Together reach more

Cognor S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2012

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2012	31.12.2011	31.12.2010
Assets				
Property, plant and equipment	*13*	317 671	342 734	373 818
Intangible assets	*14*	15 435	17 067	20 487
Investment property	*15*	603	1 291	1 320
Investment in associates	*16*	-	-	-
Other investments	*17*	7 117	3 086	3 288
Other receivables	*21*	40 943	44 583	241
Prepaid perpetual usufruct of land	*18*	18 954	19 850	19 257
Deferred tax assets	*19*	71 744	70 826	40 784
Total non-current assets		**472 467**	**499 437**	**459 195**
Inventories	*20*	179 201	178 472	176 216
Other investments	*17*	5 131	25 186	10
Current income tax receivables	*12*	82	7 744	590
Trade and other receivables	*21*	181 691	204 904	142 620
Cash and cash equivalents	*22*	64 151	47 166	9 280
Total current assets		**430 256**	**463 472**	**328 716**
Assets classified as held for sale	*23*	11 786	16 708	103 733
Assets of disposal group held for sale	*24*	-	-	544 534
Total assets		**914 509**	**979 617**	**1 436 178**

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

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2012	31.12.2011	31.12.2010
Equity				
Issued share capital	*25*	132 444	132 444	132 444
Reserves		141 312	131 452	140 977
Foreign currency translation reserves		(471)	(685)	18 185
Retained earnings		(109 274)	(98 971)	(208 551)
Total equity attributable to owners of the Parent Company		**164 011**	**164 240**	**83 055**
Non-controlling interests		12 831	12 201	8 803
Total equity		**176 842**	**176 441**	**91 858**
Liabilities				
Interest-bearing loans and borrowings	*27*	487 020	532 138	503 162
Employee benefits obligation	*28*	6 735	7 970	11 862
Other payables	*30*	-	65	-
Government grants and other deferred income		-	619	1 399
Deferred tax liabilities	*19*	6 618	7 937	8 970
Total non-current liabilities		**500 373**	**548 729**	**525 393**
Bank overdraft	*22*	15 495	25 236	83 884
Interest-bearing loans and borrowings	*27*	75 333	45 878	107 249
Employee benefits obligation	*28*	2 815	5 677	4 713
Current income tax payables	*12*	315	293	-
Provisions for payables	*29*	430	381	403
Trade and other payables	*30*	142 170	176 117	250 570
Government grants and other deferred income		736	865	1 007
Total current liabilities		**237 294**	**254 447**	**447 826**
Liabilities of disposal group held for sale		-	-	371 101
Total liabilites		**737 667**	**803 176**	**1 344 320**
Total equity and liabilities		**914 509**	**979 617**	**1 436 178**

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

Consolidated statement of comprehensive income

in PLN thousand	*Note*	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011 *restated*	01.01.2010 - 31.12.2010
Continuing operations				
Revenue	5	1 399 674	1 549 647	975 282
Cost of sales	6	(1 303 894)	(1 377 076)	(909 068)
Gross profit		**95 780**	**172 571**	**66 214**
Other income	7	11 571	9 919	9 673
Distribution expenses	6	(33 950)	(36 171)	(32 394)
Administrative expenses	6	(34 691)	(46 600)	(50 718)
Other (losses)/gains - net	8	(2 224)	15 309	(10 118)
Other expenses	9	(11 636)	(14 546)	(18 080)
Operating profit/(loss) before financing costs		**24 850**	**100 482**	**(35 423)**
Financial income	10	36 675	6 562	14 442
Financial expenses	10	(62 424)	(105 041)	(66 167)
Net financing costs		**(25 749)**	**(98 479)**	**(51 725)**
(Loss)/profit before tax		**(899)**	**2 003**	**(87 148)**
Income tax expense	11	1 086	21 887	(8 887)
Profit/(loss) for the period from continuing operations		**187**	**23 890**	**(96 035)**
Discontinued operations				
Profit/(loss) for the period from discontinued operations, net of tax	24	-	92 011	(88 118)
Profit/(loss) for the period		**187**	**115 901**	**(184 153)**
Profit/(loss) for the period attributable to:				
Owners of the Parent Company		(443)	115 820	(179 919)
Non-controlling interests		630	81	(4 234)
Profit/(loss) for the period		**187**	**115 901**	**(184 153)**
Other comprehensive income				
Foreign currency translation differences		214	(805)	(9 014)
Reclassification of foreign currency differences on disposal of foreign operations		-	(14 748)	-
Other comprehensive income for the year, net of tax		**214**	**(15 553)**	**(9 014)**
Total comprehensive income for the period		**401**	**100 348**	**(193 167)**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		(229)	96 950	(189 047)
Non-controlling interests		630	3 398	(4 120)
Total comprehensive income for the period		**401**	**100 348**	**(193 167)**
Basic earnings per share (PLN) attributable to the owners of the Parent Company		**(0,01)**	**1,75**	**(2,94)**
- from continuing operations		(0,01)	0,36	(1,50)
- from discontinued operations		-	1,39	(1,44)
Diluted earnings per share (PLN) attributable to the owners of the Parent Company		**(0,01)**	**1,75**	**(2,72)**
- from continuing operations		(0,01)	0,36	(1,39)
- from discontinued operations		-	1,39	(1,33)

