

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

14 November 2014

## Condensed consolidated statement of financial position

<i>in PLN (in thousands)</i>	<i>Note</i>	<b>30.09.2014</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
<b>Assets</b>					
Property, plant and equipment	6	294 515	294 874	293 145	299 382
Intangible assets		11 776	11 762	12 163	12 755
Investment property		-	-	-	-
Investments in associates		1 901	1 917	4 946	1 962
Other investments		295	295	6 352	4 302
Other receivables		42 113	41 647	41 500	42 204
Prepaid perpetual usufruct of land		24 471	24 623	18 535	18 639
Deferred tax assets		75 263	68 852	74 319	74 969
<b>Total non-current assets</b>		<b>450 334</b>	<b>443 970</b>	<b>450 960</b>	<b>454 213</b>
Inventories		248 807	268 707	234 816	187 452
Other investments		22 687	22 889	5 190	4 922
Current income tax receivables		47	33	12	10
Trade and other receivables		204 494	224 750	186 553	218 438
Prepayments		-	-	9 205	1 804
Cash and cash equivalents		33 828	27 260	14 778	31 274
Assets classified as held for sale		8 775	8 672	8 951	8 698
<b>Total current assets</b>		<b>518 638</b>	<b>552 311</b>	<b>459 505</b>	<b>452 598</b>
<b>Total assets</b>		<b>968 972</b>	<b>996 281</b>	<b>910 465</b>	<b>906 811</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>30.09.2014</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
<b>Equity</b>					
Issued share capital	7	132 444	132 444	132 444	132 444
Reserves		231 650	231 906	149 575	154 403
Foreign currency translation reserves		(495)	(493)	(477)	(514)
Accumulated losses		(165 284)	(159 303)	(166 107)	(162 121)
<b>Total equity attributable to owners of the parent company</b>		<b>198 315</b>	<b>204 554</b>	<b>115 435</b>	<b>124 212</b>
Non-controlling interests		24 800	24 253	13 699	13 555
<b>Total equity</b>		<b>223 115</b>	<b>228 807</b>	<b>129 134</b>	<b>137 767</b>
<b>Liabilities</b>					
Interest-bearing loans and borrowings	9	407 508	407 504	6 677	4 615
Employee benefits obligation		9 215	9 230	7 313	6 705
Other payables		34 463	762	-	-
Deferred tax liabilities		9 971	4 770	11 637	9 265
<b>Total non-current liabilities</b>		<b>461 157</b>	<b>422 266</b>	<b>25 627</b>	<b>20 585</b>
Bank overdraft	9	5 510	6 228	-	3 400
Interest-bearing loans and borrowings	9	72 063	82 099	562 906	536 481
Employee benefits obligation		2 324	1 760	3 250	1 754
Current income tax payables		44	-	152	-
Provisions for payables		4 776	7 213	516	432
Trade and other payables		199 866	247 791	188 763	205 356
Government grants and other deferred income		117	117	117	1 036
<b>Total current liabilities</b>		<b>284 700</b>	<b>345 208</b>	<b>755 704</b>	<b>748 459</b>
<b>Total liabilities</b>		<b>745 857</b>	<b>767 474</b>	<b>781 331</b>	<b>769 044</b>
<b>Total equity and liabilities</b>		<b>968 972</b>	<b>996 281</b>	<b>910 465</b>	<b>906 811</b>

Przemysław Sztuczkowski  
President of the Management Board

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Vice President of the Management Board

Krzysztof Zoła  
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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>	<b>01.07.2014 - 30.09.2014</b>	<b>01.07.2013 - 30.09.2013</b>	<b>01.01.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>
Revenue		366 967	343 035	1 086 241	965 129
Cost of sales		(332 330)	(315 745)	(973 606)	(895 174)
<b>Gross profit</b>		<b>34 637</b>	<b>27 290</b>	<b>112 635</b>	<b>69 955</b>
Other income		(831)	4 160	5 677	7 872
Distribution expenses		(11 102)	(10 232)	(32 110)	(27 155)
Administrative expenses		(11 064)	(8 193)	(26 764)	(24 651)
Other gains/(losses) - net		238	(3 506)	243	2 980
Other expenses		(3 891)	(3 369)	(10 929)	(8 704)
<b>Operating profit before financing costs</b>		<b>7 987</b>	<b>6 150</b>	<b>48 752</b>	<b>20 297</b>
Financial income		1 799	129	1 799	504
Financial expenses		(15 750)	(921)	(47 903)	(60 469)
<b>Net financing costs</b>		<b>(13 951)</b>	<b>(792)</b>	<b>(46 104)</b>	<b>(59 965)</b>
Share of loss of associates		(16)	(17)	(557)	(50)
Gain on bargain purchase		49	-	5 370	-
<b>Profit/(loss) before tax</b>		<b>(5 931)</b>	<b>5 341</b>	<b>7 461</b>	<b>(39 718)</b>
Income tax expense		1 034	(3 834)	(808)	686
<b>Profit/(loss) for the period</b>		<b>(4 897)</b>	<b>1 507</b>	<b>6 653</b>	<b>(39 032)</b>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the parent company		(5 495)	1 144	5 327	(39 756)
Non-controlling interests		598	363	1 326	724
<b>Profit/(loss) for the period</b>		<b>(4 897)</b>	<b>1 507</b>	<b>6 653</b>	<b>(39 032)</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		(2)	(14)	(18)	(43)
<b>Total comprehensive income for the period</b>		<b>(4 899)</b>	<b>1 493</b>	<b>6 635</b>	<b>(39 075)</b>
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Parent Company		(5 497)	1 130	5 309	(39 799)
Non-controlling interests		598	363	1 326	724
<b>Total comprehensive income for the period</b>		<b>(4 899)</b>	<b>1 493</b>	<b>6 635</b>	<b>(39 075)</b>
<b>Basic earnings per share (PLN) attributable to the owners of the parent company</b>	8	<b>(0,08)</b>	<b>0,02</b>	<b>0,08</b>	<b>(0,60)</b>
- from continuing operations		(0,08)	0,02	0,08	(0,60)
<b>Diluted earnings per share (PLN) attributable to the owners of the parent company</b>	8	<b>(0,05)</b>	<b>0,02</b>	<b>0,05</b>	<b>(0,60)</b>
- from continuing operations		(0,05)	0,02	0,05	(0,60)

