Together reach more

Cognor S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2015

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2015	31.12.2014	31.12.2013
Assets				
Property, plant and equipment	*13*	278 043	289 565	293 145
Intangible assets	*14*	10 834	11 338	12 163
Investment in associates	*15*	3 147	3 232	4 946
Other investments	*16*	13 578	13 768	6 352
Other receivables	*20*	49	34	41 500
Prepaid perpetual usufruct of land	*17*	20 828	22 794	18 535
Deferred tax assets	*18*	82 018	81 932	74 319
Total non-current assets		**408 497**	**422 663**	**450 960**
Inventories	*19*	263 476	283 058	234 816
Other investments	*16*	4 236	4 607	5 190
Current income tax receivables	*11*	290	10	12
Trade and other receivables	*20*	127 378	187 421	186 553
Prepayments	*21*	-	-	9 205
Cash and cash equivalents	*22*	36 928	35 648	14 778
Non-current assets classified as held for sale	*23*	5 506	7 110	8 951
Total current assets		**437 814**	**517 854**	**459 505**
Total assets		**846 311**	**940 517**	**910 465**

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

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2015	31.12.2014	31.12.2013
Equity				
Issued share capital	*24*	139 702	132 444	132 444
Reserves		194 935	202 193	149 575
Foreign currency translation reserves		32	(540)	(477)
Accumulated losses from previous years and net result of the current year		(187 547)	(168 074)	(166 107)
Total equity attributable to owners of the Parent Company		**147 122**	**166 023**	**115 435**
Non-controlling interests	*24*	21 569	21 263	13 699
Total equity		**168 691**	**187 286**	**129 134**
Liabilities				
Interest-bearing loans and borrowings	*26*	386 446	408 896	6 677
Employee benefits obligation	*27*	9 113	9 597	7 313
Other liabilities	*29*	37 479	34 294	-
Deferred tax liabilities	*18*	6 409	11 011	11 637
Total non-current liabilities		**439 447**	**463 798**	**25 627**
Bank overdraft	*26*	15 846	6 969	-
Interest-bearing loans and borrowings	*26*	48 873	87 402	562 906
Employee benefits obligation	*27*	4 867	4 588	3 250
Current income tax liabilities	*11*	5	105	152
Provisions for liabilities	*28*	3 697	6 535	516
Trade and other liabilities	*29*	164 768	183 717	188 763
Government grants and other deferred income		117	117	117
Total current liabilities		**238 173**	**289 433**	**755 704**
Total liabilites		**677 620**	**753 231**	**781 331**
Total equity and liabilities		**846 311**	**940 517**	**910 465**

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

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	*Note*	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Continuing operations				
Sales revenue	*4*	1 364 804	1 422 546	1 294 269
Costs of products, goods and materials sold	*5*	(1 268 982)	(1 275 863)	(1 191 124)
Gross profit		**95 822**	**146 683**	**103 145**
Other income	*6*	4 717	11 383	10 956
Distribution expenses	*5*	(47 791)	(43 033)	(39 518)
Administrative expenses	*5*	(34 640)	(38 496)	(34 964)
Other gains - net	*7*	2 952	647	1 979
Other expenses	*8*	(7 913)	(11 159)	(13 485)
Operating profit		**13 147**	**66 025**	**28 113**
Financial income	*9*	26 678	1 789	-
Financial expenses	*9*	(57 009)	(69 092)	(75 955)
Net financing costs		**(30 331)**	**(67 303)**	**(75 955)**
Share of (loss)/profit of associates	*15*	(85)	(626)	2 759
Gain on bargain purchase		-	5 859	-
(Loss)/profit before tax		**(17 269)**	**3 955**	**(45 083)**
Income tax expense	*10*	3 324	5 790	(2 619)
(Loss)/profit for the period from continuing operations		**(13 945)**	**9 745**	**(47 702)**
Discontinued operations				
Loss for the period from discontinued operations, net of tax	*12*	-	(4 047)	-
(Loss)/profit for the period		**(13 945)**	**5 698**	**(47 702)**
(Loss)/profit for the period attributable to:				
Owners of the Parent Company		(14 827)	34	(48 570)
Non-controlling interests	*24*	882	5 664	868
(Loss)/profit for the period		**(13 945)**	**5 698**	**(47 702)**

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

Consolidated statement of profit or loss and other comprehensive income - continued

in PLN thousand	*Note*	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2012 - 31.12.2012
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		572	(63)	(6)
Other comprehensive income for the year, net of tax		**572**	**(63)**	**(6)**
Total comprehensive income for the period		**(13 373)**	**5 635**	**(47 708)**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		(14 255)	(29)	(48 576)
Non-controlling interests	*24*	882	5 664	868
Total comprehensive income for the period		**(13 373)**	**5 635**	**(47 708)**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*25*	**(0,22)**	**0,00**	**(0,73)**
- from continuing operations		(0,22)	0,06	(0,73)
- from discontinued operations		-	(0,06)	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*25*	**(0,13)**	**0,00**	**(0,73)**
- from continuing operations		(0,13)	0,04	(0,73)
- from discontinued operations		-	(0,04)	-

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

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Cash flows from operating activities				
Continuing operations				
(Loss)/profit before tax from continuing operations		(17 269)	3 955	(45 083)
Adjustments				
Depreciation	*13, 17*	35 062	33 989	34 401
Amortization	*14*	801	1 083	2 677
Impairment losses and valuation allowances of property, plant and equipment, intangible assets and assets classified as held for sale		-	-	31
Foreign exchange (gains)/losses		(947)	14 562	6 642
Net gain on purchase of own bonds	*9*	(26 013)	-	-
Net (gains)/losses on disposal of property, plant and equipment, intangible assets and assets classified as held for sale		(3 239)	772	(440)
Interest, transaction costs (related to loans and borrowings) and dividends, net		53 174	44 202	67 032
Change in receivables and prepayments		60 027	20 172	(4 871)
Change in inventories		19 582	(41 308)	(55 615)
Change in trade and other payables		(16 477)	(20 881)	44 240
Change in provisions		(2 838)	5 892	32
Change in employee benefits obligation		(205)	391	1 013
Change in government grants and other deferred income		-	(233)	(619)
Share of profit/ (loss) of associates	*15*	85	626	(2 759)
Gain on bargain purchase		-	(5 859)	-
Other adjustments	*4*	-	(496)	-
Cash generated from continuing operations		**101 743**	**56 867**	**46 681**
Discontinued operations				
Loss before tax from discontinued operations	*12*	**-**	**(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		**101 743**	**51 745**	**46 681**
Income tax (paid)/returned, incl.		(434)	50	(214)
- continuing operations		*(434)*	*50*	*(214)*
- discontinued operations		-	-	-
Net cash from operating activities		**101 309**	**51 795**	**46 467**

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

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		8 469	5 767	1 684
Proceeds from sale of intangible assets		507	9	742
Proceeds from sale of investment properties		-	-	525
Proceeds from sale of prepaid perpetual usufruct of land		3 918	1 999	-
Proceeds from sale of assets held for sale		1 080	2 003	3 091
Acquisition of subsidiaries, net of cash transferred		(109)	(362)	-
Interest received		136	341	564
Dividends received		-	-	25
Repayment of loans granted		1 801	633	328
Other inflows from investing activities		515	-	4 000
Acquisition of property, plant and equipment		(16 974)	(15 662)	(7 171)
Acquisition of intangible assets		(779)	(194)	(78)
Acquisition of assets held for sale		-	(406)	-
Acquisition of shares in other companies		(10)	-	(2 187)
Loans granted		(1 700)	-	(3 265)
Cash generated on investing activities from continuing operations		**(3 146)**	**(5 872)**	**(1 742)**
Cash generated on investing activities from discontinued operations		-	6 500	-
Net cash from investing activities		**(3 146)**	**628**	**(1 742)**
Cash flows from financing activities				
Proceeds from interest-bearing loans and borrowings		19 857	634	-
Proceeds from factoring		(46 574)	11 634	12 285
Repayment of interest-bearing loans and borrowings		(32 240)	(531)	(25 000)
Payment of finance lease liabilities		(5 655)	(5 502)	(2 118)
Dividends paid and interests on exchangeable notes in the period		(5 286)	(2 561)	-
Interest and transaction costs (related to loans and borrowings) paid		(35 456)	(41 717)	(59 258)
Other transactions with the Owner		(392)	(500)	(4 500)
Cash outflows on financing activities from continuing operations		**(105 746)**	**(38 543)**	**(78 591)**
Cash outflows from discontinued operations		-	-	-
Net cash from financing activities		**(105 746)**	**(38 543)**	**(78 591)**
Net change in cash and cash equivalents		**(7 583)**	**13 880**	**(33 866)**
Cash and cash equivalents net of bank overdraft, at 1 January	*22*	28 679	14 778	48 656
- effect of exchange rate fluctuations on cash held		*(14)*	*21*	*(12)*
Cash and cash equivalents net of bank overdraft, at 31 December	*22*	**21 082**	**28 679**	**14 778**
- including cash restricted for use		*474*	-	-

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

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company						
in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2013		**132 444**	**141 312**	**(471)**	**(109 274)**	**164 011**	**12 831**	**176 842**
Total comprehensive income		-	-	(6)	(48 570)	**(48 576)**	868	**(47 708)**
- (loss)/profit for the period		-	-	-	*(48 570)*	***(48 570)***	*868*	***(47 702)***
- foreign currency translation differences relating to foreign operations		-	-	*(6)*	-	***(6)***	-	***(6)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	-	-	-	-	-	-
Transfer of profit		-	8 263	-	(8 263)	-	-	-
Equity as at 31 December 2013		**132 444**	**149 575**	**(477)**	**(166 107)**	**115 435**	**13 699**	**129 134**
Equity as at 1 January 2014		**132 444**	**149 575**	**(477)**	**(166 107)**	**115 435**	**13 699**	**129 134**
Total comprehensive income		-	-	(63)	34	**(29)**	5 664	**5 635**
- profit for the period		-	-	-	*34*	***34***	*5 664*	***5 698***
- foreign currency translation differences relating to foreign operations		-	-	*(63)*	-	***(63)***	-	***(63)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		-	46 914	-	(2 561)	**44 353**	-	**44 353**
Options for own equity instruments	24	-	(14 256)	-	-	**(14 256)**	-	**(14 256)**
Issuing of exchangeable notes	26	-	100 385	-	-	**100 385**	-	**100 385**
period		-	-	-	(2 561)	**(2 561)**	-	**(2 561)**
Other settlements with the Owner	24	-	(39 215)	-	-	**(39 215)**	-	**(39 215)**
Changes in ownership interests		-	-	-	6 523	**6 523**	1 882	**8 405**
Obtaining control over previously equity-accounted investee and other		-	-	-	*6 523*	***6 523***	*1 882*	*8 405*
Transfer of profit		-	5 704	-	(5 704)	-	-	-
Other		-	-	-	(259)	**(259)**	18	**(241)**
Equity as at 31 December 2014		**132 444**	**202 193**	**(540)**	**(168 074)**	**166 023**	**21 263**	**187 286**

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

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company						
in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2015		**132 444**	**202 193**	**(540)**	**(168 074)**	**166 023**	**21 263**	**187 286**
Total comprehensive income		-	-	*572*	*(14 827)*	***(14 255)***	*882*	***(13 373)***
- (loss)/profit for the period		-	-	-	*(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 directly in equity								
Contribution by and distributions to owners		7 258	(7 258)	-	(3 938)	**(3 938)**	(39)	**(3 977)**
Dividends paid		-	-	-	-	-	*(39)*	***(39)***
Conversion of exchangeable notes into shares	*24*	*7 258*	*(7 258)*	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	*(3 938)*	***(3 938)***	-	***(3 938)***
Changes in ownership interests		-	-	-	396	**396**	(505)	**(109)**
Obtaining control over previously equity-accounted investee and other		-	-	-	*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 integral part of the consolidated financial statements

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

Cognor S.A. (ñCognorò, ñthe Companyò, ñthe Parent Companyò) with its seat in Poraj, Poland, is the Parent Company of the Group. Until 29 August 2011, the Parent Company of the Group was Zğomrex S.A. The Company was established in 1991. Since 1994 Cognorȏs 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 consolidated financial statements as at and for the year ended 31 December 2015 comprise the Parent Company and its subsidiaries and associates (ñthe Groupò). Details of the subsidiaries and associates that comprise the Group as at 31 December 2015 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control
FERROSTAL ĞABŇDY 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 JAKOś CIOWYCH S.A.	Poland	100.0%	2006-01-27*
COGNOR S.A. Sp. k. (poprzednio KAPITAĞ S.A. Sp. k.)	Poland	51.0%	2008-03-25*
ZĞOMREX 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	30.0% (associate)	2013-01-21
ZW PROFIL S.A.	Poland	95.82%**	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 Zğomrex S.A. Group
** interest and voting rights owned by Ferrostal Ğabŉdy Sp. z o.o.

