

Cognor S.A.

Condensed Consolidated Interim Financial Statements

**as at and for the three months ended
31 March 2016**

16 May 2016

Condensed consolidated statement of financial position

in PLN thousand

	31.03.2016	31.12.2015	31.03.2015
Assets			
Property, plant and equipment	278 946	278 043	283 706
Intangible assets	11 011	10 834	11 044
Investment property	-	-	-
Investment in associates	3 184	3 147	3 242
Other investments	13 578	13 578	13 682
Other receivables	42	49	29
Prepaid perpetual usufruct of land	20 294	20 828	22 654
Deferred tax assets	84 202	82 018	78 100
Total non-current assets	411 257	408 497	412 457
Inventories	230 447	263 476	274 436
Other investments	4 311	4 236	5 940
Current income tax receivables	299	290	10
Trade and other receivables	172 070	127 378	255 231
Prepayments	-	-	-
Cash and cash equivalents	23 104	36 928	20 160
Assets classified as held for sale	5 506	5 506	7 110
Total current assets	435 737	437 814	562 887
Total assets	846 994	846 311	975 344

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

Condensed consolidated statement of financial position - continued

in PLN thousand

	31.03.2016	31.12.2015	31.03.2015
Equity			
Issued share capital	139 702	139 702	132 444
Reserves	193 927	194 935	202 193
Foreign currency translation reserves	34	32	(581)
Retained earnings	(194 288)	(187 547)	(161 909)
Total equity attributable to owners of the Parent Company	139 375	147 122	172 147
Non-controlling interests	20 302	21 569	21 560
Total equity	159 677	168 691	193 707
Liabilities			
Interest-bearing loans and borrowings	390 570	386 446	391 782
Employee benefits obligation	9 102	9 113	9 597
Other payables	37 963	37 479	34 937
Deferred tax liabilities	6 302	6 409	10 853
Total non-current liabilities	443 937	439 447	447 169
Bank overdraft	4 251	15 846	7 082
Interest-bearing loans and borrowings	41 601	48 873	94 010
Employee benefits obligation	5 321	4 867	5 369
Other financial liabilities	-	-	-
Current income tax payables	-	5	57
Provisions for payables	3 406	3 697	5 105
Trade and other payables	188 684	164 768	222 728
Government grants and other deferred income	117	117	117
Total current liabilities	243 380	238 173	334 468
Total liabilities	687 317	677 620	781 637
Total equity and liabilities	846 994	846 311	975 344

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

Condensed consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015 <i>* restated</i>
Revenue	355 672	370 782
Cost of sales	(332 065)	(338 837)
Gross profit	23 607	31 945
Other income	1 105	1 358
Distribution expenses	(11 385)	(11 065)
Administrative expenses	(8 401)	(10 046)
Other (losses)/gains - net	798	(2 522)
Other expenses	(817)	(2 067)
Operating profit before financing costs	4 907	7 603
Financial income	127	22 579
Financial expenses	(13 767)	(17 237)
Net financing costs	(13 640)	5 342
Share of profit of associates	37	10
Profit/(loss) before tax	(8 696)	12 955
Income tax expense	2 147	(4 922)
Profit/(loss) for the period	(6 549)	8 033
Profit/(loss) for the period attributable to:		
Owners of the Parent Company	(5 542)	7 344
Non-controlling interests	(1 007)	689
Profit/(loss) for the period	(6 549)	8 033
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	2	(41)
Total comprehensive income for the period	(6 547)	7 992
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	(5 540)	7 303
Non-controlling interests	(1 007)	689
Total comprehensive income for the period	(6 547)	7 992
Basic earnings per share (PLN) attributable to the owners of the Parent Company	(0,08)	0,11
- from continuing operations	(0,08)	0,11
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	(0,05)	0,06
- from continuing operations	(0,05)	0,06

* please refer to note 4

Przemysław Sztuczkowski
President of the Management Board

Krzysztof Zofka
Member of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Dominik Barszcz
Member of the Management Board

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

in PLN thousand

	01.04.2015 - 31.03.2016	01.04.2014 - 31.03.2015 <i>* restated</i>
Revenue	1 349 694	1 441 992
Cost of sales	(1 262 210)	(1 304 785)
Gross profit	87 484	137 207
Other income	4 072	7 786
Distribution expenses	(48 111)	(43 706)
Administrative expenses	(32 995)	(40 031)
Other (losses)/gains - net	6 272	(1 221)
Other expenses	(6 663)	(11 563)
Operating profit before financing costs	10 059	48 472
Financial income	4 618	25 366
Financial expenses	(53 539)	(68 842)
Net financing costs	(48 921)	(43 476)
Share of profit of associates	(58)	(1 611)
Gain on bargain purchase	-	5 859
(Loss)/profit before tax	(38 920)	9 244
Income tax expense	10 393	1 614
(Loss)/profit for the period	(28 527)	10 858
Discontinued operations		
Profit/(loss) for the period from discontinued operations, net of tax	-	(4 047)
Profit/(loss) for the period	(28 527)	6 811
(Loss)/profit for the period attributable to:		
Owners of the Parent Company	(27 713)	1 271
Non-controlling interests	(814)	5 540
(Loss)/profit for the period	(28 527)	6 811

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

in PLN thousand

Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met

Foreign currency translation differences	615	6
Total comprehensive income for the period	(27 912)	6 817

Total comprehensive income for the period attributable to:

Owners of the Parent Company	(27 098)	(17 758)
Non-controlling interests	(814)	1 587
Total comprehensive income for the period	(27 912)	(16 171)

Basic earnings per share (PLN) attributable to the owners of the Parent Company

- from continuing operations	(0,41)	0,02
- from discontinued operations	(0,41)	0,08
	-	(0,06)

Diluted earnings per share (PLN) attributable to the owners of the Parent Company

- from continuing operations	(0,25)	0,01
- from discontinued operations	(0,25)	0,05
	-	(0,04)

* please refer to note 4

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President of the Management Board

Krzysztof Zofka
Member of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Dominik Barszcz
Member of the Management Board