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

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Continuing operations				
(Loss)/Profit before tax from continuing operations		(899)	2 003	(87 148)
Adjustments				
Depreciation	*13, 18*	38 240	40 769	40 826
Amortization	*14*	3 292	3 400	4 962
Impairment losses and valuation allowances		-	433	6 534
Foreign exchange (gains)/losses		(40 523)	64 576	(14 237)
Net (gains)/losses on investment activities		(1 478)	(13 649)	-
Net (gains)/losses on disposal of property, plant and equipment		(4 558)	2 877	(8 359)
Interest, transaction costs (related to loans and borrowings) and dividends, net		45 873	49 537	56 569
Change in receivables		22 152	(109 508)	21 225
Change in inventories	*20*	(729)	(41 984)	(24 406)
Change in trade and other payables		(23 842)	(30 930)	35 522
Change in provisions		10	2 595	(253)
Change in employee benefits obligation		(4 097)	(1 969)	651
Change in government grants and other deferred income		(748)	(847)	(1 117)
Other adjustments	*15*	17	-	-
Cash generated/(outflows) from continuing operations		**32 710**	**(32 697)**	**30 769**
Discontinued operations				
Profit (loss) before tax from discontinued operations		**-**	**89 347**	**(89 366)**
Adjustments				
Depreciation		-	-	13 189
Impairment losses and valuation allowances		-	-	20 895
Foreign exchange (gains)/losses		-	-	9 147
Net (gains)/losses on investment activities		-	(15 647)	485
Net (gains)/losses on disposal of property, plant and equipment		-	(63 647)	3 900
Interest, transaction costs (related to loans and borrowings) and dividends, net		-	641	3 984
Change in receivables		-	7 810	(25 983)
Change in inventories		-	39 728	7 333
Change in trade and other payables		-	(46 589)	59 221
Change in provisions		-	(7 961)	(3 066)
Change in employee benefits obligation		-	(959)	3 548
Change in government grants and other deferred income		-	(75)	(36)
Other adjustments		-	-	2 065
Cash generated from discontinued operations		**-**	**2 648**	**5 316**
Cash generated/(outflows) from operating activities		**32 710**	**(30 049)**	**36 085**
Income tax paid/returned, incl.		6 572	(8 041)	1 761
- continuing operations		*6 572*	*(676)*	*982*
- discontinued operations		*-*	*(7 365)*	*779*
Net cash from operating activities		**39 282**	**(38 090)**	**37 846**

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

Consolidated statement of cash flows - continued

in PLN thousand	***Note***	**01.01.2012 - 31.12.2012**	**01.01.2011 - 31.12.2011**	**01.01.2010 - 31.12.2010**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		8 241	1 229	16 823
Proceeds from sale of intangible assets		2 027	143	736
Proceeds from sale of investment properties		671	-	-
Proceeds from sale of prepaid perpetual usufruct of land		96	-	-
Proceeds from sale of assets held for sale		4 141	-	-
Proceeds from sale of other investments		5 985	-	-
Interest received		580	2 822	282
Dividends received		-	30	-
Repayment of loans granted		21 607	10 982	-
Other outflows from investing activities		-	(4 241)	-
Acquisition of property, plant and equipment		(12 951)	(9 493)	(8 397)
Acquisition of intangible assets		(1 832)	(704)	(786)
Prepaid perpetual usufruct of land		-	(1 971)	-
Loans granted		-	(3 569)	-
Acquisition of other investments		(5 318)	(2 379)	-
Cash generated/(outflows) from continuing operations		**23 247**	**(7 151)**	**8 658**
Cash generated from discontinued operations		-	276 287	34 097
Net cash from investing activities		**23 247**	**269 136**	**42 755**
Cash flows from financing activities				
Net cash receipts from share issue		-	330	43 800
Proceeds from interest-bearing loans and borrowings		25 084	10 861	2 471
Repayment of interest-bearing loans and borrowings		(125)	(91 389)	(7 984)
Payment of finance lease liabilities		(7 592)	(10 418)	(12 948)
Interest and transaction costs (related to loans and borrowings) paid		(46 453)	(49 952)	(56 990)
Other transactions with the Owner		(6 715)	-	-
Cash outflows from continuing operations		**(35 801)**	**(140 568)**	**(31 651)**
Cash outflows from discontinued operations		-	(845)	(19 496)
Net cash from financing activities		**(35 801)**	**(141 413)**	**(51 147)**
Net increase / (decrease) in cash and cash equivalents		**26 728**	**89 633**	**29 454**
Cash and cash equivalents net of bank overdraft, at 1 January	*22*	21 930	(67 704)	(96 432)
- effect of exchange rate fluctuations on cash held		*(2)*	-	*(726)*
Cash and cash equivalents net of bank overdraft, at 31 December	*22*	**48 656**	**21 930**	**(67 704)**
- including cash restricted for use		*15 732*	*22 410*	*29*