(in PLN thousand, unless stated otherwise)

ZW Profil S.A. is the parent company of the ZW Profil S.A. Group. Details of the subsidiaries that comprise ZW Profil S.A. Group at 31 December 2015 are presented in the following table:

Name of the entity	Seat of entity	Ownership interest and voting rights owned by ZW Profil S.A.	Ownership interest and voting rights in Cognor Group
PRZEDSIŇBIORSTWO TRANSPORTU SAMOCHODOWEGO S.A.	Poland	89.75%	79.46%
PROFIL CENTRUM Sp. z o.o.	Poland	100.0%	88.58%
MADROHUT Sp. z o.o.	Poland	22.44% (associate)	19.87%

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

On 24 October 2013, Huta Stali JakoŜciowych S.A. (a subsidiary of Cognor S.A.) established Cognor International Finance plc seated in London, Great Britain with a contribution in cash of PLN 256 thousand for 100% of the shares in this entity. The activity of Cognor International Finance plc is financial services providing including bond issues.

On 25 March 2014, Ferrostal Ğabňdy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Ğabňdy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. After this purchase Ferrostal Ğabňdy Sp. z o.o. had total of 5 240 shares representing 53.06% of the share capital of the company. As a result of subsequent purchases of shares in ZW Profil S.A. and the increase of share capital - Ferrostal Ğabňdy Sp. z o.o. has 82 063 shares (in total), which represent 95.82% of the share capital of the company (indirect participation of Cognor capital group is 88.54%).

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

On 30 September 2014, Zlomrex International Finance S.A. has started the process of voluntary liquidation of the company. The liquidation ended on 11 December 2015. The Company was removed from the court register on 23 December 2015.

On 30 April 2015, the National Court Register registered a new company FER Holding Sp. z o.o. established by Ferrostal Ğabňdy Sp. z o.o., which owns 100% of shares in the share capital of this company.

On 4 May 2015, the National Court Register registered a new company HSJ Holding Sp. z o.o. established by Huta Stali JakoŜciowych S.A., which owns 100% of shares in the share capital of this company.

On 14 December 2015 Kapitağ S.A. withdrew from the limited partnership in Kapitağ S.A. sp.k. and Cognor S.A. has joined this partnership as the general partner, changing the name of the limited partnership to Cognor S.A. sp.k.

On 18 December 2015, the District Court in Rzeszów registered the merger of Huta Stali JakoŜciowych S.A. (the acquiring entity) with its subsidiary Kapitağ S.A. (the acquired entity). The merger was conducted in accordance with art.. 516 par. 1 and 6 of the Commercial Code by the transfer of all assets of Kapitağ S.A. to Huta Stali JakoŜciowych S.A., without the increase in the share capital.

In 2015, ZW Profil S.A. has entered into a number of agreements to purchase shares in Przedsiňbiorstwo Transportu Samochodowego S.A. ZW Profil S.A. has acquired 5,184 shares in Przedsiňbiorstwo Transportu Samochodowego S.A. for the amount of PLN 106 thousand increasing its share in the capital from 80% as at 31 December 31 2014 to 89.75% as at 31 December 2015.

On 30 September 2015 the liquidation of Profil Centrum Sp. z o.o. has been completed. The company was deregistered from the Court Register on 28 January 2016.

b) Basis of preparation of consolidated financial statements

(i) Going concern basis of accounting

The consolidated financial statements as of and for the year ended 31 December 2015 have been prepared on the going concern basis.

In 2015 the Group's financial results deteriorated due to difficulties in the steel industry. The Management Board finds last year exceptionally bad for the industry and it expects some improvement in following years.
Moreover, as a result of the successfully conducted issues of two series of bonds on 4 February 2014, including the bonds convertible on shares of Cognor S.A., the Group acquired a stable and long-term source of financing. In 2015 the Group has repurchased and remitted a part of its own bonds. The lower indebtedness will result in lower future interests.
Furthermore, the Group diversified its short-term financing providers and decreased short-term debt carrying amount by entering into new, non-recourse factoring arrangements based on the risk profile of our customers.
Due to those actions, our net debt, calculated as interest-bearing loans and borrowings increased by bank overdraft and decreased by cash and cash equivalents, decreased to PLN 414 237 thousand from PLN 467 619 thousand at the end of 2014.
This year Cognor Group intends to improve operating results and cash flows, further reduce its indebtedness and to continue optimizi
Cognor Group assumes that the availability of the currently held short-term facilities will continue throughout 2016, which in a combi

(ii) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (ñIFRS EUò).

The consolidated financial statements have been prepared on the historical cost basis with the exception of financial instruments classified as available for sale and financial instruments measured at fair value through profit or loss.

These consolidated financial statements were approved by the Board of Directors on 21 March 2016.

IFRS EU contain all International Accounting Standards, International Financial Reporting Standards as well as related Interpretations except for the below listed Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 31 December 2015, and have not been applied in preparing these consolidated financial statements. Except for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which will be obligatory for the consolidated financial statements for the year ended 2018, none of these are expected to have a significant impact on the consolidated financial statements of the Group. The Group is not planning to voluntary implement the new standards and is preparing an analysis of the impact the standards will have on the Group's financial statements. The implementation of the IFRS 9 Financial Instruments could affect the classification and valuation of financial assets. The Group is not able to prepare an analysis of the impact of IFRS 15 Revenue from Contracts with Customers on the consolidated financial statements until the date of initial application of the Standard.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS EU requires that the Management Board of the Parent Company makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses with respect to the Group. 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. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments and estimates made by the Management Board of the Parent Company while applying IFRS EU are discussed in the following notes:
- note 1b ï going concern basis of accounting
- note 14 ï impairment tests for cash-generating units containing goodwill
- note 18 ï deferred tax assets and liabilities and utilization of tax losses
- note 19 ï inventories
- note 24 ï settlements with the owner
- note 27 ï employee benefits obligations
- note 28 and 31 ï provisions and contingencies
- note 30 ï financial instruments

d) Functional and presentation currency

The consolidated financial statements are presented in Polish zloty, being the functional currency of the parent Company, rounded to the nearest thousand, unless otherwise stated.

2 Summary of significant accounting policies

The accounting principles set out below have been applied consistently to all periods presented in the consolidated financial statements.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent Company. Control exists, when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Groupõs share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Groupõs share of losses exceeds its interest in an associate, the Groupõs carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Groupós interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Transactions with non-controlling interests

The parent Company recognizes directly in equity, attributable to owners of the parent company, increases (or decreases) in the parent shareholders' interest, so long as the parent controls the subsidiary. Accordingly any premiums or discounts on subsequent purchases of equity instruments from (or sales of equity instruments to) non-controlling interests are recognized directly in the parent shareholders' equity.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when control is obtained by the Group. The Group measures goodwill at the acquisition date as:

Åthe fair value of the consideration transferred; plus
Åthe recognised amount of any non-controlling interests in the acquiree; plus
Åif the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
Åthe net recognised amount (fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in the statement of profit or loss and presented as other income.

The fair value of the consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred and presented as administrative expenses.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and its settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

b) Foreign currencies transactions

Foreign currency translation

Transactions in foreign currencies are translated into respective functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Foreign exchange differences are recognized in the profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate ruling at the date the fair value was determined.

Foreign exchange gains and losses that relate to loans and borrowings and lease liabilities are presented in profit or loss within financial income or expenses. All other foreign exchange gains and losses are presented in profit or loss within other net gains/(losses).

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to Polish zloty (presentation currency) at the average NBP (National Bank of Poland) rate at the reporting date. The income and expenses of foreign operations are translated to Polish zloty at average NBP rates at the dates of the transactions. Foreign currency differences are recognized as part of other comprehensive income and included in equity (foreign currency translation reserve). When a foreign operation is disposed of, in part or in full, the relevant amount of foreign currency differences in the foreign currency translation reserve is transferred to profit or loss on this transaction. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

c) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price of the assets (i.e. the amount due to a seller less deductible VAT and excise tax), taxes and charges (in case of import) and costs directly related to the purchase and completion of the asset, so that it can be available for use, including transport, loading, unloading and storing costs. Rebates, discounts and other similar reductions decrease cost.

The construction cost of property, plant and equipment or assets under construction includes total cost incurred by the entity in the period of their construction, assembly, adjustment and modernization till the date of their bringing into use (or up to the reporting date, if the asset was not brought into use before this date), including non-deductible VAT and excise tax. The construction cost also includes cost, if needed, of dismantling and removing the components of tangible fixed assets and restoration cost.

In respect of borrowing costs relating to qualifying assets, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditures

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures are recognized in profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, considering residual values. Land is not depreciated. The estimated useful lives are as follows:

ÅBuildings	from 10 to 40 years
ÅMachinery and equipment	from 2 to 28 years
ÅVehicles	from 5 to 22 years
ÅFixtures and fittings	from 1 to 3 years

The useful lives, depreciation methods and residual values are reassessed annually.

d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Groupǿs statement of financial position.

The Group classifies perpetual usufruct of land as operating lease. Prepayments for perpetual usufruct of land are disclosed separately in the statement of financial position. Prepayments for perpetual usufruct are expensed to profit or loss during the period of the lease.

e) Intangible assets

Goodwill

All business combinations, excluding businesses which are under common control, are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but tested annually for impairment.

In respect of acquisition where a surplus of the net identifiable assets over the acquisition cost is identified, this amount is recognized in the profit and loss.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically feasible, economically justified and the Group has sufficient resources to complete development. The capitalized expenditures include: the cost of materials, direct labour and overheads that are directly attributable to preparing the assets for its intended use. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization and impairment losses.

Other development expenditures are recognized in profit or loss as incurred.

CO2 emission rights

CO2 emission rights received from the State are measured at cost less impairment losses. The liability arising from producing pollution are measured based on the carrying amount of allowances held (emission rights), to the extent that the Group holds sufficient allowances to satisfy its current obligations.

If the Group does not hold sufficient number of CO2 emission rights to cover its obligation arising from emission, provisions for the deficit of CO2 emission allowances is recognised as the product of the number of missing rights as at the balance sheet date and the unit market price (fair value) of these rights as at the balance sheet date.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditures

Subsequent expenditures on capitalized intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortized from the date they are available for use.
The estimated useful lives are as follows:

ÅERP licenses	8 years
ÅCapitalized development costs	5 years
ÅOther	2 years

f) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost or reliably estimated production cost less accumulated depreciation and impairment losses. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of investment property considering residual values. Land is not depreciated. The estimated useful lives are the same as those for property, plant and equipment presented in point c) above.

g) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable, they are immediately available for sale and Management is committed to a plan to sell the asset (or disposal group). They are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and:
- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or,
- is a subsidiary acquired exclusively with a view to resale.

The Group restates the information disclosed in the discontinued operations for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued before the balance sheet date of the latest period presented

h) Financial assets

Financial instruments

Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (incl. assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

Held-to-maturity financial assets include assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost calculated using the effective interest rate method.

Assets in this category are recognized as non-current assets, if the realization date exceeds 12 months from the reporting date.

Financial assets measured at fair value through profit or loss

Financial assets acquired for the purpose of generating a profit from short-term price fluctuations are classified as financial assets measured at fair value through profit or loss. They are measured at fair value, without transaction costs, and considering the market value at reporting date. Changes in fair value are recognized in profit or loss within other net gains/(losses). Assets in this category are classified as current assets, if the management of the Group has the positive intention to realize them within 12 months.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

An allowance for trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the assetôs carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution expenses in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair values plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debts instruments, are recognized in other comprehensive income and presented in the equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Valuation of financial instruments at reporting date

Investments in debt and equity securities

The fair value of financial assets measured at fair value through profit or loss, investments held to maturity and financial assets available for sale, is evaluated on the basis of the market value as at reporting date (if the market value is available). The fair value of the investments held to maturity is evaluated only for disclosure purposes.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are accounted for as trading instruments and are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are valued at fair value and changes therein are recognized immediately in the profit and loss. The fair value of forward exchange contracts is the quoted market price at the reporting date, being the present value of the forward quoted price.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the instrument is considered as an indicator for impairment.

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. Impairment losses on available for sale financial asset are estimated by reference to current fair value at the reporting date.

The carrying amount of the Group's financial assets with significant value is reviewed at each reporting date to determine whether there is any indication of impairment. Other financial assets are evaluated for impairment in groups that contain a similar level of credit risk.

Impairment losses are recognized in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized.

