

COGNOR S.A.

**Condensed Consolidated
Interim Financial Statement
as at and for the three months ended
31 March 2012**

Consolidated statement of financial position

As at

in PLN thousand

	31 March 2012 <i>(unaudited)</i>	31 December 2011 <i>(audited)</i>
Assets		
Property, plant and equipment	341 225	342 734
Intangible assets	16 257	17 067
Investment property	1 284	1 291
Other investments	3 087	3 086
Other receivables	41 888	44 583
Prepaid perpetual usufruct of land	19 744	19 850
Deferred tax assets	67 625	70 826
Total non-current assets	491 110	499 437
Inventories	211 746	178 472
Other investments	3 674	25 186
Income tax receivable	8 173	7 744
Trade and other receivables	243 417	204 904
Cash and cash equivalents	53 836	47 166
Total current assets	520 846	463 472
Assets classified as held for sale	12 388	16 708
Total assets	1 024 344	979 617

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

Consolidated statement of financial position - continued

As at

in PLN thousand

	31 March 2012 <i>(unaudited)</i>	31 December 2011 <i>(audited)</i>
Equity		
Issued share capital	132 444	132 444
Reserves	131 452	131 452
Foreign currency translation reserve	(499)	(685)
Retained earnings	(84 604)	(98 971)
Total equity attributable to equity holders of the parent	178 793	164 240
Minority interest	11 916	12 201
Total equity	190 709	176 441
Liabilities		
Interest-bearing loans and borrowings	498 985	532 138
Employee benefits	7 970	7 970
Other payables	-	65
Deferred government grants and other deferred income	464	619
Deferred tax liabilities	8 983	7 937
Total non-current liabilities	516 402	548 729
Bank overdraft	3 963	25 236
Interest-bearing loans and borrowings	74 621	45 878
Employee benefits	4 366	5 677
Income tax payable	-	293
Provisions for payables	878	381
Trade and other payables	228 844	176 117
Deferred government grants and other deferred income	4 561	865
Total current liabilities	317 233	254 447
Total liabilities	833 635	803 176
Total equity and liabilities	1 024 344	979 617

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

Condensed consolidated interim statement of comprehensive income

For the three months ended 31 March

in PLN thousand

	Note	2012 (unaudited)	2011 restated* (unaudited)
Continuing operations			
Revenue		399 419	328 205
Cost of sales		(371 944)	(293 833)
Gross profit/(loss)		27 475	34 372
Other income		2 691	2 939
Distribution expenses		(7 972)	(7 347)
Administrative expenses		(11 605)	(8 957)
Other gains / (losses) – net		(3 693)	(754)
Other expenses		(2 976)	(2 973)
Operating profit/(loss) before financing costs		3 920	17 280
Other financial income		28 104	343
Other financial expenses		(15 537)	(19 850)
Net financing costs		12 567	(19 507)
Profit/(loss) before tax		16 487	(2 227)
Income tax expense		(2 405)	(4 795)
Profit/(loss) for the period from continuing operations		14 082	(7 022)
Discontinued operations			
Profit/(loss) for the period from discontinued operations		-	35 903
Profit/(loss) for the period		14 082	28 881
Profit/(loss) for the period attributable to:			
Owners of the Parent Company		14 367	32 422
Non-controlling interests		(285)	(3 541)
Profit/(loss) for the period		14 082	28 881
Basic earnings per share (PLN) attributable to the owners of the Parent Company			
- from continuing operations		0,22	(0,05)
- from discontinued operations		-	0,54
Diluted earnings per share (PLN) attributable to the owners of the Parent Company		0,22	0,49
- from continuing operations		0,22	(0,05)
- from discontinued operations		-	0,54

*please see note 5

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

Condensed consolidated interim statement of comprehensive income – continued

For the three months ended 31 March

in PLN thousand

<i>Note</i>	2012 <i>(unaudited)</i>	2011 restated* <i>(unaudited)</i>
Other comprehensive income		
Foreign currency translation differences	186	(882)
Total comprehensive income for the period	14 268	27 999
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Parent Company	14 553	31 540
Non-controlling interests	(285)	(3 541)
Total comprehensive income for the period	14 268	27 999
Basic comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company	0,22	0,47
- from continuing operations	0,22	(0,07)
- from discontinued operations	-	0,54
Diluted comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company	0,22	0,47
- from continuing operations	0,22	(0,07)
- from discontinued operations	-	0,54

