finance lease liabilities	4 615	5 462	3 713	6 391
	<b>4 615</b>	<b>5 462</b>	<b>487 020</b>	<b>488 751</b>
<b>Current liabilities</b>				
Secured fixed interest rate debt*	504 737	528 340	14 182	6 874
Current portion of finance lease liabilities	1 960	1 570	3 745	2 216
Factoring and bill of exchange liabilities	19 981	22 718	13 528	19 046
Reverse factoring	9 803	10 914	18 879	16 217
Other borrowings	-	8 359	24 999	25 000
	<b>536 481</b>	<b>571 901</b>	<b>75 333</b>	<b>69 353</b>
Bank overdraft	3 400	8 484	15 495	13 534
	<b>539 881</b>	<b>580 385</b>	<b>90 828</b>	<b>82 887</b>

\* As at 30 September 2013, the liabilities arising from the above notes to the amount of EUR 119 711 thousand (PLN 504 737 thousand) were presented as short-term borrowings as they are due for settlement on 1 February 2014.

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

As at 30 September 2013, two of the three agreed financial ratios were not met by the Group, however the margin remained unchanged. As at 30 September 2013 the liability to BRE Bank amounted to PLN 3 400 thousand.

#### **Liabilities due to Shareholder**

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

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

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

#### **Contingencies**

In the sale contracts relating to:

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

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

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

### **10 Related parties**

#### **Identity of related parties**

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

#### **Owner:**

- PS Holdco Sp. z o.o.

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

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

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

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

#### **Associates:**

- 4 Groups Sp. z o.o.



**Explanatory notes  
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(in PLN thousand, unless stated otherwise)

Together reach more



in PLN (in thousands)

	30.09.2013	30.06.2013	31.12.2012	30.09.2012
<i>Short-term receivables:</i>				
- related parties (not consolidated)	8 312	6 840	9 309	5 617
- associates	6	9	-	-
- owner*	7	7	61	61
- companies controlled by the owner	13	24	117	10
<i>Short-term liabilities</i>				
- related parties (not consolidated)	441	68	80	55
- associates	-	54	-	-
- owner*	8 525	6 153	5 694	3 551
- companies controlled by the owner	270	237	291	175
<i>Loans granted</i>				
- related parties (not consolidated)	3 572	3 501	7 450	7 315
- owner*	820	800	-	-

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

in PLN (in thousands)	01.07.2013 - 30.09.2013	01.07.2012 - 30.09.2012	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012	01.10.2012 - 30.09.2013	01.10.2011 - 30.09.2012
<i>Revenues from sale of products</i>						
- related parties (not consolidated)	-	-	-	-	-	15
<i>Revenues from sale of services</i>						
- related parties (not consolidated)	102	9	334	28	340	36
- associates	5	-	19	-	19	-
- owner	-	-	1	1	1	1
- companies controlled by the owner	22	9	67	29	249	45
<i>Revenues from sale of raw materials and commodities</i>						
- related parties (not consolidated)	5 839	3 769	9 860	21 128	16 974	27 261
- companies controlled by the owner	-	-	2	70	3	1 052
<i>Purchase of commodities and raw materials</i>						
- related parties (not consolidated)	3 596	935	7 610	3 730	9 461	5 704
- companies controlled by the owner	220	162	510	562	1 074	695
<i>Purchase of services</i>						
- related parties (not consolidated)	-	-	-	10	-	33
- associates	183	-	389	-	389	-
- companies controlled by the owner	583	446	1 628	1 324	1 761	1 620
<i>Other income</i>						
- related parties (not consolidated)	96	182	367	612	737	807
- owner	20	-	27	-	27	-
<i>Other gain/(losses) net</i>						
- related parties (not consolidated)	-	-	-	-	-	21
- owner	-	-	-	3 028	-	3 028
- companies controlled by the owner	-	-	-	18	-	15 711
<i>Other expenses</i>						
- related parties (not consolidated)	-	(4)	-	(26)	-	(30)
<i>Financial costs</i>						
- related parties (not consolidated)	-	-	-	-	(5)	(94)
- owner	(2 373)	-	(7 032)	(5 096)	(11 874)	(8 568)

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



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

*in PLN (in thousands)*

	30.09.2013	30.09.2012
Cash in bank	27 524	31 725
Cash in bank restricted in use	-	16 934
Cash in hand	221	235
Short-term bank deposit	3 275	-
Other	254	4
<b>Cash and cash equivalents in the statement of financial position</b>	<b>31 274</b>	<b>48 898</b>
Bank overdrafts	(3 400)	(13 534)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>27 874</b>	<b>35 364</b>

## 12 Financial instruments

### Financial instruments measured at fair values

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

### Fair values

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

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.

ÉFixed rate debt securities. The fair value of bonds as at 30 September 2013 amounted to PLN 311 354 thousand (31 December 2012: PLN 378 532 thousand) ó the amount was estimated on the basis of market transactions on bonds in the period close to the reporting day. The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which is similar to the interest rate applicable for liabilities with similar liquidity risk.

## 13 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.

## 14 Management Board's position on the possibility of implementing previously published forecasts for the year, in light of the results presented in the quarterly report

Management Board didn't publish forecasts.