An impairment loss is reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit and loss.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventories is determined based on the specific identification method if possible, or first in, first out method. Cost includes expenditure incurred in acquiring the inventories. In case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

The impairment losses of inventories are recognized/reversed through profit or loss as part of costs products, merchandise or raw materials sold. Identified surpluses or shortages in inventory are recognized in profit or loss in the same position as costs of products, merchandise or raw materials sold.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

k) Impairment of non financial assets

The carrying amount of the Groupọs assets, other than inventories and deferred tax assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and tangible and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit (or a group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of units) and then, to reduce the carrying amount of the other assets in the unit (or a group of units) on a pro rata basis.
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assetọs carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Equity

Issued share capital

The share capital of the Parent Company represents the share capital of the Group. Ordinary share capital is stated at the nominal value of shares issued according to the statute and registered in the National Court Register (KRS).

Reserve capital

Reserves include supplementary, other reserves, treasury shares, convertible notes and other contributions of the owner. Supplementary capital is allocated from net profit according to the Commercial Code. Other reserves are allocated from net profit for future dividends payments.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Repurchase and reissue of treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable transaction costs, net of any tax effects, is recognized as a reduction in equity. Repurchased shares are classified as treasury shares and are presented within Reserves. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in equity.

m) Interest bearing loans and borrowings

Interestï bearing loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost applying effective interest rate method. Any difference between proceeds (less transaction costs) and redemption value is recognized in profit or loss over the period of the borrowings applying effective interest rate method.

Fair value, evaluated for disclosure purposes, is calculated on the basis of current value of future cash flows from capital and returns discounted at market interest rate at the reporting day. In case of financial lease, the market interest rate is estimated on the basis of the percentage rate of similar lease agreements. In case of bonds, the fair value is estimated on the basis of market transactions of purchase of the bonds issued by Cognor International Finance plc in the period on or close to the reporting day.

n) Employee benefits

Defined benefits plan ï retirement awards

The Group recognizes provisions for retirement and pension benefits (employee benefits) based on the actuarial valuation as at the reporting date prepared by an independent actuary. The basis for the calculation of the provisions for the employee benefits is set by the Groupôs internal regulations, Collective Labour Agreement for the Groupôs employees or other legal regulations in force.

Provisions for employee benefits are determined with the use of actuarial techniques and assumptions, specified in IFRS EU, especially in IAS 19 'Employee Benefits'. Provisions are measured on the basis of the present value of the Groupôs future obligations with regard to employee benefits. Provisions are calculated using an individual projected benefit method, separately for each employee.

The basis for the calculation of the provisions for each employee is the projected amount of the benefit that the Group is obliged to pay pursuant to the regulations described above. The amount of the benefit is projected till it is vested by an employee. Employee benefits obligation is determined on the basis of projected increase in the benefit and over length of service of a given employee. The calculated amount is discounted to the reporting date.

Short-term employee benefits

Short-term employee benefits liabilities are not discounted and are expensed when service is performed.

Provisions are recognized in the amount of projected payments for employeesĈ short-term bonuses, if the Group is legally or constructively obliged to these payments on the basis of services rendered by employees in the past, and liability could be reliably estimated.

o) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

p) Trade and other liabilities

Trade and other liabilities are recognised initially at fair value and subsequently measured at amortized cost. Current liabilities are not discounted.

q) Deferred government grants and other deferred income

Government grants are recognized initially in the statement of financial position as deferred income at fair value when it is reasonable certain that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis over the same periods as the expenses are incurred. Grants that compensate the Group for the expenditures of an asset are recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

r) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Groupôs activities. Revenue is presented net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sale of goods
Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:
(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the finished goods,
(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control the goods sold,
(c) the amount of revenue can be measured reliably,
(d) it is probable that the economic benefits associated with the transaction will flow to the entity and,
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Revenue from the rendering of services is measured at the fair value of the consideration received or receivable in relation to services delivered in the course of ordinary operating activities of an entity, net of rebates, discounts, value added and other sales related taxes. Revenue is recognised in the amount for which recovery is probable at the transaction date and which can be measured reliably.

s) Leases

Operating lease payments
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

t) Other income and expenses

Interest income regarding financial, trade and other receivables is recognized in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognized in profit or loss on the date the entityφs right to receive dividends is established. The interest expense on trade and other liabilities is recognized in other expenses using the effective interest rate method.

u) Current and deferred income tax

The tax expense, as presented in profit or loss, comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income when it is recognised accordingly in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.
Deferred tax is recognized using the liability method, based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The following temporary differences are not included in the calculation of deferred tax: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future. Deferred tax recognized in the statement of financial position is based on the expectation as to the realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3 Segment reporting

Management has determined the operating segments based on the reports analysed 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 operating perspective. Geographically, management considers sales in Poland, Germany and other countries.

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

1. scrap division ï this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division ï this segment includes activities of processing scrap metal into steel billets, steel billets into finished products, and selling them; processing of non-ferrous scrap into finished products and selling them;
3. distribution division ï this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other ï 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 armôs length. The revenue from external parties reported to the Management Board of the Parent Company is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

Business segments

in PLN thousand 31.12.2015	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	212 082	1 104 845	14 157	33 720			
Inter-segment revenue	183 618	85 007	7	17 942			
Total revenue	**395 700**	**1 189 852**	**14 164**	**51 662**	**-**	(286 574)	**1 364 804**
Cost of sales to external customers	(203 723)	(1 042 923)	(12 007)	(28 507)			
Inter-segment cost of sales	(171 745)	(71 144)	(8)	(8 510)			
Total cost of sales	**(375 468)**	**(1 114 067)**	**(12 015)**	**(37 017)**	**-**	269 585	**(1 268 982)**
Segment result	**20 232**	**75 785**	**2 149**	**14 645**	**-**	**(16 989)**	**95 822**
Other income	1 354	2 823	236	396	64 039	(64 131)	4 717
Distribution and administrative expenses	(21 387)	(55 769)	(2 241)	(947)	(17 127)	15 040	(82 431)
Other (losses)/gain net	(846)	23 173	178	-	967	(20 520)	2 952
Other expenses	(366)	(3 110)	(38)	(5)	(5 771)	1 377	(7 913)
Operating (loss)/profit	**(1 013)**	**42 902**	**284**	**14 089**	**42 108**	**(85 223)**	**13 147**
Net financing costs	(1 265)	(2 867)	(27)	(3 061)	(90 944)	67 833	(30 331)
Share of profit of associates, net of tax							(85)
Income tax expense							3 324
Loss for the period							**(13 945)**

in PLN thousand 31.12.2014	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	190 593	1 190 578	14 074	27 301			
Inter-segment revenue	259 713	68 450	91	43 519			
Total revenue	**450 306**	**1 259 028**	**14 165**	**70 820**	**-**	(371 773)	**1 422 546**
Cost of sales to external customers	(186 055)	(1 054 971)	(12 594)	(22 243)			
Inter-segment cost of sales	(245 130)	(55 933)	(78)	(23 528)			
Total cost of sales	**(431 185)**	**(1 110 904)**	**(12 672)**	**(45 771)**	**-**	324 669	**(1 275 863)**
Segment result	**19 121**	**148 124**	**1 493**	**25 049**	**-**	**(47 104)**	**146 683**
Other income	1 967	3 956	156	4 576	73 017	(72 289)	11 383
Distribution and administrative expenses	(21 695)	(62 943)	(1 397)	(1 207)	(15 135)	20 848	(81 529)
Other gain/(losses) net	798	3 562	(20)	(32)	(15 874)	12 213	647
Other expenses	(657)	(4 459)	(157)	(3 641)	(49 190)	46 945	(11 159)
Operating (loss)/profit	**(466)**	**88 240**	**75**	**24 745**	**(7 182)**	**(39 387)**	**66 025**
Net financing costs	(1 740)	(6 090)	(41)	(1 536)	(136 683)	78 787	(67 303)
Share of profit of associates, net of tax							(626)
Gain on bargain purchase							5 859
Income tax expense							5 790
Profit for the period (continuing operations)							**9 745**

in PLN thousand 31.12.2013	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	186 037	1 096 613	10 491	1 128			
Inter-segment revenue	295 059	31 757	5	23 519			
Total revenue	**481 096**	**1 128 370**	**10 496**	**24 647**	**-**	**(350 340)**	**1 294 269**
Cost of sales to external customers	(166 850)	(1 014 551)	(9 678)	(45)			
Inter-segment cost of sales	(298 075)	(27 182)	(5)	(304)			
Total cost of sales	**(464 925)**	**(1 041 733)**	**(9 683)**	**(349)**	**-**	**325 566**	**(1 191 124)**
Segment result	**16 171**	**86 637**	**813**	**24 298**	**-**	**(24 774)**	**103 145**
Other income	2 351	3 313	201	4 872	108 550	(108 331)	10 956
Distribution and administrative expenses	(22 086)	(55 392)	(1 324)	(798)	(15 214)	20 332	(74 482)
Other gain/(losses) net	881	2 801	(30)	276	46 192	(48 141)	1 979
Other expenses	(772)	(5 710)	(252)	(306)	(24 940)	18 495	(13 485)
Operating (loss)/profit	**(3 455)**	**31 649**	**(592)**	**28 342**	**114 588**	**(142 419)**	**28 113**
Net financing costs	(2 108)	(6 511)	(31)	(2 976)	(152 344)	88 015	(75 955)
Share of profit of associates, net of tax							2 759
Income tax expense							(2 619)
Loss for the period							**(47 702)**

in PLN thousand 31.12.2015	Scrap division	Production division	Distribu-tion division	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**
Capital expenditures	2 959	25 195	-	2 848	-	**31 002**
Major non-cash items:						
Depreciation/amortization	(2 390)	(27 001)	(229)	(1 642)	(4 601)	**(35 863)**
Impairment losses and valuation allowances	(87)	1 165	(144)	(318)	1 054	**1 670**
Total major non-cash items	**(2 477)**	**(25 836)**	**(373)**	**(1 960)**	**(3 547)**	**(34 193)**

in PLN thousand 31.12.2014	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	71 543	660 006	5 652	34 281	169 035	**940 517**
Segment liabilities	20 286	136 672	191	8 364	587 718	**753 231**
Capital expenditures	2 742	18 904	116	1 874	-	**23 636**
Major non-cash items:						
Depreciation/amortization	(2 916)	(26 931)	(289)	(2 044)	(3 222)	**(35 402)**
Impairment losses and valuation allowances	(29)	(1 027)	59	44	(3 408)	**(4 361)**
Total major non-cash items	**(2 945)**	**(27 958)**	**(230)**	**(2 000)**	**(6 630)**	**(39 763)**

in PLN thousand 31.12.2013	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	73 106	630 559	6 700	18 645	181 455	**910 465**
Segment liabilities	33 698	123 461	1 901	8 202	614 069	**781 331**
Capital expenditures	1 336	8 303	10	1 407	-	**11 056**
Major non-cash items:						
Depreciation/amortization	(3 224)	(32 136)	(310)	(1 408)	-	**(37 078)**
Impairment losses and valuation allowances	20	(8)	128	(144)	(2 211)	**(2 215)**
Total major non-cash items	**(3 204)**	**(32 144)**	**(182)**	**(1 552)**	**(2 211)**	**(39 293)**

Unallocated assets *in PLN thousand*	**31.12.2015**	**31.12.2014**	**31.12.2013**
Long-term and short-term investments	20 961	21 607	16 488
Deferred tax assets	82 936	81 932	74 319
Current income tax receivable	290	10	12
Cash and cash equivalents	36 928	35 648	14 778
Assets held for sale	5 506	7 110	8 951
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	24 937	22 728	66 907
	171 558	**169 035**	**181 455**

Unallocated liabilities *in PLN thousand*	**31.12.2015**	**31.12.2014**	**31.12.2013**
Interest-bearing loans and borrowings	440 152	496 298	569 583
Bank overdraft	15 846	6 969	-
Deferred tax liabilities	6 409	11 011	11 637
Employee benefits	13 980	14 185	10 563
Government grants and other deferred income	117	117	117
Current income tax payables	5	105	152
Other liabilities	63 071	59 033	22 017
	539 580	**587 718**	**614 069**

3 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Revenue from external customers	920 286	990 778	891 442	232 421	248 525	261 960	212 097	183 243	140 867	1 364 804	1 422 546	1 294 269
Capital expenditures	31 002	23 636	11 056	-	-	-	-	-	-	31 002	23 636	11 056

The Group's non-current assets other than financial instruments and deferred tax assets are located in Poland.

Major customer

In 2015, none of the Groupǿs customers exceeded 10% of consolidated revenues (in 2014 and 2013 none of the Group's customers exceeded 10% of consolidated revenues).