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

Consolidated statement of changes in equity

in PLN thousand	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
	Attributable to owners of the Parent Company						
Equity as at 1 January 2010	**102 374**	**192 959**	**27 313**	**(94 344)**	**228 302**	**12 923**	**241 225**
Total comprehensive income	-	-	(9 128)	(179 919)	**(189 047)**	(4 120)	**(193 167)**
- loss	-	-	-	*(179 919)*	***(179 919)***	*(4 234)*	***(184 153)***
- foreign currency translation differences relating to foreign operations	-	-	*(9 128)*	-	***(9 128)***	*114*	***(9 014)***
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	30 070	(30 070)	-	43 800	**43 800**	-	**43 800**
Conversion of warrants into shares	*30 070*	*(30 070)*	-	-	-	-	-
Sale of Cognor S.A.'s shares before reversed acquisition	-	-	-	*43 800*	***43 800***	-	***43 800***
Covering of loss	-	(21 912)	-	21 912	-	-	-
Equity as at 31 December 2010	**132 444**	**140 977**	**18 185**	**(208 551)**	**83 055**	**8 803**	**91 858**
Equity as at 1 January 2011	**132 444**	**140 977**	**18 185**	**(208 551)**	**83 055**	**8 803**	**91 858**
Total comprehensive income *(restated)*	-	-	(18 870)	115 820	**96 950**	3 398	**100 348**
- profit	-	-	-	*115 820*	***115 820***	*81*	***115 901***
- foreign currency translation differences relating to foreign operations	-	-	*(827)*	-	***(827)***	*22*	***(805)***
- reclassification of foreign currency differences on disposal of foreign operations	-	-	*(18 043)*	-	***(18 043)***	*3 295*	***(14 748)***
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company *(restated)*	-	(9 670)	-	(6 095)	**(15 765)**	-	**(15 765)**
Issue of warrants	-	*330*	-	-	***330***	-	***330***
Transactions on Cognor S.A.'s shares in connection with Group's restructuring	-	-	-	*(6 095)*	***(6 095)***	-	***(6 095)***
Purchase of own shares (in equity presented at nominal value)	-	*(10 000)*	-	-	***(10 000)***	-	***(10 000)***
Transfer of profit	-	145	-	(145)	-	-	-
Equity as at 31 December 2011	**132 444**	**131 452**	**(685)**	**(98 971)**	**164 240**	**12 201**	**176 441**
Equity as at 1 January 2012	**132 444**	**131 452**	**(685)**	**(98 971)**	**164 240**	**12 201**	**176 441**
Total comprehensive income	-	-	214	(443)	(229)	630	401
- (loss)/profit	-	-	-	*(443)*	***(443)***	*630*	***187***
- foreign currency translation differences relating to foreign operations	-	-	*214*	-	***214***	-	***214***
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	10 000	-	(10 000)	-	-	-
Transaction with owners (including sale of own shares)	-	*10 000*	-	*(10 000)*	-	-	-
Covering of loss	-	(140)	-	140	-	-	-
Equity as at 31 December 2012	**132 444**	**141 312**	**(471)**	**(109 274)**	**164 011**	**12 831**	**176 842**

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

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

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

The main activities of the Group comprise: 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 2012 comprise the Parent Company and its subsidiaries ("the Group"). Details of the subsidiaries that comprise the Group as at 31 December 2012 are presented in the table below.

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92,4%	2004-02-19*
ZW WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100,0%	2005-01-13*
HUTA STALI JAKOŚCIOWYCH S.A.	Poland	Manufacture of metal products	100,0%	2006-01-27*
KAPITAŁ S.A.	Poland	Financial services	100,0%	2004-06-13*
ZLOMREX INTERNATIONAL FINANCE S.A.	France	Financial services, Bond issuer	100,0%	2006-10-23*
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100,0%	2007-04-02*
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77,4%	2007-08-01
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100,0%	2006-05-15*
COGNOR FINANSE Sp. z o.o.	Poland	Financial services	100,0%	2007-03-28*
AB STAHL AG	Germany	Trade in metal products	100,0%	2006-08-03*

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

During 2010, the following changes occurred in the Złomrex S.A. Group:
- on March 4, 2010 Stalexport S.A. merged with Stalexport Serwis Centrum Bełchatów S.A.
- on September 1, 2010 Cognor S.A. merged with Stalexport S.A.