*please see not 5

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

Condensed consolidated interim statement of comprehensive income (LTM)

For the twelve months ended 31 March

in PLN thousand

Note	2012 (unaudited)	2011 restated* (unaudited)
Continuing operations		
Revenue	1 620 861	1 138 629
Cost of sales	(1 455 187)	(1 029 474)
Gross profit/(loss)	165 674	109 155
Other income	9 671	10 354
Distribution expenses	(36 796)	(36 658)
Administrative expenses	(49 248)	(50 095)
Other gains / (losses) – net	12 370	(20 687)
Other expenses	(14 549)	(18 150)
Operating profit/(loss) before financing costs	87 122	(6 081)
Other financial income	34 323	1 489
Other financial expenses	(100 728)	(78 861)
Net financing costs	(66 405)	(77 372)
Profit/(loss) before tax	20 717	(83 453)
Income tax expense	24 277	(436)
Profit/(loss) for the period from continuing operations	44 994	(83 889)
Discontinued operations		
Profit/(loss) for the period from discontinued operations	56 108	(56 646)
Profit/(loss) for the period	101 102	(140 535)
Attributable to:		
Owners of the Parent Company	97 765	(134 365)
Non-controlling interests	3 337	(6 170)
Profit/(loss) for the period	101 102	(140 535)
Basic earnings per share (PLN) attributable to the owners of the Parent Company		
- from continuing operations	0,63	(1,21)
- from discontinued operations	0,85	(0,99)
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	1,48	(2,03)
- from continuing operations	0,63	(1,17)
- from discontinued operations	0,85	(0,86)

*please see not 5

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

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

For the twelve months ended 31 March

in PLN thousand

<i>Note</i>	2012 <i>(unaudited)</i>	2011 restated* <i>(unaudited)</i>
Other comprehensive income		
Currency translation differences	263	5 384
Total comprehensive income/(loss) for the period	101 365	(135 151)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Parent Company	98 006	(129 070)
Non-controlling interests	3 359	(6 081)
Total comprehensive profit/(loss) for the period	101 365	(135 151)
Basic comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company	1,48	(2,06)
- from continuing operations	0,63	(1,24)
- from discontinued operations	0,85	(0,83)
Diluted comprehensive income/(loss) per share (PLN) attributable to the shareholders of the Parent Company	1,48	(1,97)
- from continuing operations	0,63	(1,20)
- from discontinued operations	0,85	(0,77)

*please see not 5

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

Condensed consolidated interim statement of cash flows

For the three months ended 31 March

in PLN thousand

	2012 <i>(unaudited)</i>	2011 restated* <i>(unaudited)</i>
Continuing operations		
Profit/(loss) before tax from continuing operations	16 487	(2 227)
Adjustments		
Depreciation	9 695	10 096
Amortization	830	914
Impairment losses and valuation allowances	-	1 029
Foreign exchange (gains)/losses	(31 192)	5 334
Net (gains)/losses on investment activities	(803)	(120)
Net (gains)/losses on disposal of property, plant and equipment	(110)	(25)
Interest, commissions and dividends, net	13 761	13 429
Change in receivables	(35 851)	(103 298)
Change in inventories	(33 274)	(34 904)
Change in trade and other payables	50 621	55 016
Change in provisions	2 238	-
Change in employee benefits	(1 311)	(986)
Change in deferred government grants and other deferred income	3 541	1 776
Other adjustments	-	(6)
Cash generated/(outflows) from continuing operations	(5 368)	(53 972)
Discontinuing operations		
Operating profit/(loss) from discontinuing operations	-	36 602
Adjustments		
Depreciation	-	565
Foreign exchange (gains)/losses	-	(397)
Net (gains)/losses on investment activities	-	(21 585)
Net (gains)/losses on disposal of property, plant and equipment	-	1
Interest, commissions and dividends, net	-	337
Change in receivables	-	(9 691)
Change in inventories	-	(1 293)
Change in trade and other payables	-	(14 191)
Change in provisions	-	(3 469)
Change in employee benefits	-	159
Change in deferred government grants and other deferred income	-	(6)
Other adjustments	-	196
Cash generated/(outflows) from discontinuing operations	-	(12 772)
Cash generated/(outflows) from operations	(5 368)	(66 744)
Income tax paid	(621)	-
Net cash from operating activities	(5 989)	(66 744)