4 Revenues from sale

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Revenues from sale of products	1 115 895	1 212 225	1 097 747
Revenues form sale of services	24 422	20 094	4 069
Revenues from sale of goods	212 072	181 941	183 611
Revenues from sale of raw materials	12 415	8 286	8 842
	1 364 804	**1 422 546**	**1 294 269**

5 Expenses by type

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Depreciation and amortisation (note 14 and 15)	(35 309)	(34 843)	(36 659)
Energy and materials consumption	(799 413)	(895 915)	(863 817)
External services	(203 421)	(200 399)	(154 188)
Taxes and charges	(15 023)	(11 826)	(7 725)
Wages and salaries	(102 502)	(87 925)	(63 937)
Social security contributions and other benefits	(25 612)	(21 107)	(15 101)
Other expenses	(4 256)	(4 311)	(3 605)
Amortisation of prepaid perpetual usufruct of land	(554)	(559)	(419)
Total expenses by type	**(1 186 090)**	**(1 256 885)**	**(1 145 451)**
Cost of goods for resale and materials	(158 121)	(158 900)	(172 216)
Changes in inventories, prepayments, accruals and costs settled	(7 202)	58 393	52 061
Costs of products, goods and materials sold, administrative and distribution expenses	**(1 351 413)**	**(1 357 392)**	**(1 265 606)**

6 Other income

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Compensations and penalties received	783	2 610	2 750
Insurance compensations	173	337	101
Forgiven liabilities	188	4 205	201
Reimbursed costs of court proceedings	87	105	1 364
Donations	105	307	619
Interest income relating to trade receivables	1 624	2 173	2 968
Fees and commissions	11	554	11
Reversal of allowance for interest and other receivables	486	583	767
Other	1 260	509	2 175
	4 717	**11 383**	**10 956**

7 Other gains/(losses) - net

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Net gain/ (loss) on disposal of property, plant and equipment	1 232	(1 521)	169
Net gain/(loss) on disposal of intangible assets	25	3	62
Net loss on disposal of investment properties	-	-	(78)
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	2 506	429	-
Net gain/(loss) on disposal of assets held for sale	(524)	317	287
Net loss on sales of other investments	(96)	-	-
(Recognition)/reversal of impairment loss on other investments	(87)	149	-
Net foreign exchange gain relating to operating activities	141	587	924
Net foreign exchange (loss)/gain relating to financial assets	(245)	683	615
	2 952	**647**	**1 979**

8 Other expenses

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Interest expenses relating to non-financial liabilities	(1 998)	(3 827)	(3 533)
Uncollectible receivables	(1 397)	(472)	(1 294)
Costs of court proceedings	(242)	(1 294)	(1 613)
Contractual penalties	(2 188)	(3 189)	(2 307)
Receivables written off	(278)	(246)	(262)
Donations	(22)	-	-
Unused production capacities	-	-	(3 225)
Other	(1 788)	(2 131)	(1 251)
	(7 913)	**(11 159)**	**(13 485)**

9 Net financing costs

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Financial income			
Net gain on the purchase of own bonds	26 213	1 789	-
Net foreign exchange gain	465	-	-
Financial income, total	**26 678**	**1 789**	**-**
Financial costs			
Interest expense relating to financial liabilities	(49 018)	(51 323)	(63 515)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(6 024)	(4 408)	(4 495)
Net foreign exchange loss	-	(12 420)	(7 123)
Other	(1 967)	(941)	(822)
Financial expenses, total	**(57 009)**	**(69 092)**	**(75 955)**
Net financing costs	**(30 331)**	**(67 303)**	**(75 955)**

10 Income tax expense

Recognised in the statement of the profit or loss and other comprehensive income

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Current tax expense			
Current year			
- continuing operations	(54)	97	(121)
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	3 378	5 693	(2 498)
- discontinued operations	-	205	-
	3 378	**5 898**	**(2 498)**
Total income tax expense in the profit or loss and other comprehensive income	**3 324**	**5 995**	**(2 619)**

Reconciliation of effective tax rate

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013	01.01.2013 - 31.12.2013
(Loss)/profit before tax	**100.0%**	**(17 269)**	**100.0%**	**3 955**	**100.0%**	**(45 083)**
Income tax using the domestic corporation tax rate	(0.19)	3 281	(0.19)	(751)	(0.19)	8 566
Effect of tax rates in foreign jurisdictions	(0.8%)	133	(0.3%)	(13)	(0.2%)	80
Non-deductible costs	11.7%	(2 029)	(22.1%)	(876)	6.4%	(2 884)
Tax exempt income	(0.1%)	23	41.3%	1 634	(3.7%)	1 651
Utilisation of tax losses not recognised in previous years	(3.6%)	616	67.9%	2 684	-	-
Temporary differences for which no deferred tax asset was recognised	-	-	(15.9)	(627)	19.0%	(8 550)
Tax losses for which no deferred tax asset was recognised	(1.3%)	223	0.8%	32	0.3%	(118)
Adjustment to prior yearsô income tax	-	-	8.2%	323	6.6%	(2 968)
Recognition of deferred tax assets previously not recognised	(2.5%)	432	89.5%	3 538	(3.1%)	1 403
Other	(3.7%)	645	1.2%	51	(0,4%)	201
	(19.2%)	**3 324**	**151.6%**	**5 995**	**5.8%**	**(2 619)**

11 Current tax assets and liabilities

The current tax receivables as at 31.12.2015 amounted to PLN 290 thousand (31.12.2014: PLN 10 thousand, 31.12.2013: PLN 12 thousand).

As at 31.12.2015 the current tax liabilities amounted to PLN 5 thousand (31.12.2014: PLN 105 thousand, 31.12.2013: PLN 152 thousand).

12 Discontinued operations

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Result on sale of cranes	-	(955)
Costs relating to rental of plant	-	(1 019)
Costs relating to the price adjustment for the sale of Cognor Stahlhandel GmbH (Austria)	-	(2 278)
Loss for the period from discontinued operations, before tax	**-**	**(4 252)**
Income tax expense from discontinued operations	-	205
Loss for the period from discontinued operations, net of tax	**-**	**(4 047)**

In 2015, the Group did not discontinue any type of business operations.

13 Property, plant and equipment

in PLN thousand

	Land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2013	1 010	170 231	413 773	34 249	7 125	10 472	**636 860**
Additions	-	-	1 997	1 849	-	7 125	**10 971**
Transfer from fixed assets under construction	-	471	8 808	92	22	(9 393)	**-**
Disposals	-	(202)	(2 907)	(3 547)	(9)	(72)	**(6 737)**
Balance at 31.12.2013	**1 010**	**170 500**	**421 671**	**32 643**	**7 138**	**8 132**	**641 094**
Balance at 01.01.2014	1 010	170 500	421 671	32 643	7 138	8 132	**641 094**
Acquisitions through business combinations	-	6 935	6 315	2 502	25	174	**15 951**
Additions	-	-	3 377	4 318	85	15 662	**23 442**
Transfer to assets held for sale	-	(350)	(5 027)	-	-	-	**(5 377)**
Transfer from fixed assets under construction	-	1 752	5 550	571	418	(8 291)	**-**
Disposals	(9)	(8 644)	(4 788)	(3 559)	(562)	(25)	**(17 587)**
Balance at 31.12.2014	**1 001**	**170 193**	**427 098**	**36 475**	**7 104**	**15 652**	**657 523**
Balance at 01.01.2015	1 001	170 193	427 098	36 475	7 104	15 652	**657 523**
Additions	-	-	9 154	3 259	654	17 156	**30 223**
Transfer from fixed assets under construction	-	1 518	13 165	390	476	(15 549)	**-**
Disposals	-	(453)	(7 574)	(3 568)	(107)	(2 953)	**(14 655)**
Balance at 31.12.2015	**1 001**	**171 258**	**441 843**	**36 556**	**8 127**	**14 306**	**673 091**
Depreciation and impairment losses							
Balance at 01.01.2013	(11)	(55 526)	(227 064)	(31 343)	(5 245)	-	**(319 189)**
Depreciation charge for the year	-	(5 659)	(26 735)	(1 203)	(385)	-	**(33 982)**
Impairment loss	-	-	264	-	-	-	**264**
Disposals	-	32	1 472	3 448	6	-	**4 958**
Balance at 31.12.2013	**(11)**	**(61 153)**	**(252 063)**	**(29 098)**	**(5 624)**	**-**	**(347 949)**
Balance at 01.01.2014	(11)	(61 153)	(252 063)	(29 098)	(5 624)	-	**(347 949)**
Depreciation charge for the year	-	(6 153)	(24 739)	(2 137)	(401)	-	**(33 430)**
Reversal of impairment loss	-	-	400	-	-	-	**400**
Transfer to/from assets held for sale	-	9	3 902	-	-	-	**3 911**
Disposals	-	3 148	2 251	3 151	560	-	**9 110**
Balance at 31.12.2014	**(11)**	**(64 149)**	**(270 249)**	**(28 084)**	**(5 465)**	**-**	**(367 958)**
Balance at 01.01.2015	(11)	(64 149)	(270 249)	(28 084)	(5 465)	-	**(367 958)**
Depreciation charge for the year	-	(6 441)	(24 816)	(2 909)	(342)	-	**(34 508)**
Disposals	-	143	4 004	3 115	79	77	**7 418**
Balance at 31.12.2015	**(11)**	**(70 447)**	**(291 061)**	**(27 878)**	**(5 728)**	**77**	**(395 048)**

(in PLN thousand, unless stated otherwise)

Carrying amounts

Balance at 01.01.2013	999	114 705	186 709	2 906	1 880	10 472	317 671
Balance at 31.12.2013	**999**	**109 347**	**169 608**	**3 545**	**1 514**	**8 132**	**293 145**
Balance at 01.01.2014	999	109 347	169 608	3 545	1 514	8 132	293 145
Balance at 31.12.2014	**990**	**106 044**	**156 849**	**8 391**	**1 639**	**15 652**	**289 565**
Balance at 01.01.2015	990	106 044	156 849	8 391	1 639	15 652	289 565
Balance at 31.12.2015	**990**	**100 811**	**150 782**	**8 678**	**2 399**	**14 383**	**278 043**

Property, plant and equipment

	31.12.2015	31.12.2014	31.12.2013
Land	990	990	999
Buildings	100 811	106 044	109 347
Plant and equipment	150 782	156 849	169 608
Vehicles	8 678	8 391	3 545
Fixtures and fittings	2 399	1 639	1 514
Under construction	14 383	15 652	8 132
Total	**278 043**	**289 565**	**293 145**

	31.12.2015	31.12.2014	31.12.2013
Property, plant and equipment pledged as security for liabilities	112 832	110 616	39 536

Leased property, plant and equipment

The Group leases certain production equipment and vehicles under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase these fixed assets at a favorable price.

As at 31.12.2015 the net carrying amount of leased property, plant and equipment was PLN 40 789 thousand (31.12.2014: PLN 34 101 thousand, 31.12.2013: PLN 33 015 thousand).

The leased assets secure lease obligations (see note 26).

Collateral

As at 31.12.2015 property, plant and equipment with a carrying amount of PLN 72 043 thousand (31.12.2014: PLN 76 515 thousand, 31.12.2013: PLN 6 521 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 26).

Additionally, as described above, leased assets secure lease obligations.

Impairment loss

	31.12.2015	31.12.2014	31.12.2013
Buildings	(242)	(242)	(242)
Plant and equipment	(2 882)	(2 895)	(3 295)
Under construction	(859)	(859)	(859)
Total	**(3 983)**	**(3 996)**	**(4 396)**

As at 31.12.2015, the Group recognized an impairment losses of PLN 3 983 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2014: PLN 3 996 thousand and 31.12.2013: PLN 4 396 thousand).

14 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2013	15 255	13 749	2 081	22 944	**54 029**
Additions	-	41	14	30	**85**
Disposals	-	-	(679)	(1)	**(680)**
Balance at 31.12.2013	**15 255**	**13 790**	**1 416**	**22 973**	**53 434**
Balance at 01.01.2014	15 255	13 790	1 416	22 973	**53 434**
Acquisitions through business combinations	-	35	-	35	**70**
Additions	-	39	87	68	**194**
Disposals	-	-	(6)	(213)	**(219)**
Balance at 31.12.2014	**15 255**	**13 864**	**1 497**	**22 863**	**53 479**
Balance at 01.01.2015	15 255	13 864	1 497	22 863	**53 479**
Additions	-	34	334	411	**779**
Disposals	-	-	(386)	(58)	**(444)**
Other	(96)	-	-	-	**(96)**
Balance at 31.12.2015	**15 159**	**13 898**	**1 445**	**23 216**	**53 718**
Amortisation and impairment losses					
Balance at 01.01.2013	(6 230)	(11 891)	(71)	(20 402)	**(38 594)**
Amortisation for the year	-	(1 497)	(16)	(1 164)	**(2 677)**
Balance at 31.12.2013	**(6 230)**	**(13 388)**	**(87)**	**(21 566)**	**(41 271)**
Balance at 01.01.2014	(6 230)	(13 388)	(87)	(21 566)	**(41 271)**
Amortisation for the year	-	(52)	(69)	(962)	**(1 083)**
Disposals	-	-	-	213	**213**
Balance at 31.12.2014	**(6 230)**	**(13 440)**	**(156)**	**(22 315)**	**(42 141)**
Balance at 01.01.2015	(6 230)	(13 440)	(156)	(22 315)	**(42 141)**
Amortisation for the year	-	(52)	(319)	(430)	**(801)**
Disposals	-	-	-	58	**58**
Balance at 31.12.2015	**(6 230)**	**(13 492)**	**(475)**	**(22 687)**	**(42 884)**
Carrying amounts					
Balance at 01.01.2013	9 025	1 858	2 010	2 542	15 435
Balance at 31.12.2013	**9 025**	**402**	**1 329**	**1 407**	**12 163**
Balance at 01.01.2014	9 025	402	1 329	1 407	12 163
Balance at 31.12.2014	**9 025**	**424**	**1 341**	**548**	**11 338**
Balance at 01.01.2015	9 025	424	1 341	548	11 338
Balance at 31.12.2015	**8 929**	**406**	**970**	**529**	**10 834**

Intangible assets

	31.12.2015	31.12.2014	31.12.2013
Goodwill	8 929	9 025	9 025
Development costs	406	424	402
CO2 emission rights	970	1 341	1 329
Software and other	529	548	1 407
Total	**10 834**	**11 338**	**12 163**

Impairment losses

As at 31.12.2015, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 1 040 thousand (31.12.2014: PLN 1 040 thousand; 31.12.2013: PLN 1 040 thousand). Recognized impairment losses are related to software.