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 statement of cash flows

in PLN thousand

	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015
Profit/(loss) before tax from continuing operations	(8 696)	12 955
Adjustments		
Depreciation	8 834	8 627
Amortization	58	318
Impairment losses and valuation allowances	-	86
Foreign exchange (gains)/losses	126	(22 418)
Net (gains)/losses on disposal of property, plant and equipment	(252)	(200)
Interest, transaction costs (related to loans and borrowings) and dividends, net	12 845	18 124
Change in receivables	(44 688)	(67 816)
Change in inventories	33 029	8 622
Change in trade and other payables	27 645	39 702
Change in provisions	(291)	(2 586)
Change in employee benefits obligation	443	781
Change in government grants and other deferred income	-	-
Share of profit of associates	(37)	(10)
Other adjustments	-	-
Cash generated/(outflows) from operating activities	29 016	(3 815)
Income tax (paid)/returned, incl.	-	(138)
Net cash from operating activities	29 016	(3 953)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	7 730	561
Proceeds from sale of perpetual usufruct	585	-
Acquisition of shares in consolidated companies (net of cash acquired)	(41)	(80)
Interest received	25	26
Dividends received	-	-
Repayment of loans granted	-	-
Acquisition of property, plant and equipment	(16 106)	(2 697)
Acquisition of intangible assets	(235)	(27)
Acquisition of shares in other companies	-	-
Loans granted	-	(1 230)
Acquisition of other investments	-	(35)
Net cash from investing activities	(8 042)	(3 482)
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	-	1 300
Proceeds from factoring	(370)	10 619
Repayment of interest-bearing loans and borrowings	(997)	(192)
Payment of finance lease liabilities	(3 386)	(1 070)
Dividends and interests on exchangeable notes paid	(2 584)	(2 652)
Interest and transaction costs (related to loans and borrowings) paid	(15 765)	(15 950)
Other transactions with the Owner	(100)	(190)
Net cash from financing activities	(23 202)	(8 135)
Net increase / (decrease) in cash and cash equivalents	(2 228)	(15 570)
Cash and cash equivalents net of bank overdraft, at 1 January	21 082	28 679
- effect of exchange rate fluctuations on cash held	(1)	(31)
Cash and cash equivalents net of bank overdraft, at 31 March	18 853	13 078
- including cash restricted for use	511	-

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 statement of cash flows (last twelve months)

in PLN thousand

	01.04.2015 - 31.03.2016	01.04.2014 - 31.03.2015
(Loss)/profit before tax from continuing operations	(38 920)	9 244
Adjustments		
Depreciation	35 269	34 428
Amortization	541	1 147
Impairment losses and valuation allowances	(86)	86
Foreign exchange (gains)/losses	21 597	(10 576)
Net (gains)/losses on investment activities	(26 013)	-
Net (gains)/losses on disposal of property, plant and equipment	(3 291)	(284)
Interest, transaction costs (related to loans and borrowings) and dividends, net	47 895	48 003
Change in receivables	83 155	(21 415)
Change in inventories	43 989	(11 064)
Change in trade and other payables	(28 534)	(3 700)
Change in provisions	(543)	940
Change in employee benefits obligation	(543)	483
Change in government grants and other deferred income	-	(233)
Share of profit of associates	58	1 611
Gain on bargain purchase	-	(5 859)
Other adjustments	-	17 702
Cash generated/(outflows) from operating activities	134 574	60 513
Discontinued operations		
Loss before tax from discontinued operations	-	(4 252)
Adjustments		
Net gains on disposal of property, plant and equipment, intangible assets and assets classified as held for sale	-	1 408
Change in receivables	-	(2 278)
Cash outflows from discontinued operations	-	(5 122)
Cash generated from operating activities	134 574	55 391
Income tax (paid)/returned, incl.	(296)	67
- continuing operations	(296)	67
- discontinued operations	-	-
Net cash from operating activities	134 278	55 458

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 statement of cash flows (last twelve months) - continued

in PLN thousand

	01.04.2015 - 31.03.2016	01.04.2014 - 31.03.2015
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	16 145	8 862
Proceeds from sale of perpetual usufruct	4 503	-
Proceeds from sale of assets held for sale	1 080	-
Proceeds from sale of other investments	-	-
Interest received	135	308
Dividends received	-	-
Repayment of loans granted	1 801	633
Other inflows/(outflows) from investing activities	515	-
Acquisition of property, plant and equipment	(30 383)	(17 284)
Acquisition of intangible assets	(987)	(206)
Acquisition of assets held for sale	-	(406)
Acquisition of shares in consolidated companies	(80)	(442)
Loans granted	(470)	(1 230)
Acquisition of other investments	35	(35)
Cash generated on investing activities from continuing operations	(7 706)	(9 800)
Cash generated on investing activities from discontinued operations	-	6 500
Net cash from investing activities	(7 706)	(3 300)
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	18 557	1 934
Proceeds from factoring	(57 563)	14 666
Repayment of interest-bearing loans and borrowings	(33 045)	(723)
Payment of finance lease liabilities	(7 971)	(5 850)
Dividends and interests on exchangeable notes paid	(5 218)	(5 213)
Interest and transaction costs (related to loans and borrowings) paid	(35 271)	(56 230)
Other transactions with the Owner	(302)	(540)
Cash outflows on financing activities from continuing operations	(120 813)	(51 956)
Cash outflows from discontinued operations	-	-
Net cash from financing activities	(120 813)	(51 956)
Net increase / (decrease) in cash and cash equivalents	5 759	202
Cash and cash equivalents net of bank overdraft, at 1 April	13 078	12 891
- effect of exchange rate fluctuations on cash held	16	(15)
Cash and cash equivalents net of bank overdraft, at 31 March	18 853	13 078
- including cash restricted for use	511	-

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 statement of changes in equity