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

Consolidated statement of cash flows – continued

For the three months ended 31 March

Cash flows from investing activities

Proceeds from sale of property, plant and equipment and intangibles	5 137	260
Interest received	495	12
Repayments of loans granted	21 583	-
Acquisition of property, plant and equipment	(6 042)	(846)
Acquisition of intangible assets	(32)	(143)
Cash generated/(outflows) from continuing operations	21 141	(717)
Cash generated from discontinuing operations	-	85 680
Net cash from investing activities	21 141	84 963

Cash flows from financing activities

Receipt of interest-bearing loans and borrowings	39 059	34
Repayment of interest-bearing loans and borrowings	-	(4 176)
Payment of finance lease liabilities	(1 580)	(4 329)
Interest and commissions paid	(24 687)	(13 441)
Cash generated/(outflows) from continuing operations	12 792	(21 912)
Cash generated/(outflows) from discontinuing operations	-	392
Net cash from financing activities	12 792	(21 520)

Net increase/(decrease) in cash and cash equivalents	27 944	(3 301)
Cash and cash equivalents net of bank overdraft, at 1 January	21 930	(67 704)
Effect of exchange rate fluctuations on cash held	(1)	(61)
Cash and cash equivalents net of bank overdraft, at 31 March	49 873	(71 066)
including cash restricted for use	22 397	-

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

Condensed consolidated interim statement of cash flows (LTM)

For the twelve months ended 31 March

in PLN thousand

	2012 (unaudited)	2011 restated* (unaudited)
Continuing operations		
Profit/(loss) before tax from continuing operations	20 717	(83 466)
Adjustments		
Depreciation	40 368	39 410
Amortization	3 316	4 499
Impairment losses and valuation allowances	(596)	7 354
Foreign exchange (gains)/losses	28 050	11 918
Net (gains)/losses on investment activities	(14 332)	(120)
Net (gains)/losses on disposal of property, plant and equipment	2 792	1 204
Interest, commissions and dividends, net	49 869	56 006
Change in receivables	(42 061)	(82 106)
Change in inventories	(40 354)	(57 585)
Change in trade and other payables	(35 325)	60 944
Change in provisions	4 833	(253)
Change in employee benefits	(2 294)	1 433
Change in deferred government grants and other deferred income	918	183
Other adjustments	6	(18)
Cash generated/(outflows) from continuing operations	15 907	(40 597)
Discontinuing operations		
Operating profit/(loss) from discontinuing operations	52 745	(57 455)
Adjustments		
Depreciation	-	9 584
Impairment losses and valuation allowances	-	30 669
Foreign exchange (gains)/losses	397	9 027
Net (gains)/losses on investment activities	5 938	(21 025)
Net (gains)/losses on disposal of property, plant and equipment	(63 648)	3 776
Interest, commissions and dividends, net	304	2 568
Change in receivables	17 501	26 828
Change in inventories	41 021	10 802
Change in trade and other payables	(32 398)	(12 606)
Change in provisions	(4 492)	(6 512)
Change in employee benefits	(1 118)	3 037
Change in deferred government grants and other deferred income	(69)	(42)
Other adjustments	(761)	2 244
Cash generated from discontinuing operations	15 420	895
Cash generated/(outflows) from operations	31 327	(39 702)
Income tax paid	(8 662)	160
Net cash from operating activities	22 665	(39 542)