During 2011, the following changes occurred in the Złomrex S.A./Cognor S.A. Group:
- on February 4, 2011 the Cognor Stahlhandel GmbH subgroup was sold
- on July 4, 2011 CKM Włókniarz S.A. was sold
- on August 26, 2011 Odlewnia Metali Szopienice Sp. z o.o., Złomrex China and Złomrex Finanse were sold
- on November 2, 2011 Złomrex S.A. merged with HSW Huta Stali Jakościowych S.A.
- on December 29, 2011 Nowa Jakość S.A. merged with Kapitał Sp. z o.o. and changed the company name from Nowa Jakość S.A. to Kapitał S.A.

Following a series of transactions with the Owners of the Company, the Parent Company of the Group has changed from Złomrex S.A. to Cognor S.A.

During 2012, the following changes occurred in the Cognor S.A. Group:

- on April 19, 2012 the subsidiary Stalexport Metalzbyt Sp. z o.o. was liquidated according to the decision of the Commercial Court in Bialystok.
- on April 30, 2012 Cognor Finanse Sp. z o.o. merged with Cognor Services Sp. z o.o.
- on October 10, 2012 Kapitał S.A. merged with Centrostal Sp. z o.o.
- on November 28, 2012 Cognor S.A. merged with Złomrex Centrum Sp. z o.o.

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 2012 have been prepared on the going concern basis.

During the crisis of 2008-2010 the Group went through extremely difficult business conditions which resulted in negative net results and cash flows. Unprofitable operations raised numerous challenges for continuity of operations amid major integration projects pending and relatively high leverage.
The Group has responded with a number of measures to adjust its business model to changing market environment and to modify its capital structure aimed at indebtedness reduction. The most important decision was to divest the Group's steel distribution business which was finalized at the beginning of 2011. This resulted in a significant reduction of the debt burden and improved liquidity and led to significant progress in business operations with regained profitability in particular.

In 2012, the challenging environment for the steel industry repeated. The Group's profits deteriorated significantly, thanks to all the business restructuring however, the Group's operations continued untroubled with good liquidity. The current business model has proved its relative resistance to the industry's cyclicality. We are of the opinion that the last year has been exceptionally weak for the steel business and we expect some improvement in 2013.

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

The senior Notes issued by the Group, in the amount of EUR 118 million (PLN 483 million as at 31 December 2012), are due for settlement on February 1, 2014. Settlement of these liabilities is contingent on a refinancing of the debt. The refinancing of these liabilities by the Group is necessary as the Group will not be able to settle the full amount of the respective debt in the normal course of business at the date of its maturity. The Group has initiated preparations of a proposal to refinance the entire amount of the Notes in the first half of 2013. The management of the Group anticipate a successful closing of the refinancing before the existing senior Notes become due. However, as of the date of these consolidated financial statements the refinancing is uncommitted and therefore it is uncertain whether it will be successfully concluded. Factors that may hinder the refinancing include: liquidity and risk aversion of the financial markets, the perception of the Cognor Group by the potential investors and current and forecasted conditions for the steel industry.

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

(ii) Statement of compliance and basis of measurement

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

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 2013.

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 beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Except for IFRS 9 Financial Instruments awaiting EU approval (effective for annual periods beginning on or after 1 January 2015) and IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013), none of these is expected to have a significant impact on the consolidated financial statements of the Group. The Group has not completed its assessment of the impact of IFRS 9 and IFRS 13. The Group does not plan to adopt these standards early.

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 – going concern basis of accounting
- note 14 – impairment tests for cash-generating units containing goodwill
- note 19 – deferred tax assets and liabilities and utilization of tax losses
- note 24 – disposal group held for sale and discontinued operations
- note 28 – employee benefits obligations
- note 29 and 33 – provisions and contingencies
- note 31 – valuation of financial instruments
- note 32 – capital commitments

d) Functional and presentation currency

The consolidated financial statements are presented in Polish zloty, being the functional currency and presentation 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 and have been applied consistently by Group entities.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 Group's 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 Group's share of losses exceeds its interest in an associate, the Group's 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 Group's 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.

Acquisitions of non-controlling interests

The Company recognizes directly in equity 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.

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 "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within "other gains/(losses) net".