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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>01.10.2013 - 30.09.2014</b>	<b>01.10.2012 - 30.09.2013</b>
<b>Continuing operations</b>			
Revenue		1 415 381	1 225 289
Cost of sales		(1 269 556)	(1 150 100)
<b>Gross profit</b>		<b>145 825</b>	<b>75 189</b>
Other income		8 761	12 018
Distribution expenses		(44 473)	(36 790)
Administrative expenses		(37 077)	(26 751)
Other gains - net		(758)	1 448
Other expenses		(15 710)	(10 750)
<b>Operating profit before financing costs</b>		<b>56 568</b>	<b>14 364</b>
Financial income		1 522	4 774
Financial expenses		(63 616)	(74 984)
<b>Net financing costs</b>		<b>(62 094)</b>	<b>(70 210)</b>
Share of loss of associates		(962)	(50)
Gain on bargain purchase		8 584	-
<b>Loss/(profit) before tax</b>		<b>2 096</b>	<b>(55 896)</b>
Income tax expense		(4 113)	5 164
<b>Loss/(profit) for the period from continuing operations</b>		<b>(2 017)</b>	<b>(50 732)</b>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations, net of tax		-	-
<b>Loss/(profit) for the period</b>		<b>(2 017)</b>	<b>(50 732)</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the parent company		(3 487)	(51 593)
Non-controlling interests		1 470	861
<b>Loss/(profit) for the period</b>		<b>(2 017)</b>	<b>(50 732)</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

<i>in PLN (in thousands)</i>	<i>Note</i>	01.10.2013 - 30.09.2014	01.10.2012 - 30.09.2013
<b>Other comprehensive income</b>			
- that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		19	13
<b>Total comprehensive income for the period</b>		<b>(1 998)</b>	<b>(50 719)</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent company		(3 468)	(51 580)
Non-controlling interests		1 470	861
<b>Total comprehensive income for the period</b>		<b>(1 998)</b>	<b>(50 719)</b>
<b>Basic earnings per share (PLN) attributable to the owners of the parent company</b>	8	<b>(0,05)</b>	<b>(0,78)</b>
- from continuing operations		(0,05)	(0,78)
- from discontinued operations		-	-
<b>Diluted earnings per share (PLN) attributable to the owners of the parent company</b>	8	<b>(0,04)</b>	<b>(0,78)</b>
- from continuing operations		(0,04)	(0,78)
- from discontinued operations		-	-

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## Condensed consolidated statement of cash flows

<i>in PLN (in thousands)</i>	<b>01.07.2014 - 30.09.2014</b>	<b>01.07.2013 - 30.09.2013</b>	<b>01.01.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>
Profit/(loss) before tax	<b>(5 931)</b>	<b>5 341</b>	<b>7 461</b>	<b>(39 718)</b>
<b>Adjustments</b>				
Depreciation	8 990	8 240	25 581	26 359
Amortization	296	628	806	2 059
Foreign exchange losses/(gains)	1 960	(10 863)	3 191	14 090
Net (gains)/losses on investment activities	(403)	-	(403)	-
Net (gains)/losses on disposal of property, plant and equipment	(174)	401	51	(631)
Interest, transaction costs (related to loans and borrowings) and dividends, net	14 465	20 516	43 037	44 429
Change in receivables	11 366	(12 132)	(2 487)	(38 031)
Change in inventories	19 900	10 958	(7 057)	(8 251)
Change in trade and other payables	(14 232)	1 900	(9 323)	64 015
Change in provisions	523	188	4 106	2
Change in employee benefits obligation	549	740	(2 255)	(1 091)
Change in government grants and other deferred income	-	(2 185)	(233)	300
Share of profit of associates, net of tax	16	-	557	-
Gain on bargain purchase	(49)	-	(5 370)	-
Other adjustments	-	-	52	-
<b>Cash generated from operating activities</b>	<b>37 276</b>	<b>23 732</b>	<b>57 714</b>	<b>63 532</b>
Income tax (paid)/refunded	(146)	(106)	113	(135)
<b>Net cash from operating activities</b>	<b>37 130</b>	<b>23 626</b>	<b>57 827</b>	<b>63 397</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment and intangibles	2 894	1 048	5 084	6 233
Acquisitions of subsidiaries, net of cash acquired	-	-	(189)	-
Proceeds from sale of other investments	403	-	403	-
Interest received	73	243	405	366
Dividends received	-	-	-	25
Repayment of loans granted	-	-	-	328
Other inflows from investing activities	270	-	270	-
Acquisition of property, plant and equipment	(6 563)	(3 445)	(9 450)	(5 832)
Acquisition of intangible assets	(2 164)	(10)	(2 209)	(51)
Acquisition of assets held for sale	(406)	-	(406)	-
Acquisition of shares in other companies	-	-	-	(2 012)
Loans granted	-	(938)	-	(1 185)
<b>Net cash from investing activities</b>	<b>(5 493)</b>	<b>(3 102)</b>	<b>(6 092)</b>	<b>(2 128)</b>

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## Condensed consolidated statement of cash flows - continued

<i>in PLN (in thousands)</i>	<i>Note</i>	<b>01.07.2014 - 30.09.2014</b>	<b>01.07.2013 - 30.09.2013</b>	<b>01.01.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>
<b>Cash flows from financing activities</b>					
Proceeds from interest-bearing loans and borrowings		650	-	650	-
Proceeds from factoring		(4 130)	-	9 666	-
Repayment of interest-bearing loans and borrowings		(177)	(8 360)	(1 612)	(25 000)
Payment of finance lease liabilities		(1 432)	(767)	(3 900)	(4 360)
Interest and transaction costs (related to loans and borrowings) paid		(19 264)	(22 827)	(42 705)	(48 492)
Other transactions with the Owner		-	-	(300)	(4 200)
<b>Net cash from financing activities</b>		<b>(24 353)</b>	<b>(31 954)</b>	<b>(38 201)</b>	<b>(82 052)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7 284</b>	<b>(11 430)</b>	<b>13 534</b>	<b>(20 783)</b>
Cash and cash equivalents net of bank overdraft, at 1 January/ 1 July		21 032	39 308	14 778	48 656
- effect of exchange rate fluctuations on cash held		2	(4)	6	1
<b>Cash and cash equivalents net of bank overdraft, at 30 September</b>	<i>12</i>	<b>28 318</b>	<b>27 874</b>	<b>28 318</b>	<b>27 874</b>
- including cash restricted for use	<i>12</i>	431	-	431	-