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

Consolidated statement of cash flows (LTM) – continued

For the twelve months ended 31 March

Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	6 249	8 148
Interest received	3 305	267
Dividends received	30	-
Repayment of loans granted	32 565	-
Acquisition of property, plant and equipment	(14 689)	(8 600)
Acquisition of intangible assets	(593)	(564)
Acquisition of other investments	(2 379)	-
Prepaid perpetual usufruct of land	(1 971)	-
Loans granted	(3 569)	-
Other outflows from investing activities	(4 241)	-
Cash generated/(outflows) from continuing operations	14 707	(749)
Cash generated from discontinuing operations	190 607	112 674
Net cash from investing activities	205 314	111 925
Cash flows from financing activities		
Net cash receipts from share issue	330	43 800
Receipt of interest-bearing loans and borrowings	49 886	2 505
Repayment of interest-bearing loans and borrowings	(87 213)	(8 196)
Payment of finance lease liabilities	(7 669)	(14 406)
Interest and commissions paid	(61 198)	(56 400)
Cash generated/(outflows) from continuing operations	(105 864)	(32 697)
Cash generated/(outflows) from discontinuing operations	(1 236)	(10 198)
Net cash from financing activities	(107 100)	(42 895)
Net increase/(decrease) in cash and cash equivalents	120 879	29 488
Cash and cash equivalents net of bank overdraft, at 1 April	(71 066)	(99 775)
Effect of exchange rate fluctuations on cash held	60	(779)
Cash and cash equivalents net of bank overdraft, at 31 March	49 873	(71 066)

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

Condensed consolidated interim statement of changes in equity

For the three months ended 31 March

In PLN thousand

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Issued capital	Reserves	Foreign currency translation reserve	Retained earnings			
Equity as at 1 January 2011	132 444	140 977	18 185	(208 551)	83 055	8 803	91 858
Total comprehensive income	-	-	(882)	32 422	31 540	(3 541)	27 999
- profit/(loss)	-	-	-	32 422	32 422	(3 541)	28 881
- foreign currency translation differences – foreign operations	-	-	(882)	-	(882)	-	(882)
Transfer of profit	-	229	-	(229)	-	-	-
Transactions with owners of the Company, recognised in equity							
Change in ownership interests in subsidiaries	-	-	(17 648)	-	(17 648)	3 293	(14 355)
Change in non-controlling interests	-	-	(17 648)	-	(17 648)	3 293	(14 355)
Equity as at 31 March 2011	132 444	141 206	(345)	(176 358)	96 947	8 555	105 502
Equity as at 1 January 2011	132 444	140 977	18 185	(208 551)	83 055	8 803	91 858
Total comprehensive income	-	-	(827)	115 820	114 993	103	115 096
- profit	-	-	-	115 820	115 820	81	115 901
- foreign currency translation differences – foreign operations	-	-	(827)	-	(827)	22	(805)
Transfer of profit	-	145	-	(145)	-	-	-
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	(9 670)	-	(6 095)	(15 765)	-	(15 765)
Issue of warrants	-	330	-	-	330	-	330
Transactions on own shares	-	-	-	(6 095)	(6 095)	-	(6 095)
Purchase of own shares (in equity presented in nominal value)	-	(10 000)	-	-	(10 000)	-	(10 000)
Change in ownership interests in subsidiaries	-	-	(18 043)	-	(18 043)	3 295	(14 748)
Change in non-controlling interests	-	-	(18 043)	-	(18 043)	3 295	(14 748)
Equity as at 31 December 2011	132 444	131 452	(685)	(98 971)	164 240	12 201	176 441

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

Condensed consolidated interim statement of changes in equity – continued

For the three months ended 31 March

In PLN thousand

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Issued capital	Reserves	Foreign currency translation reserve	Retained earnings			
Equity as at 1 January 2012	132 444	131 452	(685)	(98 971)	164 240	12 201	176 441
Total comprehensive income	-	-	186	14 367	14 553	(285)	14 268
- profit/(loss)	-	-	-	14 367	14 367	(285)	14 082
- foreign currency translation differences – foreign operations	-	-	186	-	186	-	186
Equity as at 31 March 2012	132 444	131 452	(499)	(84 604)	178 793	11 916	190 709

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

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

1. Reporting entity

Cognor S.A. (“Cognor”, “the Company”, “the parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Till August 29th, 2011 the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor’s shares are quoted on Warsaw Stock Exchange. Till May 2011, the main activity of the Parent Company was distribution of steel products. After May 2011, Cognor S.A. became a holding company.