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 NPB (National Bank of Poland) rate at the reporting date. The income and expenses of foreign operations are translated to Polish zloty at average NPB 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 of dismantling and removing the components of tangible fixed assets and restoration cost. In respect of borrowing costs relating to qualifying assets for which the beginning date for capitalization was in 2009 or later, 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:

• Buildings	from 10 to 40 years
• Machinery and equipment	from 2 to 28 years
• Vehicles	from 5 to 22 years
• Fixtures 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 Group's 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.

Other development expenditures are recognized in profit or loss as incurred. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization (see below) and impairment losses.

CO2 Emission rights

CO2 Emission rights received from the State are measured at cost less impairment losses. The liability arising in an emission rights scheme 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.

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 at the reporting date (31 December). Other intangible assets are amortized from the date they are available for use.
The estimated useful lives are as follows:

• ERP licenses	8 years
• Capitalized development costs	5 years
• Other	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. 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 those for tangible assets presented in point c) above.

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

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.

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 gains/(losses) net". 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 delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's 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 'selling and marketing costs'. 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 'selling and marketing costs' 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.

Fair value of financial assets

Investments in debt and equity securities

The fair value of financial assets measured at fair value through profit or loss, investments held till the maturity date and financial assets available for sale, is evaluated on the basis of the market value as at reporting day (if the market value is available). The fair value of the investments held till the maturity date 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 the 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 of goods, commodities or raw materials sold. Identified surpluses or shortages in inventory are recognized in profit or loss in the same position.

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 Group's assets, other than inventories and of 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 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. Impairment losses are recognized in profit or loss.
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 asset's 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 and treasury shares. 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 share capital (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

Interest–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 with any difference between proceeds and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

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

n) Employee benefits

Defined benefits plan – 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 Group's internal regulations, Collective Labor Agreement for the Group's employees or other legal regulations in force.

Provisions for employee benefits are determined with the use of actuarial techniques and assumptions. Provisions are measured on the basis of the present value of the Group's future obligations with regard to employee benefits. Provisions are calculated using an individual method, separately for each employee.

The basis for the calculation of the provision for an employee is the projected amount of the benefit that the Group will have to pay upon retirement pursuant to the regulations described above. The projected amount of the benefit is calculated till it is vested with an employee, considering the projected amount of the basis of the benefit, projected increase in the benefit and the 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 evaluated without taking into consideration the discount and are recognized as costs at the moment of benefit realization.

Provisions are recognized in the amount of future payments for employees' 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 this liability could be reliably evaluated.

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 payables

Trade and other payables are stated 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 as deferred income when there is reasonable certainty that they will be received and that the Group will comply with the conditions attaching 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 cost 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 group's activities. Revenue is shown 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 over 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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(a) the amount of revenue can be measured reliably,
(b) it is probable that the economic benefits associated with the transaction will flow to the entity,
(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

s) Lease

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 the total 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 is recognized in profit or loss as it accrues, using the amortised cost method. Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established. The interest expense on trade and other non-financial liabilities is recognized in profit or loss using the effective interest 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.
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 substantively enacted at the 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 reviewed by the Management Board of the Parent Company that are used to make strategic decisions.

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

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

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

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

Business segments

in PLN thousand **31.12.2012**	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	264 668	1 113 440	18 947	2 619			
Inter-segment revenue	280 789	27 203	14	17 420			
Total revenue	**545 457**	**1 140 643**	**18 961**	**20 039**	-	(325 426)	**1 399 674**
Cost of sales to external customers	(239 034)	(1 043 315)	(18 197)	(3 348)			
Inter-segment cost of sales	(284 515)	(26 174)	(11)	(432)			
Total cost of sales	**(523 549)**	**(1 069 489)**	**(18 208)**	**(3 780)**	-	311 132	**(1 303 894)**
Segment result	**21 908**	**71 154**	**753**	**16 259**	-	**(14 294)**	**95 780**
Other income	2 248	3 055	272	7 043	89 482	(90 529)	11 571
Distribution and administrative expenses	(23 558)	(44 510)	(2 225)	(855)	(13 555)	16 062	(68 641)
Other gain/(losses) net	(660)	(1 615)	5 592	(271)	586	(5 856)	(2 224)
Other expenses	(2 651)	(2 676)	(256)	(303)	(8 604)	2 854	(11 636)
Operating profit/(loss)	**(2 713)**	**25 408**	**4 136**	**21 873**	**67 909**	**(91 763)**	**24 850**
Net financing costs	(692)	(6 931)	(182)	(3 611)	(92 650)	78 317	(25 749)
Income tax expense							1 086
Profit for the period							**187**