Attributable to owners of the Parent Company							
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
<i>in PLN thousand</i>							
Equity as at 1 January 2015	132 444	202 193	(540)	(168 074)	166 023	21 263	187 286
<i>Total comprehensive income</i>	-	-	(41)	7 344	7 303	689	7 992
- (loss)/profit	-	-	-	7 344	7 344	689	8 033
- foreign currency translation differences relating to foreign operations	-	-	(41)	-	(41)	-	(41)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	-	-	-	-
Discount of obligation to the Owner	-	-	-	-	-	-	-
Issuing of exchangeable notes	-	-	-	-	-	-	-
Costs of issuing of exchangeable notes	-	-	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(1 491)	(1 491)	-	(1 491)
Changes in minority after acquisition	-	-	-	312	312	(392)	(80)
Equity as at 31 March 2015	132 444	202 193	(581)	(161 909)	172 147	21 560	193 707
Equity as at 1 January 2015	132 444	202 193	(540)	(168 074)	166 023	21 263	187 286
<i>Total comprehensive income</i>	-	-	572	(14 827)	(14 255)	882	(13 373)
- (loss)/profit	-	-	-	(14 827)	(14 827)	882	(13 945)
- foreign currency translation differences relating to foreign operations	-	-	572	-	572	-	572
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	7 258	(7 258)	-	(3 938)	(3 938)	(39)	(3 977)
Options for own equity instruments	-	-	-	-	-	(39)	(39)
Conversion of exchangeable notes	7 258	(7 258)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(3 938)	(3 938)	-	(3 938)
Other settlements with the Owner	-	-	-	-	-	-	-
Change in ownership interests	-	-	-	396	396	(505)	(109)
Changes in minority after acquisition	-	-	-	396	396	(505)	(109)
Other	-	-	-	(1 104)	(1 104)	(32)	(1 136)
Equity as at 31 December 2015	139 702	194 935	32	(187 547)	147 122	21 569	168 691

The 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>							
Equity as at 1 January 2016	139 702	194 935	32	(187 547)	147 122	21 569	168 691
Total comprehensive income	-	-	2	(5 542)	(5 540)	(1 007)	(6 547)
- profit	-	-	-	(5 542)	(5 542)	(1 007)	(6 549)
- foreign currency translation differences relating to foreign operations	-	-	2	-	2	-	2
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	-	-	-	-
Discount of obligation to the Owner	-	-	-	-	-	-	-
Issuing of exchangeable notes	-	-	-	-	-	-	-
Costs of issuing of exchangeable notes	-	-	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 426)	(2 426)	-	(2 426)
Changes in minority after acquisition	-	-	-	219	219	(260)	(41)
Other	-	(1 008)	-	1 008	-	-	-
Equity as at 31 March 2016	139 702	193 927	34	(194 288)	139 375	20 302	159 677

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

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 29 August 2011, the Parent Company of the Group was Zomrex 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: scrap collection, scrap processing into steel billets and steel products and other activities.

The parent Company's shares are listed on Warsaw Stock Exchange.

2 Cognor S.A. Group

The condensed consolidated interim financial statements as at and for the three months ended 31 March 2016 comprise the Parent Company and its subsidiaries (the Group). Details of the subsidiaries that comprise the Group as at 31 March 2016 are presented in the table below.

Name of the entity	Seat of the entity	Ownership interest and voting rights	Date of obtaining control
FERROSTAL/ AB DY Sp. z o.o.	Poland	92,44%	2004-02-19*
ZW WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	92,44% (100%**)	2005-01-13*
HUTA STALI JAKO CIOWYCH S.A.	Poland	100,0%	2006-01-27*
COGNOR S.A. Sp. k. (poprzednio KAPITA/ S.A. Sp. k.)	Poland	51,0%	2008-03-25*
Z/ OMREX METAL Sp. z o.o.	Poland	100,0%	2007-04-02*
COGNOR BLACHY DACHOWE S.A.	Poland	77,4%	2007-08-01
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	100,0%	2006-05-15*
AB STAHL AG	Germany	100,0%	2006-08-03*
COGNOR INTERNATIONAL FINANCE plc	Great Britain	100,0%	2013-10-24
4 GROUPS Sp. z o.o.	Poland	30,00% (associate)	2013-01-21
ZW PROFIL S.A.	Poland	96,13%**	2014-04-11
FER HOLDING Sp. z o.o.	Poland	100,0%**	2015-04-30
HSJ HOLDING Sp. z o.o.	Poland	100,0%	2015-05-04

* date of obtaining control by Zomrex S.A. Group

** interest and voting rights owned by Ferrostal/ ab dy Sp. z o.o.

ZW Profil S.A. is the Parent Company of the ZW Profil S.A. Group. Details of the subsidiaries that comprise the ZW Profil S.A. Group as at 31 March 2016 are presented in the table below.

Name of the entity	Seat of the entity	Ownership interest and voting rights owned by ZW Profil S.A.	Ownership interest and voting rights in Cognor Group
PRZEDSI BIORSTWO TRANSPORTU SAMOCHODOWEGO S.A.	Poland	92,25%	82,0%
MADROHUT Sp. z o.o.	Poland	23,06% (associate)	20,5%

Acquisitions, mergers and disposals of subsidiaries

Acquisitions realised in 2016

In the first quarter of 2016, ZW Profil S.A. has made a series of acquisitions of shares in Przedsiębiorstwo Transportu Samochodowego S.A. For the amount of PLN 27 thousands ZW Profil S.A. has acquired 1,315 of shares in Przedsiębiorstwo Transportu Samochodowego S.A. As a result the ownership interests has increased from 89,75% as at December 31, 2015 to 92,25% as at March 31, 2016.

In the first quarter of 2016, Ferrostal/ abedy Sp. z o.o. has made a series of acquisitions of shares in ZW Profil S.A. For the amount of PLN 14 thousands ZW Profil S.A. has acquired 255 of shares in ZW Profil S.A. As a result the ownership interests has increased from 95,82% as at December 31, 2015 to 96,13% as at March 31, 2016.

Mergers realised in 2016

No mergers took place until 31 March 2016.

Disposals realised in 2016

No disposals took place until 31 March 2016.

Liquidations realised in 2016

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

3 Basis of preparation of consolidated financial statements

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. 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 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on 16 May 2016.

b) Ongoing basis

The condensed consolidated financial statements as of and for the period ended 31 March 2016 have been prepared on the going concern basis.

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 2015, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

d) 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 2015.

4 Restatement of comparable data

Since January 1, 2016 the Group has decided to present the interests income from financial assets and fees and commissions as financial income. Till the end of 2015 these items were disclosed as other income.