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

in PLN (in thousands)

	01.10.2013 - 30.09.2014	01.10.2012 - 30.09.2013
<b>Continuing operations</b>		
(Loss)/Profit before tax from continuing operations	<b>2 096</b>	<b>(55 896)</b>
<i>Adjustments</i>		
Depreciation	33 623	35 676
Amortization	1 424	2 872
Impairment losses and valuation allowances	31	-
Foreign exchange losses	(4 257)	12 164
Net gains on investment activities	(403)	3
Net (gains)/losses on disposal of property, plant and equipment	242	(2 736)
Interest, transaction costs (related to loans and borrowings) and dividends, net	65 640	44 901
Change in receivables	30 673	(22 172)
Change in inventories	(54 421)	(5 127)
Change in trade and other payables	(29 098)	73 994
Change in provisions	4 136	418
Change in employee benefits obligation	(151)	232
Change in government grants and other deferred income	(1 152)	(887)
Share of profit of associates, net of tax	(2 202)	-
Gain on bargain purchase	(5 370)	-
Other adjustments	52	17
<b>Cash generated from operating activities</b>	<b>40 863</b>	<b>83 459</b>
Income tax (paid)/refunded	34	(147)
<b>Net cash from operating activities</b>	<b>40 897</b>	<b>83 312</b>

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

<i>in PLN (in thousands)</i>	<b>01.10.2013 - 30.09.2014</b>	<b>01.10.2012 - 30.09.2013</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangibles	4 893	5 121
Acquisitions of subsidiaries, net of cash acquired	(189)	-
Proceeds from sale of other investments	403	5 985
Interest received	603	28
Dividends received	-	25
Repayment of loans granted	-	352
Other inflows from investing activities	4 270	-
Acquisition of property, plant and equipment	(11 195)	(7 583)
Acquisition of intangible assets	(2 236)	(1 844)
Loans granted	(2 080)	(1 185)
Acquisition of other investments	(175)	(7 330)
<b>Net cash from investing activities</b>	<b>(5 706)</b>	<b>(6 431)</b>
<b>Cash flows from financing activities</b>		
Proceeds from interest-bearing loans and borrowings	650	84
Proceeds from factoring	21 951	-
Repayment of interest-bearing loans and borrowings	(1 612)	(25 000)
Payment of finance lease liabilities	(1 658)	(5 591)
Interest and transaction costs (related to loans and borrowings) paid	(53 471)	(42 950)
Other transactions with the owner	(600)	(10 915)
<b>Net cash from financing activities</b>	<b>(34 740)</b>	<b>(84 372)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents net of bank overdraft, as at 1 October	451	(7 491)
- effect of exchange rate fluctuations on cash held	27 874	35 364
	(7)	1
<b>Cash and cash equivalents net of bank overdraft, as at 30 September</b>	<b>28 318</b>	<b>27 874</b>
- including cash restricted for use	12 431	-

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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 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>
- 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>
<b>Transactions with owners of the company, recognised in equity</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 January 2013</b>	<b>132 444</b>	<b>141 312</b>	<b>(471)</b>	<b>(109 274)</b>	<b>164 011</b>	<b>12 831</b>	<b>176 842</b>
Total comprehensive income	-	-	(6)	(48 570)	<b>(48 576)</b>	868	<b>(47 708)</b>
- (loss)/profit	-	-	-	(48 570)	<b>(48 570)</b>	868	<b>(47 702)</b>
- foreign currency translation differences relating to foreign operations	-	-	(6)	-	<b>(6)</b>	-	<b>(6)</b>
<b>Transactions with owners of the company, recognised in equity</b>							
Transfer of profit	-	8 263	-	(8 263)	-	-	-
<b>Equity as at 31 December 2013</b>	<b>132 444</b>	<b>149 575</b>	<b>(477)</b>	<b>(166 107)</b>	<b>115 435</b>	<b>13 699</b>	<b>129 134</b>

The 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						Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total			
<i>in PLN thousand</i>								
<b>Equity as at 1 January 2014</b>	<b>132 444</b>	<b>149 575</b>	<b>(477)</b>	<b>(166 107)</b>	<b>115 435</b>	<b>13 699</b>	<b>129 134</b>	
Total comprehensive income	-	-	(18)	5 327	<b>5 309</b>	1 326	<b>6 635</b>	
- (loss)/profit	-	-	-	5 327	<b>5 327</b>	1 326	<b>6 653</b>	
- foreign currency translation differences relating to foreign operations	-	-	(18)	-	<b>(18)</b>	-	<b>(18)</b>	
<b>Transactions with owners of the company, recognised in equity</b>								
Contribution by and distributions to owners of the company	-	82 075	-	(2 561)	<b>79 514</b>	-	<b>79 514</b>	
Option on own equity instruments	-	(18 713)	-	-	<b>(18 713)</b>	-	<b>(18 713)</b>	
Issuing of exchangeable notes	-	100 788	-	-	<b>100 788</b>	-	<b>100 788</b>	
Interests on exchangeable notes in the period	-	-	-	(2 561)	<b>(2 561)</b>	-	<b>(2 561)</b>	
Changes in the ownership structure of subsidiaries	-	-	-	(1 943)	<b>(1 943)</b>	9 775	<b>7 832</b>	
Acquisition of control over subsidiary previously valued under the equity method and other	-	-	-	(1 943)	<b>(1 943)</b>	9 775	<b>7 832</b>	
<b>Equity as at 30 September 2014</b>	<b>132 444</b>	<b>231 650</b>	<b>(495)</b>	<b>(165 284)</b>	<b>198 315</b>	<b>24 800</b>	<b>223 115</b>	
<b>Equity as at 1 July 2014</b>	<b>132 444</b>	<b>231 906</b>	<b>(493)</b>	<b>(159 303)</b>	<b>204 554</b>	<b>24 253</b>	<b>228 807</b>	
Total comprehensive income	-	-	(2)	(5 495)	<b>(5 497)</b>	598	<b>(4 899)</b>	
- (loss)/profit	-	-	-	(5 495)	<b>(5 495)</b>	598	<b>(4 897)</b>	
- foreign currency translation differences relating to foreign operations	-	-	(2)	-	<b>(2)</b>	-	<b>(2)</b>	
<b>Transactions with owners of the company, recognised in equity</b>								
Contribution by and distributions to owners of the company	-	(256)	-	(486)	<b>(742)</b>	-	<b>(742)</b>	
Option on own equity instruments	-	-	-	-	-	-	-	
Issuing of exchangeable notes	-	(256)	-	-	<b>(256)</b>	-	<b>(256)</b>	
Interests on exchangeable notes in the period	-	-	-	(486)	<b>(486)</b>	-	<b>(486)</b>	
Changes in the ownership structure of subsidiaries	-	-	-	-	-	(51)	<b>(51)</b>	
Acquisition of control over subsidiary previously valued under the equity method and other	-	-	-	-	-	(51)	<b>(51)</b>	
<b>Equity as at 30 September 2014</b>	<b>132 444</b>	<b>231 650</b>	<b>(495)</b>	<b>(165 284)</b>	<b>198 315</b>	<b>24 800</b>	<b>223 115</b>	