**15 Ownership of the Parent Company shares or rights held by Management Board or by Supervisory Board at the date of this quarterly report, along with an indication of changes in ownership during the period from the previous report, separately for each person**

	As at the date of the current report		As at the date of the previous report	
	quantity	% in share capital	quantity	% in share capital
<b>Management Board</b>				
- Przemysław Sztuczkowski *	-	-	-	-
- Przemysław Grzesiak	2 522 951	3,81%	2 522 951	3,81%
- Krzysztof Zoc	-	-	-	-
- Dominik Barszcz	-	-	-	-
<b>Supervisory Board</b>				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew/ api ski	-	-	-	-

\* 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. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor S.A. As at August 28, 2013 PS Holdco Sp. z o.o. was the owner of 65.98% shares of Cognor S.A, and as at November 14, 2013 PS Holdco Sp. z o.o. was the owner of 65.98%. Detailed information in note 6.

**16 Proceedings before the court, arbitration or public authorities**

In 2009, Zëmrex S.A. (currently HSJ S.A.) received a binding offer from the Government of the Republic of Croatia for the termination of the contract for the sale of shares in Zeljezara Split (Republic of Croatia) with the Croatian Privatisation Fund. Despite the acceptance of the offer by Zëmrex S.A., the appropriate agreement relating to the return of shares in Zeljezara Split to the Croatian Privatisation Fund and the payment by the Croatian Privatisation Fund to Zëmrex S.A. of the amount of EUR 10 million plus interests, had not been finalized in 2009 and in 2010 the closing of the transaction was postponed for a specified period of time at the request of the Croatian counterparty.

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

In the opinion of the Management of the Parent Company, supported by consultations with legal advisers, despite the uncertainty about the final settlement of this case as at the date of preparing these condensed consolidated interim financial statements, recoverability of the receivable from the Government of the Republic of Croatia is probable.

In connection with the dispute on the final selling price of the Austrian group, Cognor Stahlhandel GmbH, in 2012 the Parent Company and its subsidiaries involved in the sale of Cognor Stahlhandel GmbH's shares, filed for a ruling before the Arbitration Tribunal. This process is likely to conclude in 2013 and the Management Board of the Parent Company considers that receivables from the sale of Cognor Stahlhandel GmbH included in condensed consolidated interim financial statements to the amount of PLN 7 382 thousand are recoverable.

**17 Information on the Parent Company or its subsidiary of one or more transactions with related parties if individually or in the aggregate are material and have been included under conditions other than market.**

Not applicable.

## 18 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 (in thousands)	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	4 843	till termination of trade agreement
Kapitał S.A.	Agreement of bills discounted	2 500	till 31.12.2013

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

Subsidiary	Type of liability	Guarantee value in PLN (in thousands)	Period of guarantee
Złomrex Metal Sp. z o.o.	Factoring	11 000	till 31.12.2013
Ferrostal/ ab dy Sp. z o.o.	Factoring	25 350	till 31.12.2013
Ferrostal/ ab dy Sp. z o.o.	Lease liability	17	till November 2013

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

Subsidiary	Type of liability	Guarantee value in PLN (in thousands)	Period of guarantee
Cognor S.A.	Lease liability	492	till January 2018
Złomrex Metal Sp. z o.o.	Factoring	11 000	without deadline

The liability for the bonds listed on the Luxemburg Stock Exchange (Euro MTF) issued by the subsidiary Zlomrex International Finance S.A. with a carrying value of PLN 504 737 thousands as at 30 September 2013, was secured by a pledge on the shares of the following subsidiaries: Zlomrex International Finance S.A., Ferrostal/ ab dy Sp. z o.o., ZW Walcownia Bruzdowa Sp. z o.o., Huta Stali Jako ciowych S.A., Business Support Services Sp. z o.o., Złomrex Metal Sp. z o.o. and a related company Odlewnia Metali Szopienice Sp. z o.o. (a subsidiary of PS Holdco Sp. z o.o., the main shareholder of Cognor S.A.).

Guarantees related to the bank loans:

Cognor S.A. and its subsidiaries: Ferrostal/ ab dy Sp. z o.o., Huta Stali Jako ciowych S.A. and Złomrex Metal Sp. z o.o. have a bank overdraft with BRE Bank S.A. with a limit amounting to PLN 6 300 thousand, that was guaranteed to this amount by these companies. The guarantee period is the same as the credit maturity, i.e. 2 January 2014.

As at 30 September 2013, Ferrostal/ ab dy Sp. z o.o. utilised this credit line and the liability amounted to PLN 3 400 thousand.

## 19 Other information that the Parent Company is relevant to the assessment of its personnel, assets, financial position, financial performance and their changes and information that is relevant to the assessment of the Parent Company's capacity to meet obligation.

Lack of information requiring disclosure.

## 20 Factors which in the opinion of the Parent Company will have an impact on its financial performance for at least next

The consolidated financial results of the Cognor Capital Group in the the prespective of the fourth quarter of 2013 will depend mainly on:

- the formation of relation of product prices to material prices, including especially steel scrap,
- the formation of the relations of the PLN to EUR and USD.

## **21 Subsequent events**

On October 24, 2013 a new subsidiary Cognor International Finance Plc, with its seat in London, was established by Huta Stali Jako ciowych S.A. (subsidiary).

Poraj, 14 November 2013

Przemysław Sztuczkowski  
*President of the Management Board*

Przemysław Grzesiak  
*Vice President of the Management Board*

Krzysztof Zołta  
*Member of the Management Board*

Dominik Barszcz  
*Member of the Management Board*