The impact of changes resulting from the above mentioned changes in the presentation, in relation to the data presented in the published condensed interim consolidated financial statements as at 31 March 2015 is shown below.

Condensed consolidated statement of profit or loss and other comprehensive income for the period January 1, 2015 - March 31, 2015

	Published consolidated data	Change in presentation of interests income and fees and commissions	Restated
Revenue	370 782	-	370 782
Cost of sales	(338 837)	-	(338 837)
Gross profit	31 945	-	31 945
Other income	1 452	(94)	1 358
Distribution expenses	(11 065)	-	(11 065)
Administrative expenses	(10 046)	-	(10 046)
Other (losses)/gains - net	(2 522)	-	(2 522)
Other expenses	(2 067)	-	(2 067)
Operating profit before financing costs	7 697	(94)	7 603
Financial income	22 485	94	22 579
Financial expenses	(17 237)	-	(17 237)
Net financing costs	5 248	94	5 342
Share of profit of associates	10	-	10
Profit/(loss) before tax	12 955	-	12 955
Income tax expense	(4 922)	-	(4 922)
Profit/(loss) for the period	8 033	-	8 033

Condensed consolidated statement of profit or loss and other comprehensive income (last twelve months) for the period from April 1, 2014 - March 31, 2015

	Published consolidated data	Change in presentation of interests income and fees and commissions	Restated
Revenue	1 441 992	-	1 441 992
Cost of sales	(1 304 785)	-	(1 304 785)
Gross profit	137 207	-	137 207
Other income	8 878	(1 092)	7 786
Distribution expenses	(43 706)	-	(43 706)
Administrative expenses	(40 031)	-	(40 031)
Other (losses)/gains - net	(1 221)	-	(1 221)
Other expenses	(11 563)	-	(11 563)
Operating profit before financing costs	49 564	(1 092)	48 472
Financial income	24 274	1 092	25 366
Financial expenses	(68 842)	-	(68 842)
Net financing costs	(44 568)	1 092	(43 476)
Share of profit of associates	(1 611)	-	(1 611)
Gain on bargain purchase	5 859	-	5 859
(Loss)/profit before tax	9 244	-	9 244
Income tax expense	1 614	-	1 614
(Loss)/profit for the period	10 858	-	10 858
Profit/(loss) for the period from discontinued operations, net of tax	(4 047)	-	(4 047)
Profit/(loss) for the period	6 811	-	6 811

5 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 both a geographic and product perspective. Geographically, management considers the performance of sales in Poland, Germany and other countries.

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

1. scrap division ó this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division ó 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 ó this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other ó 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 comprehensive income.

Business segments (for the three months ended 31 March)

in PLN thousand

31.03.2016	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	46 276	300 123	2 223	7 050			
Inter-segment revenue	28 956	25 111	-	4 213			
Total revenue	75 232	325 234	2 223	11 263	-	(58 280)	355 672
Cost of sales to external customers	(38 054)	(285 846)	(2 027)	(6 104)			
Inter-segment cost of sales	(32 527)	(20 311)	-	(2 101)			
Total cost of sales	(70 581)	(306 157)	(2 027)	(8 205)	-	54 905	(332 065)
Segment result	4 651	19 077	196	3 058	-	(3 375)	23 607
Other income	498	488	5	108	334	(328)	1 105
Distribution and administrative expenses	(4 867)	(14 120)	(350)	(303)	(4 207)	4 061	(19 786)
Other gain/(losses) net	(119)	89	(9)	34	711	92	798
Other expenses	(51)	(297)	(2)	-	(875)	408	(817)
Operating profit/(loss)	112	5 237	(160)	2 897	(4 037)	858	4 907
Net financing costs	(238)	(976)	71	(155)	(13 983)	1 641	(13 640)
Share of profit of associates, net of tax							37
Income tax expense							2 147
Profit for the period							(6 549)

in PLN thousand

31.03.2015	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	52 608	307 382	2 400	8 392			
Inter-segment revenue	57 227	17 743	-	6 059			
Total revenue	109 835	325 125	2 400	14 451	-	(81 029)	370 782
Cost of sales to external customers	(50 678)	(282 274)	(2 248)	(10 588)			
Inter-segment cost of sales	(54 327)	(17 061)	-	124			
Total cost of sales	(105 005)	(299 335)	(2 248)	(10 464)	-	78 215	(338 837)
Segment result	4 830	25 790	152	3 987	-	(2 814)	31 945
Other income	328	575	117	1 322	14 534	(15 518)	1 358
Distribution and administrative expenses	(5 014)	(14 454)	(312)	(468)	(4 234)	3 371	(21 111)
Other gain/(losses) net	(19)	(1 081)	2	(27)	(1 344)	(53)	(2 522)
Other expenses	(46)	(1 622)	(21)	(12)	(536)	170	(2 067)
Operating profit	79	9 208	(62)	4 802	8 420	(14 844)	7 603
Net financing costs	(322)	(1 167)	(1)	(22)	(6 572)	13 426	5 342
Share of profit of associates, net of tax							10
Income tax expense							(4 922)
Profit for the period							8 033

Business segments (for the twelve months ended 31 March)

in PLN thousand

31.03.2016	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	205 750	1 097 586	13 980	32 378			
Inter-segment revenue	155 347	92 375	7	16 096			
Total revenue	361 097	1 189 961	13 987	48 474	-	(263 825)	1 349 694
Cost of sales to external customers	(191 099)	(1 046 495)	(11 786)	(24 023)			
Inter-segment cost of sales	(149 945)	(74 394)	(8)	(10 735)			
Total cost of sales	(341 044)	(1 120 889)	(11 794)	(34 758)	-	246 275	(1 262 210)
Segment result	20 053	69 072	2 193	13 716	-	(17 550)	87 484
Other income	1 524	4 037	124	(908)	49 839	(50 246)	4 370
Distribution and administrative expenses	(21 240)	(55 435)	(2 279)	(782)	(17 100)	15 730	(81 106)
Other gain/(losses) net	(946)	24 343	167	61	3 022	(20 375)	6 272
Other expenses	(371)	(3 090)	(19)	7	(6 110)	2 920	(6 663)
Operating profit/(loss)	(980)	38 927	186	12 094	29 651	(69 521)	10 357
Net financing costs	(1 181)	(2 672)	45	(3 104)	(103 188)	60 881	(49 219)
Share of profit of associates, net of tax							(58)
Gain on bargain purchase							-
Income tax expense							10 393
Profit for the period							(28 527)