Przemysław Sztuczkowski  
President of the Management Board

Przemysław Grzesiak  
Vice President of the Management Board

Krzysztof Zoła  
Member of the Management Board

Dominik Barszcz  
Member of the Management Board

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

## 1 Reporting entity

Cognor S.A. (“Cognor”, “the Company”, “the Parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Up until 29 August 2011, the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor’s shares 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 Company’s shares are listed on the Warsaw Stock Exchange.

## 2 Cognor S.A. Group

The condensed consolidated interim financial statements as at and for the nine months ended 30 September 2014 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 September 2014 are presented in the table below.

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.44%	2004-02-19*
ZW WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	92.44% (100%**)	2005-01-13*
HUTA STALI JAKOŚCIOWYCH S.A.	Poland	Manufacture of metal products	100.00%	2006-01-27*
KAPITAŁ S.A.	Poland	Financial services	100.00%	2004-06-13*
KAPITAŁ S.A. Sp. k.	Poland	Properties	51.00%	2008-03-25*
ZŁOMREX INTERNATIONAL FINANCE S.A.	France	Financial services, former bond issuer	100.00%	2006-10-23*
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.00%	2007-04-02*
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.44%	2007-08-01
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100.00%	2006-05-15*
COGNOR FINANSE Sp. z o.o.	Poland	Financial services	100.00%	2007-03-28*
AB STAHL AG	Germany	Trade in metal products	100.00%	2006-08-03*
COGNOR INTERNATIONAL FINANCE S.A.	United Kingdom	Financial services, bond issuer	100.00%	2013-10-24
ZW PROFIL S.A.	Poland	Manufacture of metal products	49.38% (53.42%**)	2014-04-11
PRZEDSIĘBIORSTWO TRANSPORTU SAMOCHODOWEGO S.A.	Poland	Transport services	39.50% (42.73%**)	2014-04-11
PROFIL CENTRUM Sp. z o.o.	Poland	Other	49.38% (53.42%**)	2014-04-11
4 GROUPS Sp. z o.o.	Poland	Other services	30.00% (associate)	2013-01-21

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

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

On 25 March 2014, Ferrostal Łabędy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. In September 2014, Ferrostal Łabędy Sp. z o.o. purchased 35 shares in ZW Profil S.A. After these transactions Ferrostal Łabędy Sp. z o.o. became the owner of 5 275 shares representing 53.42% of the share capital in ZW Profil S.A. (for details see note 5). The share of Capital Group in ZW Profil S.A. is 49.38%.

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

On 30 September 2014, Zlomrex International Finance S.A. has started the process of voluntary liquidation of the Company.

### **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 2013 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 2014.

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

The condensed consolidated interim financial statements as at 30 September 2014 have been prepared on a going concern basis.

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

#### **c) Significant accounting policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2013 and for the year then ended.

#### **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 2013.

#### 4 Segment reporting

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

The Management Board considers the business from a product perspective.

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

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

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

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

*in PLN (in thousands)*

30.09.2014	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	47 425	304 641	4 897	10 004			
Inter-segment revenue	56 419	18 958	11	4 877			
<b>Total revenue</b>	<b>103 844</b>	<b>323 599</b>	<b>4 908</b>	<b>14 881</b>	-	<b>(80 265)</b>	<b>366 967</b>
Cost of sales to external customers	(41 193)	(277 376)	(4 452)	(9 309)			
Inter-segment cost of sales	(58 197)	(16 209)	(8)	(1)			
<b>Total cost of sales</b>	<b>(99 390)</b>	<b>(293 585)</b>	<b>(4 460)</b>	<b>(9 310)</b>	-	<b>74 415</b>	<b>(332 330)</b>
<b>Segment result</b>	<b>4 454</b>	<b>30 014</b>	<b>448</b>	<b>5 571</b>	-	<b>(5 850)</b>	<b>34 637</b>
Other income	564	686	22	1 281	13 758	(17 142)	(831)
Distribution and administrative expenses	(5 313)	(15 384)	(415)	(1 428)	(3 264)	3 638	(22 166)
Other gain net	20	258	(28)	321	(460)	127	238
Other expenses	(262)	(449)	(17)	221	(1 991)	(1 393)	(3 891)
<b>Operating profit/(loss)</b>	<b>(537)</b>	<b>15 125</b>	<b>10</b>	<b>5 966</b>	<b>8 043</b>	<b>(20 620)</b>	<b>7 987</b>
Net financing costs	(351)	(1 339)	(9)	(444)	(31 555)	19 747	(13 951)
Share of profits of associates							(16)
Gain on bargain purchase							49
Income tax expense							1 034
<b>Loss for the period</b>							<b>(4 897)</b>

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

(in PLN thousand, unless stated otherwise)

*Together reach more*



*in PLN (in thousands)*

30.09.2013	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
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>(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>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>(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/(losses) 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>Profit for the period</b>							<b>1 507</b>