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

The condensed consolidated interim financial statements of the Company as at and for the three months ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the “Group”). The basic information about the subsidiaries comprising the Group as at 31 March 2012 is presented in the table below:

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL-ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.4%	2004-02-19*
ZW-WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2005-01-13*
HUTA STALI JAKOŚCIOWYCH S.A.	Poland	Manufacture of metal products	100.0%	2006-08-07**
KAPITAŁ S.A.	Poland	Purchasing, packaging, reselling of paper and plastic waste for further production	100.0%	2004-06-13*
ZŁOMREX INTERNATIONAL FINANCE SA	France	Financial services, Bond issuer	100.0%	2006-10-23*
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2007-04-02*
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.4%	2007-08-01
STALEXPORT-METALZBYT BIAŁYSTOK Sp. z o.o.	Poland	Trade in metal products	98.8%	2007-10-01
ZŁOMREX CENTRUM Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2006-03-29*
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100.0%	2006-05-15*
COGNOR SERVICES Sp. z o.o.	Poland	Other services	100.0%	2010-10-13
CENTROSTAL Sp. z o.o. w Szczecinie	Poland	Trade in metal products	100.0%	2007-01-26*
COGNOR FINANSE Sp. z o.o.	Poland	Trade in metal products	100.0%	2007-03-28*

* date of obtaining control in Zlomrex Capital Group

** date of obtaining control on Cognor S.A. by Złomrex S.A.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 May 2012.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

4. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, equity and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2011.

5. Changes in presentation of comparative data

The consolidated statement of financial position was restated due to the fact that since the 29th of August 2011, following the transactions described in note 1 in the consolidated financial statements as at and for the year ended 31 December 2011, Cognor S.A. has become the Parent Company. Also, on the 26th of August 2011, Odlewnia Metali Szopienice Sp. z o.o. was sold to PS HoldCo and is no longer in the Cognor Group. Reorganisation of the Group was common control transaction which had not changed the person who controls the Group. Consequently, the comparatives were restated to reflect the current structure of the Group.

Condensed consolidated interim statement of comprehensive income

For the period ended 31 March 2011

	01.01.2011- 31.03.2011 published	Restatements	01.01.2011- 31.03.2011 restated
Continuing operations			
Revenue	332 073	(3 868)	328 205
Cost of sales	(297 225)	3 392	(293 833)
Gross profit/(loss)	34 848	(476)	34 372
Other income	2 878	61	2 939
Distribution expenses	(7 486)	139	(7 347)
Administrative expenses	(9 558)	601	(8 957)
Other gains / (losses) – net	(745)	(9)	(754)
Other expenses	(3 753)	780	(2 973)
Operating profit/(loss) before financing costs	16 184	1 096	17 280
Other financial income	344	(1)	343
Other financial expenses	(19 878)	28	(19 850)
Net financing costs	(19 534)	27	(19 507)
Profit/(loss) before tax	(3 350)	1 123	(2 227)
Income tax expense	(4 775)	(20)	(4 795)
Profit/(loss) for the period from continuing operations	(8 125)	1 103	(7 022)

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

Discontinued operations

Profit /(loss) for the period from discontinued operations	35 903	-	35 903
Profit/(loss) for the period	27 778	1 103	28 881
Other comprehensive income			
Currency translation differences	(882)	-	(882)
Total comprehensive income for the period	26 896	1 103	27 999

Condensed consolidated interim statement of comprehensive income

For the twelve months ended 31 March 2011

	01.04.2010 - 31.03.2011 Publicated	Restatements	01.04.2010 - 31.03.2011 Restated
Continuing operations			
Revenue	1 154 893	(16 264)	1 138 629
Cost of sales	(1 044 517)	15 043	(1 029 474)
Gross profit/(loss)	110 376	(1 221)	109 155
Other income	10 178	176	10 354
Distribution expenses	(37 373)	715	(36 658)
Administrative expenses	(52 809)	2 714	(50 095)
Other gains / (losses) – net	(259)	(20 428)	(20 687)
Other expenses	(19 142)	992	(18 150)
Operating profit/(loss) before financing costs	10 971	(17 052)	(6 081)
Other financial income	549	940	1 489
Other financial expenses	(77 872)	(989)	(78 861)
Net financing costs	(77 323)	(49)	(77 372)
Profit/(loss) before tax	(66 352)	(17 101)	(83 453)
Income tax expense	(565)	129	(436)
Profit/(loss) for the period from continuing operations	(66 917)	(16 972)	(83 889)
Discontinued operations			
Profit /(loss) for the period from discontinued operations	(56 635)	(11)	(56 646)
Profit/(loss) for the period	(123 552)	(16 983)	(140 535)
Other comprehensive income			
Currency translation differences	5 314	70	5 384
Total comprehensive income/(loss) for the period	(118 238)	(16 913)	(135 151)