in PLN thousand

31.03.2015	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	202 923	1 189 271	14 319	35 479			
Inter-segment revenue	245 127	79 720	91	29 790			
Total revenue	448 050	1 268 991	14 410	65 269	-	(354 728)	1 441 992
Cost of sales to external customers	(202 177)	(1 063 853)	(12 883)	(32 823)			
Inter-segment cost of sales	(225 962)	(66 967)	(78)	(7 613)			
Total cost of sales	(428 139)	(1 130 820)	(12 961)	(40 436)	-	307 571	(1 304 785)
Segment result	19 911	138 171	1 449	24 833	-	(47 157)	137 207
Other income	1 738	3 510	196	4 358	63 196	(65 212)	7 786
Distribution and administrative expenses	(21 726)	(64 032)	(1 433)	(1 495)	(15 953)	20 902	(83 737)
Other gain/(losses) net	785	2 438	(3)	(91)	3 358	(7 708)	(1 221)
Other expenses	(641)	(5 510)	(85)	(2 969)	(47 300)	44 942	(11 563)
Operating profit	67	74 577	124	24 636	3 301	(54 233)	48 472
Net financing costs	(1 626)	(5 136)	(42)	(1 086)	(103 822)	68 236	(43 476)
Share of profit of associates, net of tax							(1 611)
Gain on bargain purchase							5 859
Income tax expense							1 614
Profit for the period							10 858

in PLN thousand

31.03.2016	Scrap division	Production division	Distribu- tion	Other	Unallocated	Consolidated
Segment assets	45 739	562 292	3 663	71 619	163 681	846 994
Segment liabilities	491	144 481	1 466	16 481	524 398	687 317

in PLN thousand

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

in PLN thousand

	31.03.2015	Scrap division	Production division	Distribu- tion	Other	Unallocated	Consolidated
Segment assets		73 545	706 439	5 678	33 801	155 881	975 344
Segment liabilities		25 650	168 855	1 277	7 072	578 783	781 637

Unallocated assets

in PLN thousand

	31.03.2016	31.12.2015	31.03.2015
Long-term and short-term investments	21 073	20 961	22 864
Investment in associates	-	-	-
Deferred tax assets	84 202	82 018	78 100
Income tax receivable	299	290	10
Cash and cash equivalents	29 497	36 928	20 160
Assets held for sale	23 104	5 506	7 110
Other receivables (statutory receivables, receivables relating to sale of	5 506	24 937	27 637
	163 681	170 640	155 881

Unallocated liabilities

in PLN thousand

	31.03.2016	31.12.2015	31.03.2015
Interest-bearing loans and borrowings	432 171	435 319	485 792
Bank overdraft	4 251	15 846	7 082
Deferred tax liabilities	6 302	6 409	10 853
Employee benefits	14 423	13 980	14 966
Government grants and other deferred income	117	117	117
Current income tax payables	-	5	57
Other liabilities	67 134	63 071	59 916
	524 398	534 747	578 783

6 Property, plant and equipment

During the three months ended 31 March 2016, the Group acquired property, plant and equipment at a cost of PLN 17 266 thousand (three months ended 31 March 2015: PLN 2 985 thousand). Assets with a net book value of PLN 7 641 thousand were disposed during the three months of 2016 (three months ended 31 March 2015: PLN 362 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 84 thousand (three months ended 31 March 2015: a net gain on disposal of PLN 195 thousand).

During the twelve months ended 31 March 2016, the Group acquired property, plant and equipment at a cost of PLN 44 503 thousand (twelve months ended 31 March 2015: PLN 25 677 thousand). Assets with a net book value of PLN 14 516 thousand were disposed of during the twelve months ended 31 March 2016 (twelve months ended 31 March 2015: PLN 6 801 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 1 121 thousand (twelve months ended 31 March 2015: a net loss on disposal of PLN 93 thousand).

Capital commitments

As at 31 March 2016 the Group had capital commitments in the amount of PLN 1 555 thousand (31 March 2015: PLN 3 844 thousand).

7 Equity

Issued share capital

	31.03.2016	31.12.2015	31.03.2015
Registered shares number at reporting date	69 851 487	69 851 487	66 222 248
Number of issued warrants	62 590 761	62 590 761	66 220 200
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

At 31 March 2015, the parent Company's share capital comprised 69 851 487 ordinary shares (31 December 2015: 69 851 487; 31 March 2015: 66 222 248) with a nominal value of PLN 2 each.

On 29 August 2011 Cognor S.A. purchased from PS Holdco Sp. z o.o. 20 957 400 shares of Zëmrex S.A. On the same day Cognor S.A. and PS Holdco Sp. z o.o. entered into the agreement on settlement of the liability arising from the said purchase (Settlement Agreement). In the Settlement Agreement the price for the shares in Zëmrex S.A. was fixed at PLN 145 995 116.10 and its payment was made conditional on the concurrent increase of share capital of Cognor S.A. by PS Holdco Sp. z o.o. by way of subscribing to Cognor's warrants series B owned by PS Holdco Sp. z o.o. at the amount at least equal to the price for shares.

The parties also agreed that the price for the shares in Zëmrex S.A. shall be appropriately reduced in case of the lack of the ability to repay the receivable of Zëmrex S.A. (currently HSJ S.A.) owned from the Republic of Croatia at the amount of PLN 39 215 thousand. It was also decided that until the payment of the liability of Cognor S.A. resulting from the purchase of shares in Zëmrex S.A. (also until the final price for Zëmrex S.A. shares is determined), this liability shall be bearing the interest at the level of 7% p.a. and that the payments of the liability or related interest shall not fall below the price for the shares in Zëmrex S.A.