in PLN thousand 31.12.2011	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	228 913	1 276 400	39 591	4 743			
Inter-segment revenue	349 837	33 677	1 830	7 964			
Total revenue	**578 750**	**1 310 077**	**41 421**	**12 707**	**-**	**(393 308)**	**1 549 647**
Cost of sales to external customers	(184 341)	(1 145 102)	(38 397)	(9 236)			
Inter-segment cost of sales	(361 187)	(30 169)	(1 065)	(4 025)			
Total cost of sales	**(545 528)**	**(1 175 271)**	**(39 462)**	**(13 261)**	**-**	**396 446**	**(1 377 076)**
Segment result	**33 222**	**134 806**	**1 959**	**(554)**	**-**	**3 138**	**172 571**
Other income	10 117	4 806	10 549	9 218	62 741	(87 512)	9 919
Distribution and administrative expenses	(20 716)	(44 530)	(7 676)	(3 429)	(19 003)	12 583	(82 771)
Other gain/(losses) net	1 362	(305)	(578)	527	1 891	12 412	15 309
Other expenses	(1 447)	(14 108)	(794)	(1 328)	(11 686)	14 817	(14 546)
Operating profit	**22 538**	**80 669**	**3 460**	**4 434**	**33 943**	**(44 562)**	**100 482**
Net financing costs	(4 151)	(4 940)	(402)	(1 635)	(165 399)	78 048	(98 479)
Income tax expense							21 887
Profit for the period from continuing operation							**23 890**
Profit from discontinued operation	-	14 249	77 762	-	-	-	92 011
Profit for the period							**115 901**

in PLN thousand 31.12.2010	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	188 499	756 820	26 135	3 828			
Inter-segment revenue	204 956	41 111	2 319	2 796			
Total revenue	**393 455**	**797 931**	**28 454**	**6 624**	**-**	**(251 182)**	**975 282**
Cost of sales to external customers	(158 771)	(718 963)	(23 277)	(8 057)			
Inter-segment cost of sales	(209 343)	(41 437)	(2 231)	(1 337)			
Total cost of sales	**(368 114)**	**(760 400)**	**(25 508)**	**(9 394)**	**-**	**254 348**	**(909 068)**
Segment result	**25 341**	**37 531**	**2 946**	**(2 770)**	**-**	**3 166**	**66 214**
Other income	5 342	12 678	724	466	65 794	(75 331)	9 673
Distribution and administrative expenses	(17 460)	(42 106)	(2 915)	(702)	(14 493)	(5 436)	(83 112)
Other gain/(losses) net	757	(32 496)	386	(124)	12 056	9 303	(10 118)
Other expenses	(936)	(9 232)	(803)	(327)	(18 508)	11 726	(18 080)
Operating profit/(loss)	**13 044**	**(33 625)**	**338**	**(3 457)**	**44 849**	**(56 572)**	**(35 423)**
Net financing costs	(5 586)	(462)	(246)	22	(97 107)	51 654	(51 725)
Income tax expense							(8 887)
Loss for the period from continuing operation							**(96 035)**
Profit/(loss) from discontinued operation	-	1 019	(89 137)	-	-	-	(88 118)
Loss for the period							**(184 153)**

in PLN thousand 31.12.2012	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	85 170	597 324	5 252	14 009	212 754	**914 509**
Segment liabilities	32 964	90 921	173	1 372	612 237	**737 667**
Capital expenditure	1 477	12 840	92	4 447	-	**18 856**
Major non-cash items:						
Depreciation/amortization	(3 951)	(34 835)	(381)	(1 942)	-	**(41 109)**
Impairment losses and valuation allowances	77	619	(489)	976	53	**1 236**
Total major non-cash items	**(3 874)**	**(34 216)**	**(870)**	**(966)**	**53**	**(39 873)**

in PLN thousand 31.12.2011	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	99 168	636 338	16 319	7 395	220 397	**979 617**
Segment liabilities	57 375	91 729	2 814	8 361	642 897	**803 176**
Capital expenditure	2 708	9 699	97	263	-	**12 767**
Major non-cash items:						
Depreciation/amortization	(4 899)	(37 946)	(550)	(774)	-	**(44 169)**
Impairment losses and valuation allowances	4	(221)	(2)	460	-	**241**
Total major non-cash items	**(4 895)**	**(38 167)**	**(552)**	**(314)**	**-**	**(43 928)**

in PLN thousand 31.12.2010	Scrap division	Production division	Distribu-tion division	Other	Unallocated	Consolidated
Segment assets	69 102	539 191	85 830	14 610	79 178	787 911
Disposal group of assets and assets held for sale	-	219 802	383 498	-	44 967	648 267
Total assets	**69 102**	**758 993**	**469 328**	**14 610**	**124 145**	**1 436 178**
Segment liabilities	45 782	108 602	37 765	7 961	773 109	973 219
Disposal group of liabilities	-	181 335	189 766	-	-	371 101
Total liabilities	**45 782**	**289 937**	**227 531**	**7 961**	**773 109**	**1 344 320**
Capital expenditure	1 333	7 073	283	261	-	**8 950**
Major non-cash items:						
Depreciation/amortization	(5 675)	(36 283)	(436)	(3 227)	-	**(45 621)**
Impairment losses and valuation allowances	110	7 348	(86)	(2 764)	(13 350)	**(8 742)**
Total major non-cash items	**(5 565)**	**(28 935)**	**(522)**	**(5 991)**	**(13 350)**	**(54 363)**