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

*in PLN (in thousands)*

30.09.2014	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	134 539	923 313	10 400	17 989			
Inter-segment revenue	198 339	40 496	23	28 706			
<b>Total revenue</b>	<b>332 878</b>	<b>963 809</b>	<b>10 423</b>	<b>46 695</b>	-	<b>(267 564)</b>	<b>1 086 241</b>
Cost of sales to external customers	(120 725)	(830 209)	(9 352)	(13 320)			
Inter-segment cost of sales	(199 130)	(37 435)	(26)	(19 832)			
<b>Total cost of sales</b>	<b>(319 855)</b>	<b>(867 644)</b>	<b>(9 378)</b>	<b>(33 152)</b>	-	<b>256 423</b>	<b>(973 606)</b>
<b>Segment result</b>	<b>13 023</b>	<b>96 165</b>	<b>1 045</b>	<b>13 543</b>	-	<b>(11 141)</b>	<b>112 635</b>
Other income	1 545	1 751	123	3 663	50 288	(51 693)	5 677
Distribution and administrative expenses	(15 585)	(39 449)	(1 054)	(1 957)	(11 308)	10 479	(58 874)
Other gain net	482	410	(23)	37	(20 662)	19 999	243
Other expenses	(393)	(3 268)	(128)	(688)	(8 922)	2 470	(10 929)
<b>Operating profit/(loss)</b>	<b>(928)</b>	<b>55 609</b>	<b>(37)</b>	<b>14 598</b>	<b>9 396</b>	<b>(29 886)</b>	<b>48 752</b>
Net financing costs	(1 125)	(4 894)	(13)	(444)	(94 140)	54 512	(46 104)
Share of profits of associates							(557)
Gain on bargain purchase							5 370
Income tax expense							(808)
<b>Loss for the period</b>							<b>6 653</b>



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

(in PLN thousand, unless stated otherwise)

*Together reach more*



<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>Eliminations</b>	<b>Consolidated</b>
	<b>30.09.2013</b>							
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/(losses) 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>Profit for the period</b>								<b>(39 032)</b>

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

<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>30.09.2014</b>							
Revenue from external customers		175 488	1 207 539	13 675	18 679			
Inter-segment revenue		284 174	52 175	27	41 783			
<b>Total revenue</b>		<b>459 662</b>	<b>1 259 714</b>	<b>13 702</b>	<b>60 462</b>	-	<b>(378 159)</b>	<b>1 415 381</b>
Cost of sales to external customers		(155 181)	(1 418 669)	(12 348)	316 642			
Inter-segment cost of sales		(287 903)	(46 697)	(30)	(18 200)			
<b>Total cost of sales</b>		<b>(443 084)</b>	<b>(1 465 366)</b>	<b>(12 378)</b>	<b>298 442</b>	-	<b>352 830</b>	<b>(1 269 556)</b>
<b>Segment result</b>		<b>16 578</b>	<b>(205 652)</b>	<b>1 324</b>	<b>358 904</b>	-	<b>(25 329)</b>	<b>145 825</b>
Other income		2 107	2 719	153	5 243	93 219	(94 680)	8 761
Distribution and administrative expenses		(21 228)	(63 493)	(1 502)	(2 259)	(14 987)	21 919	(81 550)
Other gain/(losses) net		806	3 545	(64)	106	23 053	(28 204)	(758)
Other expenses		(629)	(5 408)	(199)	(987)	(26 786)	18 299	(15 710)
<b>Operating profit/(loss)</b>		<b>(2 366)</b>	<b>(268 289)</b>	<b>(288)</b>	<b>361 007</b>	<b>74 499</b>	<b>(107 995)</b>	<b>56 568</b>
Net financing costs		(1 906)	(6 997)	(42)	(3 420)	(133 741)	84 012	(62 094)
Share of profits of associates								2 252
Gain on bargain purchase								5 370
Income tax expense								(4 113)
<b>Loss for the period</b>								<b>(2 017)</b>

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

(in PLN thousand, unless stated otherwise)

*Together reach more*



*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>

*in PLN (in thousands)*

30.09.2014	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
Segment assets	75 777	649 009	8 605	29 880	205 701	<b>968 972</b>
Segment liabilities	26 734	133 281	2 405	6 556	576 881	<b>745 857</b>

*in PLN (in thousands)*

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

*in PLN (in thousands)*

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

*in PLN (in thousands)*

30.09.2013	Scrap division	Production division	Distribu- tion division	Other	Unallocated	Consolidated
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>

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

*Together reach more*



**Unallocated assets**

*in PLN (in thousands)*

	<b>30.09.2014</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
Long-term and short-term investments	22 982	23 184	11 542	9 224
Investments in associates	1 901	1 917	4 946	1 962
Deferred tax assets	75 263	68 852	74 319	74 969
Investment property	-	-	-	-
Income tax receivable	47	33	12	10
Cash and cash equivalents	33 828	27 260	14 778	31 274
Assets held for sale	8 775	8 672	8 951	8 698
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	62 905	63 207	66 907	60 740
	<b>205 701</b>	<b>193 125</b>	<b>181 455</b>	<b>186 877</b>

**Unallocated liabilities**

*in PLN (in thousands)*

	<b>30.09.2014</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
Interest-bearing loans and borrowings	479 571	489 603	569 583	541 096
Bank overdraft	5 510	6 228	-	3 400
Deferred tax liabilities	9 971	4 770	11 637	9 265
Employee benefits obligation	11 539	10 990	10 563	8 459
Government grants and other deferred income	117	117	117	1 036
Current income tax payables	44	-	152	-
Other payables	70 129	73 071	22 017	23 453
	<b>576 881</b>	<b>584 779</b>	<b>614 069</b>	<b>586 709</b>

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

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

On 25 March 2014, Ferrostal Łabędy Sp. z o.o. obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares of ZW Profil S.A. for PLN 121 thousand. In September 2014, Ferrostal Łabędy sp. z o.o. purchased 35 shares of ZW Profil S.A. for PLN 2 thousand. After this transaction Ferrostal Łabędy Sp. z o.o. became the owner of 5 275 shares representing 53.42% (from the Group's perspective - effectively 49.36%) of the share capital in ZW Profil S.A. and voting rights.