6. Segment reporting

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

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

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

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

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

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

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

6. Segment reporting (continued)
For the three months ended 31 March

	Scrap division		Production division		Distribution division		Other		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues	65 952	50 182	327 077	268 910	5 873	8 179	517	934	399 419	328 205
Segment result	10 520	7 845	16 401	26 313	195	685	359	(471)	27 475	34 372
Unallocated income/expense									(23 555)	(17 092)
Operating profit before financing costs									3 920	17 280

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

7. Assets of disposal group classified as held for sale and discontinued operations

Disposal groups

In 2009 Złomrex S.A. (currently HSJ S.A.) received a binding offer from the Government of the Republic of Croatia for termination of the contract for the sale of shares in Żeljezara Split (Republic of Croatia) with the Croatian Privatisation Fund. Although the offer's acceptance, the appropriate agreement relating to the return of shares in Żeljezara Split to the Croatian Privatisation Fund and the payment by the Croatian Privatisation Fund to Złomrex S.A. 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 part. After this period, the Government of Croatia refused to sign the documentation under the terms of a binding offer and proposed the different, less favorable solution, which was not accepted by Złomrex S.A. Złomrex S.A. (currently HSJ S.A.) took steps including those prescribed in the bilateral investment protection agreement concluded between Poland and Croatia, to enforce their rights. Currently, we are working on the formulation of the claim and the final choice of forum for resolution of this matter. We anticipate, that a formal action will be submitted at the beginning of the second quarter of 2012. On 11th March 2011, the bankruptcy of Zeleżzara Split d.d., Croatia (a subsidiary of Złomrex S.A.) was announced by Commercial Court in Split. The proceedings was initiated by a creditor's demand – HEP – Opkrba d.o.o., Zagreb. 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 on the date of preparing of these consolidated financial statements, recoverability of the receivable from the Government of the Republic of Croatia is probable.

Assets held for sale

As at 31 March 2012, the assets held for sale include lands, buildings and movable assets, that are the rest of distribution division not sold to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. The Management of the Parent Company takes all necessary steps to sell these assets.

8. Acquisitions, mergers and disposals of subsidiaries

Acquisitions realised in 2012

No acquisitions took place until 31 March 2012.

Mergers realised in 2012

No mergers took place until 31 March 2012.

Disposals realised in 2012

No disposals took place until 31 March 2012.

9. Property, plant and equipment

Acquisitions and disposals

During the three months ended 31 March 2012, the Group acquired property, plant and equipment at a cost of PLN 8 718 thousand (three months ended 31 March 2011: PLN 6 387 thousand). Assets with a net book value of PLN 696 thousand were disposed during the three months of 2012 (three months ended 31 March 2011: PLN 835 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 188 thousand (three months ended 31 March 2011: a net gain on disposal of PLN 887 thousand).

Capital commitments

The Group has no capital commitments as at 31 March 2012.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

10. Equity

Issued share capital

	2012-03-31	2011-12-31
Registered shares number at reporting date	66 222 248	66 222 248
Number of issued warrants	6 622	6 622
Nominal value of 1 share	2 PLN	2 PLN

At 31 March 2012, the Parent Company's share capital comprised 66 222 248 ordinary shares (31 December 2011: 66 222 248) with a nominal value of PLN 2 each. The parent Company has issued the 6 622 warrants which entitle the holder to change 1 warrant into 10 000 ordinary shares.

The ownership structure as at March 31, 2012 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on GSM %
PS HoldCo Sp. z o.o.	42 663 704	64,42%	42 663 704	64,42%
PZU Asset Management S.A.	3 344 009	5,05%	3 344 009	5,05%
Other shareholders	20 214 535	30,53%	20 214 535	30,53%
Total	66 222 248	100.00%	66 222 248	100.00%

In accordance with the High Yield Bonds agreement the Group is allowed to make payment of dividend only up to the limit of EUR 5 million. There were no dividends declared or paid in years 2009-2011.