Leased intangible assets

As at 31.12.2015, as at 31.12.2014 and as at 31.12.2013 there were no leased intangible assets.

Amortisation and impairment loss charge

The amortisation and impairment losses are recognised in the following captions:

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Cost of sales	-	(17)	-
Administration expenses	(762)	(663)	(862)
Other expenses	(39)	(403)	(1 815)
	(801)	**(1 083)**	**(2 677)**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the following Groupǿs cash-generating units (CGUs):

	31.12.2015	31.12.2014	31.12.2013
Scrap division	5 029	5 029	5 029
Production division	3 900	3 996	3 996
	8 929	**9 025**	**9 025**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Management Board covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the steel business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2015 are as follows:

	Scrap division	Production division
Discount rate	7.9%	7.9%
Growth rate	3.0%	3.0%

The key assumptions used for value-in-use calculations in 2014 are as follows:

	Scrap division	Production division
Discount rate	8.5%	8.5%
Growth rate	3.0%	3.0%

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Scrap division	Production division
Discount rate	11.24%	11.24%
Growth rate	3.0%	3.0%

The Management Board determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

As the result of the impairment test as at 31.12.2015, 31.12.2014 and 31.12.2013 there was no need to recognize an additional impairment on goodwill relating to the scrap division and the production division.

15 Investments in associates

31.12.2015

in PLN thousand	**Shares in associates**	**Assets**	**Liabili-ties**	**Equity**	**Revenues**	**Loss for the period**	**% of shares in associates**	**Loss attributable to the Parent Company**
4 Groups Sp. z o.o.	1 825	1 471	70	1 401	555	(202)	30.0%	(60)
Madrohut Sp. z o.o.	1 322	7 614	2 438	5 176	12 001	(128)	19.87%	(25)
Balance at 31 December 2015	**3 147**	**9 085**	**2 508**	**6 577**	**12 556**	**(330)**		**(85)**

31.12.2014

in PLN thousand	**Shares in associates**	**Assets**	**Liabili-ties**	**Equity**	**Revenues**	**Loss for the period**	**% of shares in associates**	**Loss attributable to the Parent Company**
4 Groups Sp. z o.o.	1 885	1 672	69	1 603	554	(205)	30.0%	(62)
Madrohut Sp. z o.o.	1 347	6 881	1 523	5 358	12 025	(299)	17.7%	(53)
ZW Profil S.A. Group	*	*	*	*	*	*	*	(511)*
Balance at 31 December 2014	**3 232**	**8 553**	**1 592**	**6 961**	**12 579**	**(504)**		**(626)**

* for the period from January to March 2014, in connection with the acquisition of control over ZW Profil S.A. on 25 March 2014.

31.12.2013

in PLN thousand	**Shares in associates**	**Assets**	**Liabili-ties**	**Equity**	**Revenues**	**Loss for the period**	**% of shares in associates**	**Loss attributable to the Parent Company**
4 Groups Sp. z o.o.	1 947	1 877	69	1 808	516	(217)	30.0%	(65)
ZW Profil S.A. Group	2 999	30 455	19 139	11 316	79 163	(4 292)	32.8%	(390)*
Balance at 31 December 2013	**4 946**	**32 332**	**19 208**	**13 124**	**79 679**	**(4 509)**		**(455)**

* for the period from October to December 2013

16 Other investments

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Non-current investments			
Loans granted	-	-	3 265
Options for own equity instruments**	13 513	13 513	-
Shares in unconsolidated entities	65	255	3 087
	13 578	**13 768**	**6 352**
Current investments			
Loans granted	4 236	4 092	4 573
Other	-	515	617
	4 236	**4 607**	**5 190**

** see note 24 regarding the details of the transactions with PS Holdco Sp. z o.o.

The impairment loss recognised as at 31 December 2015 amounted to PLN 145 456 thousand (incl. impairment loss for shares in Zeljezara Split of PLN 139 991 thousand). It resulted from financial difficulties of the borrowers. In previous years an impairment loss was recognized with respect to loans (31.12.2013: PLN 6 thousand) and with respect to shares (31.12.2014: PLN 145 456 thousand, 31.12.2013: PLN 139 991 thousand).

17 Perpetual usufruct of land

in PLN thousand	2015	2014	2013
Balance at 1 January	22 794	18 535	18 954
Acquisitions through business combinations	-	6 389	-
Transfer to non-current assets held for sale	-	(1 263)	-
Disposals	(1 412)	(308)	-
Amortization for the period	(554)	(559)	(419)
Balance at 31 December	**20 828**	**22 794**	**18 535**

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in PLN thousand	Assets			Liabilities			Net		
	31.12.2015	**31.12.2014**	**31.12.2013**	**31.12.2015**	**31.12.2014**	**31.12.2013**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Property, plant and equipment	11 981	10 534	6 569	(9 394)	(10 299)	(10 210)	2 587	235	(3 641)
Intangible assets	4 515	25	355	-	-	-	4 515	25	355
Other investments	779	779	527	(395)	(615)	(346)	384	164	181
Prepaid perpetual usufruct of land	181	1 270	1 815	(97)	(102)	-	84	1 168	1 815
Inventories	1 643	2 626	2 490	-	-	-	1 643	2 626	2 490
Trade and other receivables	1 841	1 428	1 298	(4 347)	(8 574)	(9 503)	(2 506)	(7 146)	(8 205)
Interest bearing loans and borrowings	50 384	46 755	41 194	-	-	(8 930)	50 384	46 755	32 264
Employee benefits	3 057	2 706	2 731	-	-	-	3 057	2 706	2 731
Provisions	158	694	285	-	-	-	158	694	285
Trade and other payables	9 025	12 522	10 278	-	-	(19)	9 025	12 522	10 259
Other items	777	705	1 802	(128)	(5)	-	649	700	1 802
Tax value of loss carry-forward expected to be utilised	5 629	10 472	22 346	-	-	-	5 629	10 472	22 346
Tax assets/(liabilities)	**89 970**	**90 516**	**91 690**	**(14 361)**	**(19 595)**	**(29 008)**	**75 609**	**70 921**	**62 682**
Set off of tax assets/ liabilities	(7 952)	(8 584)	(17 371)	7 952	8 584	17 371			
Net deferred tax assets/ liabilities	**82 018**	**81 932**	**74 319**	**(6 409)**	**(11 011)**	**(11 637)**			

Movement in temporary differences during the year

in PLN thousand	**01.01.2015**	**Recognised in profit or loss**	**Recognised in equity, including business combinations**	**31.12.2015**
Property, plant and equipment	235	2 352	-	2 587
Intangible assets	25	4 490	-	4 515
Other investments	164	220	-	384
Prepaid perpetual usufruct of land	1 168	(1 084)	-	84
Inventories	2 626	(983)	-	1 643
Trade and other receivables	(7 146)	4 640	-	(2 506)
Interest bearing loans and borrowings	46 755	2 319	1 310	50 384
Employee benefits	2 706	351	-	3 057
Provisions	694	(536)	-	158
Trade and other payables	12 522	(3 497)	-	9 025
Other items	700	(51)	-	649
Tax value of loss carry-forwards expected to be utilised	10 472	(4 843)	-	5 629
	70 921	**3 378**	**1 310**	**75 609**

Tax losses presented in the table above as at 31.12.2015 will expire in 2016 (PLN 2 694 thousand), in 2017 (PLN 650 thousand), in 2018 (PLN 494 thousand) and in 2019 (PLN 1 791 thousand).

in PLN thousand	01.01.2014	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2014
Property, plant and equipment	(3 641)	4 999	(1 123)	235
Intangible assets	355	(325)	(5)	25
Other investments	181	241	(258)	164
Prepaid perpetual usufruct of land	1 815	(128)	(519)	1 168
Inventories	2 490	(16)	152	2 626
Trade and other receivables	(8 205)	1 058	1	(7 146)
Interest bearing loans and borrowings	32 264	14 491	-	46 755
Employee benefits	2 731	(125)	100	2 706
Provisions	285	(249)	658	694
Trade and other payables	10 259	(1 103)	3 366	12 522
Other items	1 802	(1 097)	(5)	700
Tax value of loss carry-forward expected to be utilised	22 346	(11 908)	34	10 472
	62 682	**5 838**	**2 401**	**70 921**
Foreign exchange rate differences		60		
Transfer to discontinued operations		(205)		
Recognised in the profit or loss		**5 693**		
	62 682	**5 838**	**2 401**	**70 921**

in PLN thousand	01.01.2013	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2013
Property, plant and equipment	(10 064)	6 423	-	(3 641)
Intangible assets	266	89	-	355
Other investments	210	(29)	-	181
Prepaid perpetual usufruct of land	1 858	(43)	-	1 815
Inventories	2 216	274	-	2 490
Trade and other receivables	(3 193)	(5 012)	-	(8 205)
Interest bearing loans and borrowings	19 717	12 547	-	32 264
Employee benefits	2 020	711	-	2 731
Provisions	10	275	-	285
Trade and other payables	6 014	4 245	-	10 259
Other items	2 084	(282)	-	1 802
Tax value of loss carry-forward expected to be utilised	43 988	(21 642)	-	22 346
	65 126	**(2 444)**	**-**	**62 682**
Foreign exchange rate differences		(54)		
Recognised in the profit or loss		**(2 498)**		
	65 126	**(2 444)**	**-**	**62 682**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

in PLN thousand	**2015**	**2014**	**2013**
Intangible assets	7 408	8 326	8 550
Tax losses	798	2 541	2 927
Total	**8 206**	**10 867**	**11 477**

Deferred tax assets have not been recognized in respect of these items due to uncertainty that future taxable profits will be available against which the temporary differences and tax losses can be utilized.
The tax losses as at 31.12.2015 presented in the above table will expire in 2016 (PLN 183 thousand), in 2017 (PLN 412 thousand), in 2018 (PLN 155 thousand) and in 2019 (PLN 48 thousand).

19 Inventories

in PLN thousand	**31.12.2015**	**31.12.2014**	**31.12.2013**
Raw materials	56 496	63 721	68 277
Semi-finished goods and work in progress	86 866	93 274	65 248
Finished products	104 309	103 643	79 357
Goods for resale	15 805	22 420	21 934
	263 476	**283 058**	**234 816**

Movements in allowances for inventories

in PLN thousand	**2015**	**2014**	**2013**
Balance at 1 January	(12 562)	(12 326)	(12 297)
Recognised through business combinations	-	(213)	-
Recognition	(854)	(147)	(477)
Utilization	24	52	348
Reversal	2 168	72	100
Balance at 31 December	**(11 224)**	**(12 562)**	**(12 326)**

As at 31.12.2015, inventories are presented net of allowances of PLN 11 224 thousand (31.12.2014: PLN 12 562 thousand; 31.12.2013: PLN 12 326 thousand). Allowances relate mainly to goods for resale and finished goods with a net realisable value below cost. Recognition and reversal of inventory allowance are recognized as costs of sales.

As at 31.12.2015, inventories with a carrying value of PLN 13 589 thousand (31.12.2014: PLN 12 500 thousand; 31.12.2013: PLN 12 500 thousand) were subject to pledges as collateral for bank loans and overdrafts.