Following the restructuring of Cognor's indebtedness on 4 February 2014 PS Holdco Sp. z o.o. agreed to transfer all of its warrants series B for the purpose of the restructuring process. Consequently, on 31 March 2014 PS Holdco Sp. z o.o. and Cognor S.A., concluded the amendment no. 3 to the Settlement Agreement in order to reflect the arrangement of the restructuring in its terms. In particular it was decided that the payment of Cognor's liability shall occur following subscription for warrants series B and series C by PS Holdco Sp. z o.o. and that the total amount of the subscription shall at least equal the price of Zëmrex S.A. shares. The deadlines for the PS Holdco's undertaking to increase Cognor's equity and for the payment of the price for shares in Zëmrex S.A. by Cognor S.A. were postponed to 31 December 2021 when the remaining number of warrants series B surviving the conversion of Cognor's convertible notes, will have become known.

On 13 March 2015, based on the amendment no. 4 to the Settlement Agreement, resulting from the lack of payment of receivable at the amount of EUR 10 million owned from the Republic of Croatia and in connection with impairment loss recognised for the total amount of that receivable in Cognor's consolidated financial statements in 2014, the parties decided to appropriately reduce the price for shares in Zëmrex S.A. by the amount of PLN 39 215 thousand and to adjust the interests for previous years on the reduced price for the shares in Zëmrex S.A. Due to direct connection between the price for the shares in Zëmrex S.A. with the value of the subscription for warrants series B and series C described in previous paragraph, the reduction of the price for the shares in Zëmrex S.A. due to impairment loss recognized on receivables from Republic of Croatia was included in Group's equity in 2014 as an adjustment of transactions with the Owner of the Parent Company.

The reduction of the price for shares in Zëmrex S.A. following amendment no. 4 resulted in reduction of reserve equity in consolidated financial statements in 2014 by PLN 39 215 thousand.

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Z6mrex S.A. totalling PLN 34 446 thousand (the value as at 31.03.2016: PLN 38 138 thousand). This liability, in its part related to capital instruments (options to own capital instruments), remaining under the control of Group, has been recognised as the reduction of equity (as at 31.03.2016 at the amount of PLN 14 256 thousand) and the remaining amount was recognised as other investments (as at 31.03.2016 in the amount of PLN 13 513 thousand). The options included in assets are valued at cost less amortization, use or termination of rights to use own capital instruments.

In connection with the request of the holders of Exchangeable Notes (EN) to Cognor International Finance plc (the subsidiary) for a conversion of Notes held by them into shares of Cognor S.A., there have been series of conversions of Exchangeable Notes into shares. The National Securities Depository admitted to trading following number of shares Cognor S.A.:

- 50 000 shares were admitted to trading on 9 July 2015,
- 41 489 shares were admitted to trading on 3 August 2015,
- 457 446 shares were admitted to trading on 7 September 2015,
- 3 080 304 shares were admitted to trading on 17 November 2015.

Altogether 3 629 239 shares of Cognor S.A. were admitted to trading in 2015 as a result of conversions of 1 983 422 EUR of Exchangeable Notes. The abovementioned Notes were converted at the rate of 2.35 PLN per share.

The ownership structure as at 31 March 2016 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	43 691 307	62,55%	43 691 307	62,55%
Other shareholders	26 160 180	37,45%	26 160 180	37,45%
Total	69 851 487	100,00%	69 851 487	100,00%

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

The ownership structure as at the date of previous corrected report's publication (March 21, 2016) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	43 691 307	62,55%	43 691 307	62,55%
Other shareholders	26 160 180	37,45%	26 160 180	37,45%
Total	69 851 487	100,00%	69 851 487	100,00%

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

The ownership structure as at the date of current report's publication (May 15, 2015) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	43 691 307	62,55%	43 691 307	62,55%
Other shareholders	26 160 180	37,45%	26 160 180	37,45%
Total	69 851 487	100,00%	69 851 487	100,00%

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

Changes in the period:

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

8 Earnings per share

The calculation of basic earnings per share for the three-month period ended 31 March 2016 was based on the loss attributable to ordinary shareholders of PLN 5 542 thousand (the three-month period ended 31 March 2015: gain PLN 7 344 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 31 March 2016 of 69 851 thousand (the three-month period ended 31 March 2015: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 3 months period ended March 31, 2016 was 109 554 thousand (31 March 2015: 113 274 thousand).

The calculation of basic earnings per share for the twelve-month period ended 31 March 2016 was based on the loss attributable to ordinary shareholders of PLN 27 713 thousand (the twelve-month period ended 31 March 2015: gain PLN 1 271 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 31 March 2016 of 67 837 thousand (the twelve-month period ended 31 March 2015: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 31 March 2016 was 112 562 thousand (31 March 2015: 113 465 thousand).

As at 31 March 2016, 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.

The calculation of diluted earnings per share at 31 March 2016 was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in the period from January to March 2016 excluding interest paid in this period.

9 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

Bank overdraft

Non-current liabilities

Secured bank loans
Secured fixed interest rate debt
Finance lease liabilities
Other borrowings

Current liabilities

Current portion of secured bank loans
Current portion of secured fixed interest rate debt
Current portion of finance lease liabilities
Factoring and bill of exchange liabilities
Reverse factoring
Scrap pre-financing
Other borrowings

	31.03.2016	31.12.2015	31.03.2015
Bank overdraft	4 251	15 846	7 082
Non-current liabilities			
Secured bank loans	712	889	1 424
Secured fixed interest rate debt	372 606	370 730	381 073
Finance lease liabilities	16 642	14 161	8 732
Other borrowings	610	666	553
	390 570	386 446	391 782
Current liabilities			
Current portion of secured bank loans	712	712	712
Current portion of secured fixed interest rate debt	6 718	11 439	20 604
Current portion of finance lease liabilities	9 316	6 936	4 014
Factoring and bill of exchange liabilities	9 382	9 752	32 996
Reverse factoring	-	-	33 949
Scrap pre-financing	13 559	14 324	-
Other borrowings	1 914	5 710	1 735
	41 601	48 873	94 010

In 2015 Cognor S.A. and its subsidiaries (Ferrostal / ab dy Sp. z o.o., Huta Stali Jako ciowych S.A.) utilised bank overdraft with mBank S.A. Based on Annex No. 10 dated 29 June 2015 the limit was increased from PLN 9.1 million to PLN 25 million and split between Ferrostal/ ab dy Sp. z o.o. PLN 11.65 million, Huta Stali Jako ciowych S.A. PLN 13.35 million. The same annex extended bank overdraft until 29 June 2016. On 7 January 2016 limits for both companies were set at PLN 0. On 27 January 2016 new limit for Huta Stali Jako ciowych S.A. was set on the level of PLN 10 million.