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

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

As a result of the acquisition of ZW Profil S.A. a surplus of the share in the fair value of identifiable net assets acquired over the consideration transferred in the total amount of PLN 8 535 thousand was recognised (including PLN 5 370 thousand recognised in these condensed consolidated interim financial statements for the nine month period ended 30 September 2014). The gain on bargain purchase results, among other things, from fair value remeasurement of property, plant and equipment and perpetual usufruct of land. An adjustment to fair values was based mainly on an expert's valuation of buildings, structures and perpetual usufruct of land. In respect of other assets, the Company estimated their fair values based on market prices and expected useful life.

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

*Together reach more*



From the acquisition date up to 30 September 2014, ZW Profil S.A. Group accomplished sales revenue in the amount of PLN 33 673 thousand and incurred a net loss in the amount of PLN 365 thousand that were included in the condensed consolidated interim financial statements of Cognor S.A. Group. The Management of the Group assessed that if the acquisition had occurred on 1 January 2014, the consolidated sales revenue would have increased by PLN 6 884 thousand in the first half of 2014 and the consolidated profit would have increased by PLN 366 thousand. In determining these amounts, the Management has assumed that the fair value adjustments made at the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

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

*in PLN thousand*

	<b>Fair value</b>
Property, plant and equipment	15 883
Intangible assets	70
Other investments	241
Prepaid perpetual usufruct of land	6 390
Deferred tax liabilities	(714)
Inventories	690
Trade and other receivables	14 591
Cash and cash equivalents	1 773
Bank overdraft	(1 969)
Interest-bearing loans and borrowings	(4 338)
Employee benefits obligation	(3 231)
Trade and other payables	(13 387)
Government grants and other deferred income	(233)
Non-controlling interests	(4 062)
<b>Fair value of identifiable net assets</b>	<b>15 766</b>

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

**Gain on bargain purchase**

Consideration transferred for additional 18.71% shares	121
Consideration transferred for additional 0.35% shares	2
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets	8 267
Fair value of existing interest at the date of obtaining control	4 767
Fair value of identifiable net assets	(15 766)
<b>Gain on bargain purchase recognized during the nine months ended on 30 September 2014</b>	<b>2 609</b>
Remeasurement to fair value*	2 761
<b>Gain on bargain purchase recognized in the statement of profit or loss and other comprehensive</b>	<b>5 370</b>

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

**6 Property, plant and equipment**

During the three months ended 30 September 2014, the Group acquired property, plant and equipment at a cost of PLN 9 043 thousand (three months ended 30 September 2013: PLN 3 758 thousand). Assets with a net book value of PLN 565 thousand were disposed of during the three months ended 30 September 2014 (three months ended 30 September 2013: PLN 96 thousand). On the sale of property, plant and equipment the Group achieved a net gain on disposal of PLN 226 thousand (three months ended 30 September 2013: a net gain on disposal of PLN 17 thousand).

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

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During the nine months ended 30 September 2014, the Group acquired property, plant and equipment at a cost of PLN 13 243 thousand (nine months ended 30 September 2013: PLN 9 299 thousand). Assets with a net book value of PLN 2 686 thousand were disposed of during the nine months ended 30 September 2014 (nine months ended 30 September 2013: PLN 1 544 thousand). On the sale of property, plant and equipment the Group achieved a net loss on disposal of PLN 463 thousand during the nine months ended 30 September 2014 (nine months ended 30 September 2013: a net gain on disposal of PLN 338 thousand).

During the twelve months ended 30 September 2014, the Group acquired property, plant and equipment at a cost of PLN 14 915 thousand (twelve months ended 30 September 2013: PLN 10 647 thousand). Assets with a net book value of PLN 2 921 thousand were disposed of during the twelve months ended 30 September 2014 (twelve months ended 30 September 2013: PLN 1 468 thousand). On the sale of property, plant and equipment the Group achieved a net loss on disposal of PLN 632 thousand (twelve months ended 30 September 2013: a net gain on disposal of PLN 808 thousand).

**Capital commitments**

As at 30 September 2014 the Group had capital commitments in the amount of PLN 3 947 thousand (30 June 2014: PLN 1 206 thousand; 31 December 2013: PLN 752 thousand; 30 September 2013: PLN 3 265 thousand).

**7 Equity**

**Issued share capital**

	<b>30.09.2014</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.09.2012</b>
Registered shares at reporting date (number)	66 222 248	66 222 248	66 222 248	66 222 248
Issued warrants (number)	66 220 200	66 220 200	66 220 000	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>

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

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

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

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

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

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

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

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

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

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

*Together reach more*



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	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

\* Przemysław Sztuczowski 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 Sztuczowski in Cognor S.A.

The ownership structure as at the date of the publication of the last condensed consolidated interim financial statements (29 August 2014) 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	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

\* Przemysław Sztuczowski 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 Sztuczowski in Cognor S.A.

The ownership structure as at the date of the publication of these condensed consolidated interim financial statements (14 November 2014) 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	4 400 140	6.64%	4 400 140	6.64%
Other shareholders	18 130 801	27.38%	18 130 801	27.38%
<b>Total</b>	<b>66 222 248</b>	<b>100.0%</b>	<b>66 222 248</b>	<b>100.0%</b>

\* Przemysław Sztuczowski 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 Sztuczowski in Cognor S.A.

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

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

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

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

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

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

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

As a result of signed annex no. 3, in these condensed consolidated interim financial statements it was recognized a liability to the Owner in the amount of PLN 44 290 thousand constituting discounted interest payments. This liability in the part attributable to equity instruments (options for own equity instruments), whose usage is solely under the control of the Group, is presented, including deferred tax, as a decrease of equity (as at 30 September 2014: the amount of PLN 18 713 thousand), while the rest of the liability is presented in current assets as other investments (as at 30 September 2014: the amount of PLN 17 738 thousand). Options recognised in current assets are valued at historical cost less depreciation / usage or expiration of the right to use its own equity instruments.

## **8 Earnings per share**

The calculation of basic earnings per share for the three-month period ended 30 September 2014 was based on the loss attributable to ordinary shareholders of PLN 5 495 thousand (the three-month period ended 30 September 2013: profit of PLN 1 144 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 September 2014 of 66 222 thousand (the three-month period ended 30 September 2013: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the three months ended 30 September 2014 was 112 636 thousand\* (30 September 2013: 66 222 thousand).