On March 27, 2012 PS HoldCo Sp. z o.o. bought from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.) 5 000 000 shares with the price PLN 4,61 each. After this transaction PS HoldCo Sp. z o.o. has obtained directly 42 663 704 shares in share capital of Cognor S.A., that is 64,42% of total shares and Cognor S.A. has no longer its own shares (directly or indirectly).

11. Earnings per share

The calculation of basic earnings per share at 31 March 2012 was based on the profit attributable to ordinary shareholders of PLN 14 367 thousand (31 March 2011: profit PLN 32 422 thousand;) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2012 of 66 222 thousand (31 March 2011: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the year ended March 31, 2012 was 66 222 thousand (31 March 2011: 66 222 thousand).

12. Interest-bearing loans and borrowings

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

- Złomrex International Finance SA,
- Ferrostal Łabędy Sp. z o.o.,
- ZW-Walcownia Bruzdowa Sp. z o.o.,
- Odlewnia Metali Szopienice Sp. z o.o.,
- Huta Stali Jakościowych S.A.,

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

- Business Support Services Sp. z o.o.,
- Złomrex Metal Sp. z o.o.

From November 2008 till 30 June 2011 the Group has performed the buy out of own bonds in the nominal value of EUR 50 059 thousand. Outstanding value of the bonds as at 30 September 2011 according to amortized cost method is EUR 120 536 thousand.

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

13. Contingencies, guarantees and other commitments

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

Contingencies

In the documentation relating to :

- the sell of 100% shares of Cognor Stahlhandel GmbH on the 4th of February 2011, the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities or other damages incurred by Buyers in connection with the transaction formula finally accepted.
- the sell on the 5th May 2011, most of assets of distribution division in Poland, the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities and costs of any dispute with public administration incurred by Buyers in connection with the transaction formula finally accepted.

According to the Management's opinion the risk of rising obligations on above mentioned titles is small.

14. Related parties

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

In PLN thousand

Short-term receivables:

- related parties (not consolidated)
- companies controlled by the parent Company's Management Board members

Short-term liabilities

- related parties (not consolidated)
- companies controlled by the parent Company's Management Board members

Short-term payables in relation to acquisition of shares

- companies controlled by the parent Company's Management Board members

Loans granted

- related parties (not consolidated)

31.03.2012

31.12.2011

9 785

5 722

84

146 010

75

111

150 274

149 636

-

22 990

3 328

3 257

In PLN thousand

Revenues from sale of services

- related parties (not consolidated)
- companies controlled by the parent Company's Management Board members

Revenues from sale of raw materials and commodities

- related parties (not consolidated)

**1.1.2012 -
31.03.2012**

**1.1.2011 -
31.03.2011**

12

22

10

8

9 999

5 240

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

- companies controlled by the parent Company's Management Board members	70	-
<i>Purchase of commodities and raw materials</i>		
- related parties (not consolidated)	1 094	1 406
- companies controlled by the parent Company's Management Board members	209	-
<i>Purchase of services</i>		
- related parties (not consolidated)	7	20
- companies controlled by the parent Company's Management Board members	450	160
<i>Other income</i>		
- related parties (not consolidated)	171	94
<i>Other expenses</i>		
- related parties (not consolidated)	(26)	(19)
<i>Other gains/losses net</i>		
- related parties (not consolidated)	-	(1 037)
<i>Financial costs</i>		
- companies controlled by the parent Company's Management Board members	(2 548)	-

Transactions with the members of the Management and Supervisory Boards

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

	Three months ended	
	31 March 2012	31 March 2011
Management Board of the parent Company	896	1 016
Supervisory Board of the parent Company	94	89
Management Boards of subsidiaries	373	683
Supervisory Boards of subsidiaries	26	70
	1 389	1 858

15. Subsequent events

On April 19, 2012 the subsidiary Stalexport Metalzbyt Sp. z o.o. was liquidated according to the decision of the Commercial Court in Białystok.

On April 30, 2012 the Register Court approved Court the merger of Cognor Finanse Sp. z o.o. and Cognor Services Sp. z o.o. As a result of this merger the assets owned by Cognor Services Sp. z o.o. were transferred to Cognor Finanse Sp. z o.o.