20 Trade and other receivables

Short-term receivables

in PLN thousand	**31.12.2015**	**31.12.2014**	**31.12.2013**
Trade receivables	71 220	124 008	129 315
Bills of exchange	197	119	119
Statutory receivables excluding income tax	18 149	17 740	9 250
Prepayments for services and inventories	9 703	3 641	914
Receivables relating to the sale of Cognor Stahlhandel	-	-	7 260
Factoring receivables	20 653	33 408	29 367
Other receivables	7 456	8 505	10 328
	127 378	**187 421**	**186 553**

Long-term receivables

in PLN thousand	**31.12.2015**	**31.12.2014**	**31.12.2013**
Receivables relating to Zeljezara Split	-	-	41 472
Other receivables	49	34	28
	49	**34**	**41 500**

As at 31.12.2015, trade and other receivables are presented net of impairment allowances amounting to PLN 80 706 thousand (31.12.2014: PLN 79 499 thousand; 31.12.2013: PLN 34 979 thousand).

As at 31.12.2015, receivables with a carrying value of PLN 19 404 thousand (31.12.2014: PLN 26 257 thousand; 31.12.2013: PLN 39 993 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secure factoring liabilities (see note 26).

Factoring receivables

As at 31 December 2015 subsidiaries Ferrostal Ğabňdy Sp. z o.o. and Huta Stali JakoŜciowych SA were parties to factoring agreements. Existing agreements concern non-recourse and recourse factoring of trade receivables financed up to set limits.

Types of factoring and limits as at 31 December 2015 were as follows:

Factoree	Effective date	Factor:	Limit:	Type of factoring
Huta Stali JakoŜciowych S.A.	indefinite	mFactoring S.A.	PLN 20 000 thousand	non-recourse
Huta Stali JakoŜciowych S.A.	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 40 000 thousand	non-recourse
Huta Stali JakoŜciowych S.A.	indefinite	Pekao Faktoring Sp. z o.o.	PLN 15 000 thousand	non-recourse
Ferrostal Ğabňdy Sp. z o.o.	indefinite	mFactoring S.A.	PLN 15 000 thousand	non-recourse
Ferrostal Ğabňdy Sp. z o.o.	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 35 000 thousand	non-recourse
Ferrostal Ğabňdy Sp. z o.o.	indefinite	KUKE S.A.	PLN 35 000 thousand	non-recourse
Zğomrex Metal Sp. z o.o.	indefinite	mFaktoring S.A.	PLN 18 000 thousand	recourse

Under the factoring agreement, the factor finances 90% of the nominal value of trade receivables, while costs of financing representing WIBOR (EURIBOR) + margin, is incurred by the Group. In case of non-recourse factoring, if debtors fail to repay their liabilities, the factor has right to claim the insurer to repay 90% trade receivables and the remaining 10% of the receivables is covered by the Group.

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2015 PLN 20 653 thousand). The remaining receivables (90%) were derecognised from the statement of financial position.

The carrying value of trade receivables subject to factoring agreements, including the carrying value of factoring receivables and related liabilities that are continue to be recognized in the statement of financial position is shown below:

	31.12.2015	31.12.2014	31.12.2013
Trade receivables in total	147 533	157 416	158 682
Factoring receivables derecognised from statement of financial position	(55 660)	-	-
Factoring receivables	(20 653)	(33 408)	(29 367)
Trade receivables net	**71 220**	**124 008**	**129 315**

21 Prepayments

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Prepayments	-	-	9 205

Prepayments include deferred costs related to consultancy services and other expenses associated with refinancing of bonds, which after completion of issue of bonds reduce secured fixed interest rate bonds and are recognised using effective interest rate method.

22 Cash and cash equivalents

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Cash in bank	21 815	24 137	10 452
Cash in bank restricted in use	474	395	655
Cash in hand	211	253	187
Short-term bank deposits	14 421	10 859	3 453
Other	7	4	31
Cash and cash equivalents in statement of financial position	**36 928**	**35 648**	**14 778**
Bank overdrafts	(15 846)	(6 969)	-
Cash and cash equivalents in the statement of cash flows	**21 082**	**28 679**	**14 778**

As at 31.12.2015, 31.12.2014 and 31.12.2013, cash and cash equivalents were not pledged as security for liabilities.

Detailed information regarding bank overdrafts is presented in note 26.

23 Assets classified as held for sale

in PLN thousand	2015	2014	2013
Balance at 1 January	7 110	8 951	11 786
Additions	-	387	-
Transfer from property, plant and equipment	-	1 466	-
Transfer from perpetual usufruct of land	-	1 263	-
Disposals	(1 604)	(4 988)	(2 804)
Impairment loss	-	31	(31)
Balance at 31 December	**5 506**	**7 110**	**8 951**

As at 31.12.2015, 31.12.2014 and 31.12.2013, the assets held for sale include land, buildings and movable assets, that represent 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 is committed to a plan to sell the assets.

24 Equity

Issued share capital

	31.12.2015	31.12.2014	31.12.2013
Registered shares number at reporting date	69 851 487	66 222 248	66 222 248
Number of issued warrants	62 590 761	66 220 000	66 220 000
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

On 31 December 2015 the Parent Companyǿs share capital comprised of 69 851 487 ordinary shares (2014: 66 222 248; 2013: 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 Zĝpmrex 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 Zĝpmrex 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 Cognorǿs 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 Zĝpmrex S.A. shall be appropriately reduced in case of the lack of the ability to repay the receivable of Zĝpmrex 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 Zĝpmrex S.A. (also until the final price for Zĝpmrex 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 liat

Following the restructuring of Cognorǿs 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 Cognorǿs 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 Zĝpmrex S.A. shares. The deadlines for the PS Holdcoǿs undertaking to increase Cognorǿs equity and for the payment of the price for shares in Zĝpmrex S.A. by Cognor S.A. were postponed to 31 December 2021 when the remaining number of warrants series B surviving the conversion of Cognorǿs convertible notes, will have become known.

(in PLN thousand, unless stated otherwise)

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 Cognorôs consolidated financial statements in 2014, the parties decided to appropriately reduce the price for shares in Zğomrex 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 Zğomrex S.A. Due to direct connection between the price for the shares in Zğomrex 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 Zğomrex S.A. due to impairment loss recognized on receivables from Republic of Croatia was included in Groupôs equity in 2014 as an adjustment of transactions with the Owner of the Parent Company.

The reduction of the price for shares in Zğomrex 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 Zğomrex S.A. totalling PLN 34 446 thousand (the value as at 31.12.2015: PLN 37 474 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 31.12.2015 at the amount of PLN 14 256 thousand) and the remaining amount was recognised as other investments (as at 31.12.2015 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 Depositary 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 Shareholders' structure as at 31 December 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%**

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

In accordance with the secured bonds agreement the Group is permitted to pay dividends up to the limit of EUR 5 million.

(in PLN thousand, unless stated otherwise)

Treasury shares

The Group holds no treasury shares (directly or indirectly).

Non-controlling Interests

The following table summarises the information relating to each of the Groupôs subsidiaries that has material non-controlling interests. The non-controlling interests and the attributable profit or loss and other comprehensive income include non-controlling interest in the Parent Companyôs direct subsidiaries and their further subsidiaries.

31.12.2015

	Ferrostal Ĝabňdy Sp. z o.o.	GK ZW Profil S.A.	Other individually insignificant subsidiaries	TOTAL
Non-controlling interest percentage	7,56%	11,5%		
Non-current assets	116 889	33 416		
Current assets	257 232	34 642		
Non-current liabilities	(25 143)	(5 083)		
Current liabilities	(155 000)	(17 865)		
Net assets	**193 978**	**45 110**		
Carrying amount of non-controlling interests	**13 243**	**5 033**	**3 293**	**21 569**
Sales revenue	595 398	82 013		
Net profit	(7 413)	7 472		
Other comprehensive income	-	-		
Total comprehensive income	(7 413)	7 472		
(Loss)/profit for the period attributable to non-controlling interest	**(560)**	**859**	**583**	**882**
Other comprehensive income for the period attributable to non-controlling interest	**-**	**-**	**-**	**-**
Cash flows from operating activities	(15 072)	5 239		
Cash flows from investing activities	27 077	(4 838)		
Cash flows from financing activities	(28 772)	(2 325)		
Total net cash flows	**(16 767)**	**(1 924)**		

31.12.2014

	Ferrostal Ĝabňdy Sp. z o.o.	GK ZW Profil S.A.	Other individually insignificant subsidiaries	TOTAL
Non-controlling interest percentage	7,6%	11,6%		
Non-current assets	128 033	29 593		
Current assets	241 901	29 279		
Non-current liabilities	(26 658)	(4 983)		
Current liabilities	(160 381)	(18 609)		
Net assets	**182 895**	**35 280**		
Carrying amount of non-controlling interests	**13 900**	**4 077**	**3 286**	**21 263**
Sales revenue	703 424	59 256		
Net profit	20 227	10 507		
Other comprehensive income	-	-		
Total comprehensive income	20 227	10 507		
Profit/(loss) for the period attributable to non-controlling interest	**1 537**	**4 171**	**(44)**	**5 664**
Other comprehensive income for the period attributable to non-controlling interest	**-**	**-**	**-**	**-**
Cash flows from operating activities	13 494	5 814		
Cash flows from investing activities	(11 854)	(17 717)		
Cash flows from financing activities	10 974	13 899		
Total net cash flows	**12 614**	**1 996**		

(in PLN thousand, unless stated otherwise)

31.12.2013

	Ferrostal Ğabňdy Sp. z o.o.	Other individually insignificant subsidiaries	TOTAL
Non-controlling interest percentage	7,6%		
Non-current assets	141 007		
Current assets	209 566		
Non-current liabilities	(29 170)		
Current liabilities	(158 119)		
Net assets	**163 284**		
Carrying amount of non-controlling interests	**12 410**	**1 289**	**13 699**
Sales revenue	634 201		
Net profit	13 727		
Other comprehensive income	-		
Total comprehensive income	13 727		
Profit/(loss) for the period attributable to non-controlling interest	**1 043**	**(175)**	**868**
Other comprehensive income for the period attributable to non-controlling interest	**-**	**-**	**-**
Cash flows from operating activities	10 579		
Cash flows from investing activities	26 095		
Cash flows from financing activities	(28 782)		
Total net cash flows	**7 892**		

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of the Parent Company of PLN 14 827 thousand (2014: profit of PLN 34 thousand; 2013: loss of PLN 48 570 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2015 of 66 930 thousand (2014: 66 222 thousand, 2013: 66 222 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2015 was 113 492 thousand (2014: 109 448 thousand, 2013: 66 222 thousand).
The calculation of diluted earnings per share at 31 December 2015 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 2015 excluding interest paid in this period.

As at 31 December 2015, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Companyǿs 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 warrants was based on quoted average market prices for the period during which the warrants were outstanding.

26 Interest-bearing loans and borrowings and bank overdrafts

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 30.

in PLN thousand

	31.12.2015	31.12.2014	31.12.2013
Non-current liabilities			
Secured bank loans	889	1 602	-
Secured fixed interest rate debt	370 730	397 088	-
Finance lease liabilities	14 161	9 637	6 677
Other borrowings	666	569	-
	386 446	**408 896**	**6 677**
Current liabilities			
Current portion of secured bank loans	712	712	-
Current portion of secured fixed interest rate debt	11 439	25 965	515 742
Current portion of finance lease liabilities	6 936	3 990	2 472
Factoring with recourse	9 752	33 408	29 367
Reverse factoring	-	22 918	15 325
Scrap pre-financing	14 324	-	-
Other borrowings	5 710	409	-
	48 873	**87 402**	**562 906**
Bank overdrafts	15 846	6 969	-
	64 719	**94 371**	**562 906**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2015 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Secured bank loans	1 601	712	889	-	-
Secured fixed interest rate debt	382 169	11 439	-	370 730	-
Factoring with recourse	9 752	9 752	-	-	-
Other borrowings	20 700	20 034	292	130	244
	414 222	**41 937**	**1 181**	**370 860**	**244**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2014 (excl. lease liabilities)

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5	Over 5 years
Secured bank loans	2 314	712	1 602	-	-
Secured fixed interest rate debt	423 053	25 965	-	-	397 088
Factoring with recourse	33 408	33 408	-	-	-
Reverse factoring	22 918	22 918	-	-	-
Other borrowings	978	409	130	130	309
	482 671	**83 412**	**1 732**	**130**	**397 397**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2013 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years
Secured fixed interest debt	515 742	515 742	-	-
Factoring with recourse	29 367	29 367	-	-
Reverse factoring	15 325	15 325	-	-
	560 434	**560 434**	**-**	**-**

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2015			**31.12.2014**			**31.12.2013**	
Less than one year	7 632	696	6 936	4 249	259	3 990	2 945	473	2 472
Between 1 and 5 years	14 924	763	14 161	12 178	2 541	9 637	7 266	589	6 677
	22 556	**1 459**	**21 097**	**16 427**	**2 800**	**13 627**	**10 211**	**1 062**	**9 149**

There are no contingent rental payables under the terms of the lease agreements.