The calculation of basic earnings per share for the nine-month period ended 30 September 2014 was based on the profit attributable to ordinary shareholders of 5 327 PLN thousand (the nine-month period ended 30 September 2013: loss of PLN 39 756 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 2014 of 66 222 thousand (the nine-month period ended 30 September 2013: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the nine months ended 30 September 2014 was 107 196\* thousand (30 September 2013: 66 222 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 September 2014 was based on the loss attributable to ordinary shareholders of PLN 3 487 thousand (the twelve-month period ended 30 September 2013: loss of PLN 51 593 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 September 2014 of 66 222 thousand (the twelve-month period ended 30 September 2013: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 September 2014 was 96 952\* thousand (30 September 2013: 66 222 thousand).

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

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

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

*in PLN (in thousands)*

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
<b>Non-current liabilities</b>				
Secured fixed interest rate debt	397 292	398 843	-	-
Finance lease liabilities	7 852	6 704	6 677	4 615
Secured bank loans	1 779	1 957	-	-
Other borrowings	585	-	-	-
	<b>407 508</b>	<b>407 504</b>	<b>6 677</b>	<b>4 615</b>
<b>Current liabilities</b>				
Secured fixed interest rate debt*	13 534	19 358	515 742	504 737
Current portion of finance lease liabilities	3 393	3 541	2 472	1 960
Factoring and bill of exchange liabilities	31 116	36 846	29 367	19 981
Reverse factoring	23 242	21 642	15 325	9 803
Current portion of secured bank loans	713	712	-	-
Other borrowings	65	-	-	-
	<b>72 063</b>	<b>82 099</b>	<b>562 906</b>	<b>536 481</b>
Bank overdraft	5 510	6 228	-	3 400
	<b>77 573</b>	<b>88 327</b>	<b>562 906</b>	<b>539 881</b>

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

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



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

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

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

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

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

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

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

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

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

On 19th September 2014, Huta Stali Jakościowych S.A. has bought on the market CIF's Senior Secured Notes in the nominal amount 500 thousand EUR for 380 thousand EUR.

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

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

### **Contingencies**

In the sale contracts relating to:

- the sale of 100% shares of Cognor Stahlhandel GmbH dated 4th of February 2011, 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. On 4 November 2014 (after balance sheet date), there was signed the settlement agreement between sellers and buyers which waive all and any of their claims and rights resulting from the SPA.

- 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.

## 11 Related parties

### Identity of related parties

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

#### Owner:

- PS Holdco Sp. z o.o.

#### Related parties not consolidated:

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

#### Companies controlled by the owner:

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

#### Associates:

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

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

*Together reach more*



<i>in PLN (in thousands)</i>	<b>30.09.2014</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
<i>Short-term receivables:</i>				
- related parties (not consolidated)	7 486	7 603	9 997	8 312
- associates	3	-	-	6
- owner*	10	9	9	7
- companies controlled by the owner	78	442	34	13
<i>Short-term investments (options for own equity instruments)</i>				
- owner*	17 738	17 738	-	-
<i>Short-term liabilities</i>				
- related parties (not consolidated)	157	54	602	441
- associates	56	58	6 850	-
- owner*	16 189	10 290	12 638	8 525
- companies controlled by the owner	289	248	245	270
<i>Loans granted</i>				
- related parties (not consolidated)	3 818	3 762	3 642	3 572
- owner*	407	400	533	820
<i>Other liabilities (long and shortterm)</i>				
- owner*	44 290	43 028	-	-

\* refer to note 7 for the details of presentation of receivables from and liabilities to PS Holdco Sp. z o.o.

<i>in PLN (in thousands)</i>	<b>01.07.2014 - 30.09.2014</b>	<b>01.07.2013 - 30.09.2013</b>	<b>01.01.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.10.2013 - 30.09.2014</b>	<b>01.10.2012 - 30.09.2013</b>
<i>Revenues from sale of products</i>						
- associates	-	-	-	-	17	-
<i>Revenues from sale of services</i>						
- related parties (not consolidated)	130	102	360	334	518	340
- associates	8	5	22	19	3	19
- owner	-	-	1	1	2	1
- companies controlled by the owner	28	22	85	67	110	249
<i>Revenues from sale of raw materials and commodities</i>						
- related parties (not consolidated)	3 852	5 839	11 583	9 860	17 352	16 974
- companies controlled by the owner	-	-	251	2	251	3
<i>Purchase of commodities and raw materials</i>						
- related parties (not consolidated)	1 637	3 596	7 757	7 610	10 325	9 461
- companies controlled by the owner	149	220	537	510	697	1 074
<i>Purchase of services</i>						
- related parties (not consolidated)	-	-	-	-	13	-
- associates	141	183	7 049	389	7 253	389
- companies controlled by the owner	80	583	1 184	1 628	1 693	1 761
<i>Other income</i>						
- related parties (not consolidated)	53	96	180	367	234	737
- owner	5	20	22	27	35	27
<i>Other gain/(losses) net</i>						
- companies controlled by the owner	-	-	4	-	4	-
<i>Other expenses</i>						
- related parties (not consolidated)	(4)	-	(4)	-	(4)	-
<i>Financial income</i>						
- associates	-	-	-	-	3	-
<i>Financial costs</i>						
- related parties (not consolidated)	-	-	-	-	(4)	(5)
- owner	(1 261)	(2 373)	(3 449)	(7 032)	(6 693)	(11 874)

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

*in PLN (in thousands)*

	30.09.2014	30.09.2013
Cash in bank	29 350	27 524
Cash in bank restricted in use	431	-
Cash in hand	326	221
Short-term bank deposit	3 719	3 275
Other	2	254
<b>Cash and cash equivalents in the statement of financial position</b>	<b>33 828</b>	<b>31 274</b>
Bank overdrafts	(5 510)	(3 400)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>28 318</b>	<b>27 874</b>

## 13 Financial instruments

### Financial instruments measured at fair values

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

### Fair values

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

- Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
- Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
- Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.
- Fixed rate debt securities. In September (near the balance sheet date) there were market transactions on the above mentioned bonds which quoted them at 74,98% level of their nominal amount. As at 30 September 2014 the fair value of bonds amounted to PLN 309.341 thousand. As at 31 December 2013 the fair value of bonds amounted to PLN 318.174 thousand – the amount was estimated on the basis of market transactions on bonds in the period close to reporting day (level 2 in fair value hierarchy). The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which is similar to the interest rate applicable for liabilities with similar risk.