Unallocated assets *in PLN thousand*	**31.12.2012**	**31.12.2011**	**31.12.2010**
Long-term and short-term investments	12 248	28 272	3 298
Deferred tax assets	71 744	70 826	40 784
Investment property	603	1 291	1 320
Income tax receivable	82	7 744	590
Cash and cash equivalents	64 151	47 177	9 280
Assets held for sale	11 786	16 708	-
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	52 140	48 379	23 906
	212 754	**220 397**	**79 178**

Unallocated liabilities *in PLN thousand*	**31.12.2012**	**31.12.2011**	**31.12.2010**
Interest-bearing loans and borrowings	562 353	578 016	610 411
Bank overdraft	15 495	25 236	83 884
Deferred tax liabilities	6 618	7 937	8 970
Employee benefits	9 550	13 647	16 575
Government grants and other deferred income	736	1 484	2 406
Current income tax payables	315	293	-
Other liabilities	17 170	16 284	50 863
	612 237	**642 897**	**773 109**

3 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Other countries			Consolidated		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Revenue from external customers	1 004 887	1 008 407	533 125	394 787	541 240	442 157	1 399 674	1 549 647	975 282
Capital expenditure	14 400	10 535	4 373	4 456	2 232	4 577	18 856	12 767	8 950

Cognor Stahlhandel GmbH Group (Austrian Group) comprised all the Group's distribution operations outside Poland and as at 31 December 2010 it constituted disposal group held for sale. After the reclassification to disposal group and subsequent sale of the Cognor Stahlhandel GmbH Group, the Group's non-current assets other than financial instruments and deferred tax assets are located in Poland.

Major customer

In 2012, none of the Group’s customers exceeded 10% of consolidated revenues (in 2011: revenues to one customer exceeded 10% revenues relating to continuing operations and amounted to PLN 182 324 thousand, in 2010: revenues to one customer exceeded 10% revenues relating to continuing operations and amounted to PLN 110 282 thousand).

4 Acquisitions of subsidiaries

In 2012, 2011 and 2010 no acquisitions occurred.

5 Revenues from sale

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Revenues from sale of products	1 148 997	1 292 028	798 874
Revenues form sale of services	5 158	6 484	3 229
Revenues from sale of goods	116 438	119 906	81 312
Revenues from sale of raw materials	129 081	131 229	91 867
	1 399 674	**1 549 647**	**975 282**

6 Expenses by type

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Depreciation and amortisation (note 13 and 14)	(41 109)	(44 169)	(45 621)
Energy and materials consumption	(933 550)	(1 020 861)	(632 416)
External services	(97 231)	(115 987)	(97 166)
Taxes and charges	(8 093)	(7 416)	(7 750)
Wages and salaries	(68 167)	(71 579)	(65 813)
Social security contributions and other benefits	(15 546)	(14 287)	(13 719)
Other expenses	(3 798)	(3 484)	(3 122)
Amortization of prepaid perpetual usufruct of land	(423)	(396)	(375)
Total expenses by type	**(1 167 917)**	**(1 278 179)**	**(865 982)**
Cost of goods for resale	(230 387)	(231 201)	(156 971)
Changes in inventories and costs settled	25 769	49 533	30 773
Costs of sales, administrative and distribution expenses	**(1 372 535)**	**(1 459 847)**	**(992 180)**

7 Other income

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Compensations and penalties received	195	1 006	417
Insurance compensations	98	217	517
Forgiven liabilities	5	599	196
Reimbursed costs of court proceedings	186	556	130
Reversal of impairment for non financial non-current assets	-	241	113
Donations	745	851	938
Interest income relating to trade receivables	4 680	2 960	3 140
Fees and commissions	25	50	236
Reversal of allowance for interest and other receivables	1 371	880	1 993
CER/EU swap	1 149	-	-
Other	3 117	2 559	1 993
	11 571	**9 919**	**9 673**

8 Other gains / (losses) - net

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Net gain /(loss) on disposal of property, plant and equipment	3 861	(1 771)	7 868
Net gain/(loss) on disposal of intangible assets	1 855	544	491
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	(377)	-	-
Net gain/(loss) on disposal of assets held for sale	(781)	-	-
Net gain /(loss) on sales of other investments	(4)	16 164	(17 664)
Revaluation of investments at fair value through profit and loss	-	(671)	-
Net loss on revaluation of investments	-	-	(2 121)
Net foreign exchange gain/(loss) relating to operating activities	(6 778)	1 043	1 308
	(2 224)	**15 309**	**(10 118)**