(in PLN thousand, unless stated otherwise)

As at 31 December 2015

Analysis of loan agreements and other loans:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
PKO BP S.A.	889	712	investment loan	2008-03-31	2018-03-30	WIBOR 1M+margin	- blank bill of exchange, - mortgage on the property.
Wojewódzki Fundusz Ochrony środowiska i Gospodarki Wodnej - WFOśiGW	666	128	loan	2014-07-31	2024-09-15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum / 0.48 rediscount rate at least 3.5 per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company.
4Workers Przemysław Sztuczkowski	-	1 644	loan	2014-10-23	2016-12-31	fixed 7,75%	- blank bill of exchange.
SG Equipment Leasing Polska S.A.	-	3 938	loan	2015-07-01	2016-02-01	fixed 3,9%	- blank bill of exchange.
mBank S.A.	-	14 324	scrap pre-finance	2015-09-28	2016-07-25	WIBOR O/N+margin	- blank bill of exchange, - reassignment of factoring receivables
Total	**1 555**	**20 746**					

Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
GETIN Leasing S.A.	4	15	lease	2014-06-05	2017-06-30	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
mLeasing Sp. z o.o.	5 289	1 654	lease	2012-12-21	2020-12-21	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.

(in PLN thousand, unless stated otherwise)

Impuls Leasing Polska Sp. z o.o.	204	147	lease	2014-04-11	2017-12-01	WIBOR 1M+margin/ EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Raiffeisen-Leasing Polska S.A.	2 102	1 067	lease	2011-09-16	2020-06-01	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	1 205	541	lease	2013-10-28	2020-03-15	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Europejski Fundusz Leasingowy Sp. z o.o.	709	1 106	lease	2012-04-02	2020-07-15	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Millenium Leasing Sp. z o.o.	3 781	2 132	lease	2013-08-23	2020-06-05	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment, - mortgage on the property.
PKO Bankowy Leasing Sp. z o.o.	676	155	lease	2013-04-04	2020-08-15	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Microtech S.A.	-	76	lease	2014-01-15	2016-12-20	fixed	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp. z o.o.	191	43	lease	2015-12-01	2020-11-12	WIBOR 1M+margin	- blank bill of exchange, - guarantee of the related company - leased equipment,
Total	**14 161**	**6 936**					

(in PLN thousand, unless stated otherwise)

Analysis of factoring agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mFaktoring S.A.	-	9 752	factoring with recourse	2011-12-09	not defined	WIBOR O/N+margin, LIBOR O/N + margin	- blank bill of exchange, - proxy to the bank account, - reassignment of receivables, - reassignment of insurance rights.
Total	**-**	**9 752**					

Analysis of other interest bearing liabilities:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest (coupon)	Security
High Yield bonds listed on the Luxembourg Stock Exchange (Euro MTF)	370 730	11 439	Senior Secured Notes and Exchangeable Notes	2014-02-01	2021-02-01	Exchangeable Notes fixed 5% for the entire period Senior Secured Notes - 1st and 2nd year ï 7,5% - 3rd year ï 10% - 4th ï 6th year ï 12,5%.	details please see below
Total	**370 730**	**11 439**					

Interest-bearing loans and borrowings

The aforementioned margins relating to interest bearing loans and borrowings are classified depending on the floating rates they relate to. The analysis of the margins is presented below:

- WIBOR O/N ï margin 1.05%, LIBOR O/N - margin 1.35%
- WIBOR 1M ï margin between 1.66% and 4.71%,
- EURIBOR 1M ï margin between 0.12% and 0.42%,

In 2015 Cognor S.A. and its subsidiaries (Ferrostal Ǧabňdy Sp. z o.o., Huta Stali JakoŜciowych 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 Ǧabňdy Sp. z o.o. PLN 11.65 million, Huta Stali JakoŜciowych S.A. PLN 13.35 million. The same annex extended bank overdraft until 29 May 2016. On 7 January 2016 limits for both companies were set at PLN 0. On 27 January 2016 new limit for Huta Stali JakoŜciowych S.A. was set on the level of PLN 10 million.

As at 31 December 2015, bank overdrafts was utilised as follows: Huta Stali JakoŜciowych S.A. PLN 0 thousand, Ferrostal Ǧabňdy Sp. z o.o. PLN 10 848 thousand,.

On 21 September 2015 Ferrostal Ǧabňdy Sp. z o.o. entered into agreement with Bank Pekao S.A on the bank overdraft with limit of PLN 5 million and termination date of 20 September 2016. As at 31 December 2015 the bank overdraft was utilised at PLN 4 998 thousands.

Secured fixed interest debt

On 4 February 2014, Cognor International Finance plc, established in the United Kingdom (a subsidiary of Huta Stali JakoŜciowych 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 ï 7.5% (from 4 February 2014 till 1 February 2016),
- 3rd year ï 10.0% (from 2 February 2016 till 1 February 2017),
- 4th to 6th year ï 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%.

The Senior Secured Notes are guaranteed by: PS Holdco Sp. z o.o., Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali JakoŜciowych S.A., Ferrostal Ǧabňdy Sp. z o.o., Zǧomrex Metal SP. z o.o.

Liability for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) of the book value of PLN 382 169 thousand on 31 December 2015 was secured as follows:

- financial pledge on shares of companies: Zǧomrex Metal Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali JakoŜciowych S.A., Ferrostal Ǧabňdy Sp. z o.o.;
- registered pledge on:

(i) shares in the following companies: Zǧomrex Metal Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali JakoŜciowych S.A., Ferrostal Ǧabňdy Sp. z o.o.;
(ii) certain non-current assets of Cognor S.A. currently leased to Ferrostal Ǧabňdy Sp. z o.o.,
(iii) certain non-current assets of Ferrostal Ǧabňdy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.,
(iv) issued by Huta Stali JakoŜciowych S.A. intercompany bonds;

- mortgages on real estate of Ferrostal Ǧabňdy 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 December 2015 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 December 2015 was 23 103 581 EUR.

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.

27 Employee benefits obligations

in PLN thousand	**31.12.2015**	**31.12.2014**	**31.12.2013**
Long-term provisions for retirement and jubilee awards	9 113	9 597	7 313
Short-term provisions for retirement and jubilee awards	4 867	4 588	3 250
	13 980	**14 185**	**10 563**

Employee benefits

Liabilities for retirement payments were calculated by an independent actuary based on following assumptions:

	31.12.2015	**31.12.2014**	**31.12.2013**
Discount rate	3.0%	2.75%	4.0%
Future Salary Increase	2.5%	2.5%	2.5%

The movements in the defined benefits obligation programs over the year are as follows:

in PLN thousand	Provisions for employee benefits	Jubilee awards	Other	Total
At January 2013	558	5 818	3 174	**9 550**
Current service cost	(1)	251	3 481	**3 731**
Interest cost	11	161	27	**199**
Actuarial (gain)/loss due to changes in assumptions	1	-	(1)	**-**
Actual benefits paid	(56)	(632)	(3 279)	**(3 967)**
Other actuarial (gain)/loss	97	862	91	**1 050**
At 31 December 2013	**610**	**6 460**	**3 493**	**10 563**
At January 2014	610	6 460	3 493	**10 563**
Employee benefits in acquired companies	-	-	2 441	**2 441**
Current service cost	80	734	3 860	**4 674**
Interest cost	14	177	31	**222**
Actuarial (gain)/loss due to changes in assumptions	77	608	(30)	**655**
Actual benefits paid	(76)	(650)	(3 665)	**(4 391)**
Other actuarial (gain)/loss	20	-	1	**21**
At 31 December 2014	**725**	**7 329**	**6 131**	**14 185**
At January 2015	725	7 329	6 131	**14 185**
Current service cost	(447)	479	4 443	**4 475**
Interest cost	10	129	22	**161**
Actuarial (gain)/loss due to changes in assumptions	18	477	(46)	**449**
Actual benefits paid	48	(887)	(4 459)	**(5 298)**
The share of program			9	**9**
Other actuarial (gain)/loss	(1)	-	-	**(1)**
At 31 December 2015	**353**	**7 527**	**6 100**	**13 980**

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2014	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.25%	0.25%	1.6%	(1.6%)
Future Salary Increase	0.25%	0.25%	(1.6%)	1.6%
Probability of resignation	0.25%	0.25%	1.7%	(1.7%)

The expense relating to the movement in employee benefits obligations is recognised as administrative expenses and other costs in profit or loss.

28 Short-term provisions

in PLN thousand	2015	2014	2013
Balance at 1 January	6 535	516	430
Recognised through business combinations	-	1 022	-
Provisions raised during the year	978	8 719	2 424
Provisions utilised during the year	(3 258)	(2 566)	-
Provisions released during the year	(558)	(1 156)	(2 338)
Balance at 31 December	**3 697**	**6 535**	**516**

In the short-term provisions as at 31 December 2015 are included among the other: the provisions for purchase of energy certificates of PLN 1.82 million, CO2 emission rights allowance of PLN 0.55 million, the provision for costs of awarded interests PLN of 0.49 million and other provisions.

29 Trade and other payables

Short term

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Trade payables	132 851	152 469	163 595
Statutory payables	10 171	11 625	5 271
Bills of exchange payables	-	51	65
Investment payables	4 795	4 609	752
Prepayments for services and deliveries of goods	453	977	532
Liabilities due to Shareholder**	6 619	6 619	10 589
Payroll liabilities	5 487	4 872	2 999
Accrued expenses	1 077	872	1 802
Other payables	3 315	1 623	3 158
	164 768	**183 717**	**188 763**

Long term

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Liabilities due to Shareholder**	37 289	33 777	-
Other payables	190	517	-
	37 479	**34 294**	**-**

** see note 24 for details relating to the transactions with PS Holdco Sp. z o.o.

30 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2015

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
*a) Non-current assets***				
Other receivables	49	-	-	**49**
b) Current assets				
Receivables excluding prepayments and tax receivables	99 526	-	-	**99 526**
Other investments (excl.shares)	4 236	-	-	**4 236**
Cash and cash equivalents	-	-	36 928	**36 928**
Total	**103 811**	**-**	**36 928**	**140 739**

** excluding options for own equity instruments described in note 24

As at 31.12.2014

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
*a) Non-current assets***				
Other investments (excl. shares)	-	-	-	**-**
Other receivables	34	-	-	**34**
b) Current assets				
Receivables excluding prepayments and tax receivables	166 040	-	-	**166 040**
Other investments (excl.shares)	4 607	-	-	**4 607**
Cash and cash equivalents	-	-	35 648	**35 648**
Total	**170 681**	**-**	**35 648**	**206 329**

** excluding options for own equity instruments described in note 24

As at 31.12.2013

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
a) Non-current assets				
Other investments (excl. shares)	3 265	-	-	**3 265**
Other receivables	41 500	-	-	**41 500**
b) Current assets				
Receivables excluding prepayments and tax receivables	176 389	-	-	**176 389**
Other investments (excl.shares)	5 190	-	-	**5 190**
Cash and cash equivalents	-	-	14 778	**14 778**
Total	**226 344**	**-**	**14 778**	**241 122**

Liabilities

As at 31.12.2015

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	372 285	-	**372 285**
Finance lease liabilities	14 161	-	**14 161**
Other liabilities	37 479	-	**37 479**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	41 937	-	**41 937**
Finance lease liabilities	6 936	-	**6 936**
Bank overdraft	15 846	-	**15 846**
Trade and other payables excluding tax payables	154 597	-	**154 597**
Total	**643 241**	**-**	**643 241**

As at 31.12.2014

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	399 259	-	**399 259**
Finance lease liabilities	9 637	-	**9 637**
Trade and other payables	34 294	-	**34 294**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	83 412	-	**83 412**
Finance lease liabilities	3 990	-	**3 990**
Bank overdraft	6 969	-	**6 969**
Trade and other payables excluding tax payables	172 092	-	**172 092**
Total	**709 653**	**-**	**709 653**

As at 31.12.2013

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Finance lease liabilities	6 677	-	**6 677**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	560 434	-	**560 434**
Finance lease liabilities	2 472	-	**2 472**
Trade and other payables excluding tax payables	183 492	-	**183 492**
Total	**753 075**	**-**	**753 075**

Loans and receivables include loans granted, trade and other receivables (excluding statutory receivables and advances), prepayments and cash and cash equivalents.

Financial liabilities at amortized cost include bank overdraft, interest-bearing loans and borrowings, bonds, trade and other payables (excluding statutory payables).

Financial instruments at fair value through profit or loss

As at 31 December 2015, 31 December 2014, 31 December 2013 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:

• Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.

• Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.

• Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.

• Fixed rate debt securities. The fair value of bonds at 31 December 2015 amounted to PLN 196 913 thousand (2014: PLN 435 863 thousand, 2013: PLN 318 174 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). Fair value as at 31 December 2014 due to the lack of market transactions was determined with use of valuation model which was based on the market interest rate changes in the period from the date of bond issue to 31 December 2014 (level 2 in fair value hierarchy).