## 14 Seasonality

Trading activity on the steel product market is characterized by seasonality of revenue from sales, resulting from the variability of weather conditions in the annual weather cycle. Seasonality is reflected by lower demand for steel products in winter as a result of limitations on investment and infrastructure construction during this period.

## 15 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.

**16 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 Zoła	-	-	-	-
- Dominik Barszcz	-	-	-	-
<b>Supervisory Board</b>				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew Łapiński	-	-	-	-

\* 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 29, 2014 PS Holdco Sp. z o.o. was the owner of 65.98% shares of Cognor S.A., and as at November 14, 2014 PS Holdco Sp. z o.o. was the owner of 65.98%. Detailed information in note 6.

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

The Group is involved in a number of court proceedings, the vast majority of acting as plaintiff. Cognor S.A. is not a defendant in

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

- a claim against the companies: Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH (from Mechel Group) related to the implementation of obligations under the agreement dated 4 February 2011 for the sale of shares in a Cognor Stahlhandel GmbH (the Agreement) and the payment of the amount of PLN 7.2 million.

On November 4, 2014 the Company reached an agreement with Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH (from Mechel Group) with respect to the dispute under the agreement dated February 4, 2011 on the sale of shares in Cognor Stahlhandel GmbH (the Agreement) and the related payment of the residual amount of PLN 7.2 million as per our calculations of the final total share price. Bearing in mind the expected length and costs of further arbitration proceedings as well as the uncertainty over Mechel's ability to meet its payment obligations in the future, the Management Board decided to agree on the terms under which Cognor accepted the amount of EUR 1,216 as the final settlement of all of the Mechel's payment obligations arising from the Agreement. Consequently, the parties decided to waive all and any of their claims and rights resulting from it. This has resulted in appropriate reduction of contingent obligations. The financial result of the settlement was negative at PLN (-)2.3 million.

**18 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.

## 19 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	3 835	till termination of trade agreement
Ferrostal Łabędy Sp. z o.o.	Trade liability	2 100	without deadline

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

Subsidiary	Type of liability	Guarantee value in PLN (in thousands)	Period of guarantee
Huta Stali Jakościowych	Lease liability	1 186	till October 2019
Cognor S.A.	Lease liability	1 001	till 2018
Złomrex Metal Sp. z o.o.	Factoring	50 000	without deadline

Liabilities relating to the Senior Secured Notes listed on the Luxemburg Stock Exchange (Euro MTF) issued by a subsidiary Cognor International Finance plc with a total carrying amount of PLN 410 826 thousand as at 30 September 2014, was secured by:

- first ranking financial pledges established on:
  - (i) shares of Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o. and Kapitał S.A.
  - (ii) certain fixed assets of Cognor S.A. currently leased by Ferrostal Łabędy Sp. z o.o.
  - (iii) certain fixed assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
  - (iv) Intercompany Proceeds Note issued by Huta Stali Jakościowych S.A.
- mortgages established over the real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
- an English law equitable charge over all the shares in Cognor International Finance plc
- submission to enforcement by Cognor International Finance plc and each of the Guarantors in a form of notarial deed.

Guarantees related to the bank loans:

In 2012 Cognor S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o.) signed the loan agreement of bank overdraft with the limit of PLN 10 million with mBank S.A. (previous BRE Bank S.A.). In 2013 Ferrostal Łabędy Sp. z o.o. made use of this overdraft, and in 2014 the limit was split between Ferrostal Łabędy Sp. z o.o. (PLN 3.7 million) and Huta Stali Jakościowych S.A. (PLN 6.3 million). The limit of bank overdraft was extended until 29 May 2015. As at 30 September 2014, only Huta Stali Jakościowych S.A. utilised this credit line and the liability amounted to PLN 4 935 thousand.

The bank overdraft incurred by the subsidiary ZW Profil S.A. is secured by a collateral mortgage to the amount of PLN 2 000 thousand established over perpetual usufruct of land, an assignment of insurance policy of the above mentioned properties, a blank bill of exchange and a clause of a deduction from the company's bank accounts in PKO Bank Polski S.A.

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

## 20 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.

## **21 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 2014 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.

## **22 Subsequent events**

In October 2014, Ferrostal Łabędy Sp. z o.o. has purchased 680 shares in ZW Profil S.A. After this transaction Ferrostal Łabędy Sp. z o.o. became the owner of 5 955 shares representing 60.3% of the share capital in ZW Profil S.A. The share of Cognor Group in ZW Profil S.A. has increased to 55.72%.

On November 4, 2014 the Company reached an agreement with Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH (from Mechel Group) with respect to the dispute under the agreement dated February 4, 2011 on the sale of shares in Cognor Stahlhandel GmbH (the Agreement) and the related payment of the residual amount of PLN 7.2 million as per our calculations of the final total share price. Bearing in mind the expected length and costs of further arbitration proceedings as well as the uncertainty over Mechel's ability to meet its payment obligations in the future, we decided to agree on the terms under which Cognor accepted the amount of EUR 1,216 as the final settlement of all of the Mechel's payment obligations arising from the Agreement. Consequently, the parties decided to waive all and any of their claims and rights resulting from it. This has resulted in appropriate reduction of contingent obligations. The financial result of the settlement was negative at PLN (-)2.3 million.

On November 3 and 4, 2014 the Subsidiaries (Huta Stali Jakościowych S.A. and Ferrostal Łabędy Sp. Z o.o.) had repurchased from the market the Senior Secured Notes in nominal amount of EUR 1.5 million. The financial result of this transaction will be reflected in 4th quarter fo 2014.

Poraj, 14 November 2014

Przemysław Sztuczkowski  
*President of the Management Board*

Przemysław Grzesiak  
*Vice President of the Management Board*

Krzysztof Zoła  
*Member of the Management Board*

Dominik Barszcz  
*Member of the Management Board*