As at 31 March 2016, bank overdrafts was utilised as follows: Huta Stali Jako ciowych S.A. PLN 4 251 thousand, Ferrostal/ ab dy Sp. z o.o. PLN 0 thousand.

On September 21, 2015, Ferrostal / ab dy Sp. z o.o. has entered into an agreement with Bank Pekao SA about the overdraft in the amount of PLN 5 million, with a duration until 20 September 2016. Debt as at March 31, 2016 amounted to PLN 0.

Secured fixed interest debt

On 4 February 2014, Cognor International Finance plc, established in the United Kingdom (a subsidiary of Huta Stali Jako ciowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by 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 ó 7.5% (from 4 February 2014 till 1 February 2016),
- 3rd year ó 10.0% (from 2 February 2016 till 1 February 2017),
- 4th to 6th year ó 12.5% (from 2 February 2017 till 1 February 2020).

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

Liability for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) of the book value of PLN 379 324 thousand on 31 March 2016 was secured as follows:

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

- registered pledge on:

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

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

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

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

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

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

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

On 31 December 2015 the Group has redeemed of 14 460 819 EUR Senior Secured Notes purchased earlier by the Group's companies, generating a gain of PLN 26 213 thousand. As at 31 March 2016 the principal amount of Senior Secured Notes outstanding was 85 887 290 EUR.

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

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

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

In these consolidated financial statements the Exchangeable Notes are presented within Reserves.

In 2015, bondholders of Exchangeable Notes converted 1 983 422 EUR nominal value of notes into 3 629 239 shares of Cognor S.A. worth PLN 7 258 thousand. The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 31 March 2016 was 23 103 581 EUR.

Liabilities due to Shareholder

Within the debt restructuring process described above, on 3 February 2014 PS Holdco Sp. z o.o. transferred to Cognor International Finance plc (CIF) an ownership of 60 860 000 of subscription warrants of series B that are convertible into 60 860 000 shares of Cognor S.A. for a remuneration in the amount of PLN 304 thousand and also entered into an option agreement for delivery of additional 30 082 812 shares of Cognor S.A. free of charge in order to secure the holders of the Exchangeable Notes with the possibility of conversion bonds into shares. The transfer of warrants was a key element enabling the structuring of terms of Exchangeable Notes in a manner acceptable to investors and thus the successful finalization of the issue. Terms of the agreement between PS Holdco Sp. z o.o. and Cognor International Finance plc provide among other things, that warrants not used for conversion of the bonds into shares will be transferred back to PS Holdco Sp. z o.o. Depending on a choice of a payment form of the Exchangeable Notes' coupon up to 15 million warrants may return to PS Holdco Sp. z o.o. Their exact number will be known after the final settlement of the Exchangeable Notes of Cognor S.A.

10 Contingencies, guarantees and other commitments

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

Contingencies

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

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

Capital commitments

The Group has capital commitments, arising from signed agreements, which were not recognised in the consolidated financial statements. These, among other, relate to following capital expenditures projects or lease agreements:

- loader machine PLN 627 thousand,
- pouring vessels PLN 750 thousand.

11 Related parties

Identity of related parties

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

Owner:

- PS Holdco Sp. z o.o.

Related parties not consolidated are as follows:

- AB Stahl AG
- Profil Centrum Sp. z o.o. (control obtained on April 11, 2014 - till January 28, 2016)
- FER Holding Sp. z o.o.
- HSJ Holding Sp. z o.o.

Associates are as follows;

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

Additionally in the period from September 13, 2013 till April 10, 2014 the associates were as follows:

- ZW Profil S.A.
- Przedsiębiorstwo Transportu Samochodowego S.A.
- Profil Centrum Sp. z o.o.

Companies controlled by the owner:

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

in PLN thousand

Short-term receivables:

- related parties (not consolidated)

- associates

- owner

- companies controlled by the owner

Short-term liabilities

- related parties (not consolidated)

- owner

- companies controlled by the owner

- associates

Loans granted

- companies controlled by the owner

- owner

Loans received

- companies controlled by the owner

	31.03.2016	31.12.2015	31.03.2015
- related parties (not consolidated)	-	-	-
- associates	6	3	-
- owner	-	-	7
- companies controlled by the owner	5 206	4 680	2 878
- related parties (not consolidated)	-	-	-
- owner	44 473	43 910	41 121
- companies controlled by the owner	514	424	1 283
- associates	69	3	53
- companies controlled by the owner	4 181	4 109	7 932
- owner	118	115	207
- companies controlled by the owner	-	-	-

Short-term investments

- owner

13 513

13 513

13 513

in PLN thousand

Revenues from sale of services

- associates

7

7

29

29

- owner

-

-

1

1

- companies controlled by the owner

48

119

320

560

Revenues from sale of raw materials and commodities

- companies controlled by the owner

6 546

4 127

23 443

17 194

Purchase of commodities and raw materials

- companies controlled by the owner

5 775

4 257

19 072

12 297

Purchase of services

- associates

161

123

593

577

- companies controlled by the owner

660

574

2 785

1 966

Other income

- companies controlled by the owner

-

-

-

3

Other gain/(losses) net

- companies controlled by the owner

-

-

-

4

Other expenses

- companies controlled by the owner

-

-

-

(4)

Financial income

- owner

3

4

11

22

- companies controlled by the owner

73

57

265

233

Financial costs

- companies controlled by the owner	-	-	-	(9)
- owner	(664)	(916)	(2 776)	(2 985)

12 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	31.03.2016	31.03.2015
Cash in bank	19 784	-
Cash in bank restricted in use	511	17 056
Cash in hand	340	225
Short-term bank deposit	2 458	400
Other	11	2 474
Cash and cash equivalents	23 104	20 155
Bank overdrafts	(4 251)	20 160
Cash and cash equivalents in the statement of cash flows	18 853	40 315

13 Financial instruments

Financial instruments measured at fair values

As at 31 March 2016, 31 December 2015 and 31 March 2015 there were no financial instruments at fair value through profit or loss.