The fair value as at 31 December 2013 was calculated on the basis of market transactions of bonds issued by Złomrex International Finance S.A. 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.

The Group's activities is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency. The currency giving rise to this risk is primarily Euro.

Exposure to foreign currency risk

The Group exposure to foreign currency risk was as follows:

Information on balances denominated in foreign currencies

As at 31.12.2015 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	28 086	-	-	**28 086**
Interest-bearing loans and borrowings	(391 502)	-	-	**(391 502)**
Trade and other payables	(14 383)	(1 647)	-	**(16 030)**
Exposure to currency risk on balances denominated in foreign currencies	**(377 799)**	**(1 647)**	**-**	**(379 446)**

As at 31.12.2014 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	38 129	-	-	**38 129**
Interest-bearing loans and borrowings	(423 053)	-	-	**(423 053)**
Trade and other payables	(11 453)	(160)	(953)	**(12 566)**
Exposure to currency risk on balances denominated in foreign currencies	**(396 377)**	**(160)**	**(953)**	**(397 490)**

As at 31.12.2013 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	94 594	3 688	-	**98 282**
Interest-bearing loans and borrowings	(515 742)	-	-	**(515 742)**
Trade and other payables	(8 337)	(886)	(2 049)	**(11 272)**
Exposure to currency risk on balances denominated in foreign currencies	**(429 485)**	**2 802**	**(2 049)**	**(428 732)**

Sensitivity analysis of financial instruments denominated in foreign currencies to exchange rate differences

A 15 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2015 would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2014 and 2013 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**(Loss) / profit**		**Equity**	
	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%
31.12.2015	(56 917)	56 917	(56 917)	56 917
31.12.2014	(59 624)	59 624	(59 624)	59 624
31.12.2013	(64 310)	64 310	(64 310)	64 310

Sensitivity analysis of derivatives on the exchange rate differences

The Group did not hold derivatives as at 31 December 2015, 31 December 2014 and 31 December 2013.

Price risk
The Group does not hold equity securities classified either as available for sale or at fair value through profit or loss that are exposed to price risk. The Group is not exposed to commodity price risk.

Interest rate risk
In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Groupȏs earnings.

The main element to limit the interest rate risk was the issuance of bonds by Zlomrex International Finance (afterwards Cognor International Finance plc) which were based on fixed rate.
Exchangeable Notes issued by Cognor International Finance plc are based on fixed rate of 5% for whole period and Senior Secured Notes based on fixed rate of:
- 1st and 2nd year ï 7.5% (from 4 February 2014 till 1 February 2016),
- 3rd year ï 10.0% (from 2 February 2016 till 1 February 2017),
- 4th to 6th year ï 12.5% (from 2 February 2017 till 1 February 2020).

Susceptibility profile (exposure) of the Group to interest rate risk

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Fixed rate instruments			
Financial assets	4 109	4 092	848
Financial liabilities	(382 169)	(423 053)	(515 742)
	(378 060)	**(418 961)**	**(514 894)**

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Floating rate instruments			
Financial assets	127	515	7 607
Financial liabilities	(68 996)	(80 214)	(53 841)
	(68 869)	**(79 699)**	**(46 234)**

Impact of interest rate risk on cash flows and fair values

As the Group has no significant interest-bearing assets, the Groupꞌs income and operating cash flows are substantially independent of changes in market interest rates. The Groupꞌs interest rate risk arises from borrowings. Borrowings received at variable rates expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to the risk of financial instruments fair value changes.

Cash flow sensitivity analysis for floating rate financial instruments

Increase/decrease of 150 basis points in interest rates at the reporting date would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014 and 2013.

Influence of interest rate change for the period ended:

in PLN thousand	**Financial result**		**Equity**	
	increase of interest rates by 1.5%	decrease of interest rates by 1.5%	increase of interest rates by 1.5%	decrease of interest rates by 1.5%
31.12.2015	(1 033)	1 033	(1 033)	1 033
31.12.2014	(1 195)	1 195	(1 195)	1 195
31.12.2013	(694)	694	(694)	694

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Groupꞌs receivables from customers and financial investments.

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group places its cash and cash equivalents in financial institutions with high credit ratings. The credit risk related to receivables is limited as the Groupꞌs customer base is wide, thus the concentration of credit risk is insignificant.

At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Maximum exposure to credit risk

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Loans and receivables	103 811	170 681	226 344
Cash and cash equivalents (excluding cash in hand)	36 717	35 395	14 591
	140 528	**206 076**	**240 935**

As at 31 December 2015, loans in the amount of PLN 4 236 thousand (2014: PLN 4 092 thousand, 2013: PLN 7 832 thousand) were not overdue and were not impaired.

Insured trade receivables

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
from other entities	38 939	25 687	40 720

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Not past due	40 458	84 967	83 698
Past due	**56 670**	**65 046**	**64 664**
1-30 days	16 767	23 711	28 550
31-90 days	4 657	4 495	5 827
91-180 days	789	710	3 311
181-365 days	3 329	4 317	3 279
more than one year	31 128	31 813	23 697
	97 128	**150 013**	**148 362**

Impairment loss

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Not past due	(87)	(40)	(77)
Past due	**(25 821)**	**(25 965)**	**(18 970)**
1-30 days	(38)	(47)	(23)
31-90 days	(55)	(55)	(70)
91-180 days	(73)	(50)	(70)
181-365 days	(276)	(230)	(980)
more than one year	(25 379)	(25 583)	(17 827)
	(25 908)	**(26 005)**	**(19 047)**

Net carrying value

in PLN thousand	31.12.2015	31.12.2014	31.12.2013
Not past due	40 371	84 927	83 621
Past due	**30 849**	**39 081**	**45 694**
1-30 days	16 729	23 664	28 527
31-90 days	4 602	4 440	5 757
91-180 days	716	660	3 241
181-365 days	3 053	4 087	2 299
more than one year	5 749	6 230	5 870
	71 220	**124 008**	**129 315**

Recognition and utilization of impairment losses on trade and interests receivables:

in PLN thousand	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Balance at 1 January	(26 005)	(19 047)	(18 983)
Recognition	(730)	(8 116)	(1 350)
Utilization	692	778	474
Release	135	380	812
Balance at 31 December	**(25 908)**	**(26 005)**	**(19 047)**

As at 31 December 2015, trade receivables of PLN 40 371 thousand were not overdue and were not impaired (2014: PLN 84 927 thousand; 2013: PLN 83 621 thousand). As at 31 December 2015, trade receivables of PLN 30 849 thousand (2014: PLN 39 081 thousand; 2013: 45 694 PLN thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with a long history of cooperation, with whom the Group had no problems in the past or are secured with the clients assets.

As at 31 December 2015, trade receivables of PLN 25 821 thousand (2014: PLN 25 965 thousand; 2013: PLN 18 970 thousand) were overdue and impaired. As a result, in 2015 they were provided for in the amount of PLN 25 821 thousand, and in 2014 for PLN 25 965 thousand, and in 2013 for PLN 18 970 thousand. As at 31 December 2015 receivables of PLN 87 thousand were not overdue but impaired due to the financial situation of customers (2014: PLN 40 thousand, 2013: PLN 77 thousand).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Groupȏs approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Groupȏs reputation.

Contractual maturities of financial liabilities including interest payments

As at 31.12.2015

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	21 097	22 556	7 632	10 507	4 417	-
Bank overdraft	15 846	15 846	15 846	-	-	-
Other interest-bearing liabilities	414 222	575 887	52 771	88 107	434 765	244
Trade and other payables (excluding current income tax payables)	192 076	207 054	157 669	17 166	-	32 219
	643 241	**821 343**	**233 918**	**115 780**	**439 182**	**32 463**

As at 31.12.2014

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	13 627	16 427	4 243	9 274	1 786	1 124
Bank overdraft	6 969	6 969	6 969	-	-	-
Other interest-bearing liabilities	482 671	738 002	89 486	86 965	107 107	454 444
Trade and other payables (excluding current income tax payables)	206 386	224 895	175 073	17 603	-	32 219
	709 653	**986 293**	**275 771**	**113 842**	**108 893**	**487 787**

As at 31.12.2013

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	9 149	10 211	3 034	7 158	19	-
Other interest-bearing liabilities	560 434	564 176	564 176	-	-	-
Trade and other payables (excluding current income tax payables)	183 493	183 493	183 493	-	-	-
	753 076	**757 880**	**750 703**	**7 158**	**19**	**-**

Capital management

The basic assumption of the Group's policy in terms of capital management is to maintain strong equity base which determine the confidence of investors, creditors and the market and ensure future development of the business. The Group monitors return on equity and debt ratios.

The Group's objective is to achieve the return on capital that is satisfactory for shareholders.

The Parent Company is subject to the regulation resulting from Article 396 § 1 of the Code of Commercial Companies, which states that the joint stock companies are obliged to transfer at least 8% of the profit for a given financial year recognized in the separate financial statements of the entity to share premium, until it reaches at least one third of the share capital of the entity.

The capital management principles of the Group have been applied consistently during financial year.

31 Contingencies and capital commitments

The Group has the following contingent liabilities and capital 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. (refer also to note 25), 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 Managementφs 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 consolidates financial statements. These, among other, relate to following capital expenditures projects or lease agreements:
- ultrasonic flaw detector PLN 2 ,668 (EUR 626 thousands),
- stove with car bottom furnaces PLN 3,850 thousands,
- thermography flaw detector PLN 5,646 thousands (EUR 1 325 thousands).

32 Related parties

Identity of related parties

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

Owner:
- PS Holdco Sp. z o.o.

Related parties not consolidated are as follows:
- AB Stahl AG
- Profil Centrum Sp. z o.o. (control obtained on April 11, 2014)
- 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 13 September 2013 till 10 April 2014 the associates were as follows:
- ZW Profil S.A.
- Przedsiňbiorstwo Transportu Samochodowego S.A.
- Profil Centrum Sp. z o.o.

Companies controlled by the owner:
- 4 Workers Przemysğaw Sztuczkowski (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.)
- Zğomrex China Limited (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)

in PLN thousand	**31.12.2015**	**31.12.2014**	**31.12.2013**
Short-term receivables:			
- related parties (not consolidated)	4 659	7 607	9 997
- owner	-	7	9
- associates	3		
- companies controlled by the owner	21	18	34
Short-term liabilities			
- related parties (not consolidated)	6	280	602
- owner*	43 910	40 396	12 638
- companies controlled by the owner	418	256	245
- associates	3	57	6 850
Loans granted			
- related parties (not consolidated)	4 109	3 874	3 642
- owner	115	203	533
Loans received			
- companies controlled by the owner	-	344	-
Short-term investments			
- owner*	13 513	13 513	-

** see note 24 regarding the details of the transactions with PS Holdco Sp. z o.o.

in PLN thousand	**01.01.2015 - 31.12.2015**	**01.01.2014 - 31.12.2014**	**01.01.2013 - 31.12.2013**
Revenues from sale of products			
- associates	-	-	17
Revenues from sale of services			
- related parties (not consolidated)	286	469	492
- owner	1	1	2
- companies controlled by the owner	105	118	92
- associates	29	29	-
Revenues from sale of raw materials and merchandise			
- related parties (not consolidated)	21 023	16 281	15 629
- companies controlled by the owner	1	251	2
Purchase of merchandise and raw materials			
- related parties (not consolidated)	16 380	10 353	10 178
- companies controlled by the owner	1 174	883	670
- associates	-	-	9 492
Purchase of services			
- related parties (not consolidated)	4 920	26	13
- associates	555	7 222	593
- companies controlled by the owner	2 699	1 915	2 137
Other income			
- related parties (not consolidated)	249	252	421
- owner	12	7 499	40
Other gain/(losses) net			
- companies controlled by the owner	-	4	-
Other costs			
- related parties (not consolidated)	-	(446)	-
Financial costs			
- related parties (not consolidated)	-	(9)	(4)
- owner	(3 028)	(4 376)	(10 276)

Transactions with the members of the Management and Supervisory Boards

The remuneration paid to the Management and Supervisory Board members was as follows:

in PLN thousand	**01.01.2015 - 31.12.2015**	**01.01.2014 - 31.12.2014**	**01.01.2013 - 31.12.2013**
Management Board of the Parent Company	5 112	8 540	3 826
Supervisory Board of the Parent Company	378	378	378
Management Boards of subsidiaries	3 042	2 396	1 330
Supervisory Boards of subsidiaries	28	44	43
	8 560	**11 358**	**5 577**

Benefits for the Management and Supervisory Boards of the Parent Company and subsidiaries consist only of short-term employee benefits.

33 Subsequent events

There were no significant events after the balance sheet date, that have not been included in these consolidated financial statements.

Poraj, 21 March 2016

Przemysław Sztuczkowski
Chairman of the Management Board

Przemysław Grzesiak
Vice-Chairman of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board