Fair values

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

É 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.

É 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.

É 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.

É Fixed rate debt securities. The fair value of bonds at 31 March 2016 amounted to PLN 204 076 thousand (31 December 2015: PLN 196 913 thousand) - which was calculated on the basis of the market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date (level 1 in fair value hierarchy).

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

14 Seasonability

Trading activity on the steel product market is characterized by seasonability of revenue from sales, resulting from the variability of weather conditions in the annual weather cycle. Seasonability is reflected by lower demand for steel products in the winter as a result of restrictions 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
Management Board				
- Przemysław Sztuczkowski *	-	-	-	-
- Przemysław Grzesiak	2 522 951	3,61%	2 522 951	3,61%
- Krzysztof Zolnierczyk	-	-	-	-
- Dominik Barszcz	-	-	-	-
Supervisory Board				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew/ api ski	-	-	-	-

* Przemysław Sztuczkowski owns 100% of shares in the PS Holdco Sp. z o.o. and therefore the shares owned by PS HoldCo Sp. z o.o. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor S.A. As at March 21, 2016 PS HoldCo Sp. z o.o. was the owner of 62,55% shares of Cognor S.A, and as at May 16, 2016 PS HoldCo Sp. z o.o. was the owner of 62,55%. Detailed information in note 6.

17 Proceedings before a court, an arbitration or a public authority

The Group is party to a range of court proceedings, the majority of which it participates in as the plaintiff. Cognor has not been charged in any singular or group proceedings which together could significantly affect their financial results or level of obligations. There is one proceeding before the court relating to receivables which fulfil the criteria of essence:

- In 2009 Zimrex S.A. (currently HSJ S.A.) received an offer from the Republic of Croatia pertaining to the termination of share purchase agreement based on which Cognor S.A. in 2007 acquired shares in Zeljezara Split steelworks from the Croatian Privatisation Fund. By exercise of this offer the Government of Croatia was to repurchase all of the shares held by HSJ S.A. for the amount of EUR 1.00 and purchase all of the claims of HSJ S.A. owed by Zeljezara Split for the price of EUR 10.0 million. In spite of the acceptance of the offer by HSJ S.A. and the commencement of drafting of the respective documents, the Croatian Government at the turning of 2009 and 2010 asked to postpone drafting and signing of the agreements and later in 2010 finally decided to refuse to enter into agreement. In 2011 a bankruptcy of Zeljezara Split was declared.

In 2012 HSJ S.A. filed a notice of arbitration against the Republic of Croatia. In the notice HSJ S.A. stated the minimal value of the claim at the amount of EUR 10.0 million. Supported by the positive opinion of legal counsel, that value was previously recognized in Cognor's financial statements.

In response to the notice of arbitration, the government side entered into negotiations on conciliatory solution of the dispute. Despite a number of meetings, the negotiations did not lead to agreement. In 2014 Cognor S.A. decided to reassess its legal position and ordered additional analysis of legal advisors. In the light of received opinions, Cognor S.A. assessed that positive solution of the claim pertaining to the offer of EUR 10.0 million is unlikely. For the second basis for the claim, relying on the terms of the bilateral investment treaty between Poland and Croatia, where the maximal compensation for Cognor S.A. could reach up to approximately EUR 50.0 million, the probability of positive outcome for the Group has been determined up to 50%.

In this light, taking into consideration the elapsed time so far, the expected further duration of legal proceedings and change in assessment of positive outcome for Cognor S.A. to prevail, it was decided in 2014 to recognise an impairment allowance of PLN 42 623 thousand. As the settlements with the Republic of Croatia have impact on the transactions with the owner of the Parent Company impairment allowance, in the part that was assumed as a correction of these transactions (PLN 39 215 thousand) has been recognised directly in the Group's equity in 2014. Despite current change of chances for success, the abovementioned decision does not have any impact on dedication of Cognor S.A. to continue litigation along the available path.

Additionally, as important from the point of view of the Group, there is the following procedure:

The company Z6mrex Metal Sp. z o.o. filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015. The company is currently waiting for the hearing date. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by Z6mrex Metal Sp. z o.o. in 2014.

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 thousand)	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	3 853	Until termination of trade agreement
Ferrostal/ ab dy Sp. z o.o.	Trade liability	2 154	Until termination of trade agreement

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

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Huta Stali Jako ciowych S.A.	Lease liability	5 234	till 2020
Cognor S.A.	Lease liability	552	till 2019
Przedsi biorstwo Transportu Samochodowego S.A.	Loan	500	till 2024
ZW Profil S.A.	Lease liability	1 238	till 2019

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

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Odlewnia Metali Szopienice Sp. Z o.o.	Bank guarantee	1 839	till 2017
Ferrostal/ ab dy sp. z o.o.	Bank loan	5 000	till September 2016

Shares in consolidated companies are treated as a security for liabilities for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) issued by the Cognor International Finance plc. For details, see note 9.

Guarantees related to the bank loans:

Cognor S.A. together with its subsidiaries: Ferrostal/ ab dy Sp. z o.o and Huta Stali Jako ciowych S.A. have a bank overdraft in mBank S.A. with the limit of PLN 25 000 thousand, guaranteed by the above mentioned companies. The guarantee period coincides with the credit maturity, i.e. June 29, 2016.

As at 31 March 2016, the liability amounted to PLN 4 251 thousand in Huta Stali Jako ciowych S.A. and PLN 0 thousand in Ferrostal/ ab dy Sp. z o.o.

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 quarter.

The consolidated financial results of the Cognor Capital Group in the the prespective of the second quarter of 2016 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

There were no subsequent events requiring disclosure.

Poraj, 16 May 2016

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zosiński
Member of the Management Board

Dominik Barszcz
Member of the Management Board