9 Other expenses

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Interest expenses relating to non-financial liabilities	(2 588)	(2 654)	(4 413)
Impairment loss on other receivables and interests	(1 075)	(322)	-
Impairment of tangible and intangible assets	-	-	(1 336)
Costs of court proceedings	(272)	(604)	(671)
Contractual penalties	(3 351)	(4 595)	(323)
Forgiven receivables	(1 842)	(861)	(431)
Donations	(4)	(95)	(3)
Unused production capacities	(572)	(371)	(1 178)
Costs of redundant assets	-	(3 531)	-
Restructuring costs	-	-	(1 593)
Goodwill write-off	-	-	(5 198)
Other	(1 932)	(1 513)	(2 934)
	(11 636)	**(14 546)**	**(18 080)**

10 Net financing costs

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Financial income			
Net gain on purchase of own debt	1 482	3 323	-
Interests on financial assets and commissions	-	3 239	-
Net foreign exchange gain	35 193	-	14 237
Forgiven financial liabilities	-	-	205
Financial income	**36 675**	**6 562**	**14 442**
Financial costs			
Interest expense relating to financial liabilities	(56 392)	(52 020)	(56 851)
Bank fees and transaction costs related to loans and borrowings (deferred using the effective interest rate method)	(5 045)	(5 620)	(6 619)
Net foreign exchange loss	-	(45 776)	-
Other	(987)	(1 625)	(2 697)
Financial expenses	**(62 424)**	**(105 041)**	**(66 167)**
Net financing costs	**(25 749)**	**(98 479)**	**(51 725)**

11 Income tax expense

Recognised in the profit and loss

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010
Current tax expense			
Current year			
- continuing operations	(1 112)	(676)	(12)
incl. adjustment to prior years' income tax	98	-	-
- discontinued operations	-	(504)	(437)
	(1 112)	**(1 180)**	**(449)**
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	2 198	22 563	(8 875)
- discontinued operations	-	3 168	1 685
	2 198	**25 731**	**(7 190)**
Total income tax expense in the profit and loss	**1 086**	**24 551**	**(7 639)**

Reconciliation of effective tax rate

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2011 - 31.12.2011	01.01.2010- 31.12.2010	01.01.2010- 31.12.2010
Profit/(loss) before tax	**100,0%**	**(899)**	**100,0%**	**91 350**	**100,0%**	**(176 514)**
- continuing operations	100,0%	(899)	2,2%	2 003	49,4%	(87 148)
- discontinued operations	0,0%	-	97,8%	89 347	50,6%	(89 366)
Income tax using the domestic corporation tax rate	(19.0%)	171	(19.0%)	(17 357)	(19.0%)	33 538
Effect of tax rates in foreign jurisdictions	(8.3%)	75	(0.2%)	(137)	0.2%	(343)
Non-deductible costs	809.3%	(7 276)	(6.1%)	(5 528)	7.7%	(13 566)
Tax exempt income	(520.0%)	4 675	25.0%	22 817	(2.4%)	4 269
Utilisation of tax losses not recognised in previous years	-	-	0.7%	665	(0.2%)	342
Tax losses for which no deferred tax asset was recognised	20.9%	(188)	(0.3%)	(298)	11.2%	(19 844)
Adjustment to prior years' income tax	(10.9%)	98	-	-	0.1%	(100)
Reversal of allowances for tax losses/(write down) of tax losses previously recognised	(383.3%)	3 446	25.0%	22 797	6.1%	(10 820)
Other	(9.5%)	85	1.7%	1 592	0.6%	(1 115)
	(120.8%)	**1 086**	**26.9%**	**24 551**	**4.3%**	**(7 639)**

12 Current tax assets and liabilities

The current tax receivables as at 31.12.2012 amounted to PLN 82 thousand (31.12.2011: PLN 7 744 thousand, 31.12.2010: PLN 590 thousand).

As at 31.12.2012 the current tax payables amounted to PLN 315 thousand (31.12.2011: PLN 293 thousand, 31.12.2010: PLN 0 thousand).

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 01.01.2010	69 789	306 257	461 789	40 097	8 956	19 420	**906 308**
Additions	-	-	1 075	268	2	6 869	**8 214**
Reclassification	-	-	33	-	(33)	-	**-**
Transfer to investment properties	(62)	(834)	(23)	-	-	-	**(919)**
Transfer to assets held for sale	(2 316)	(56 759)	(22 483)	(3 569)	(641)	-	**(85 768)**
Transfer to discontinued operations	(64 680)	(76 318)	(29 852)	(287)	(765)	(8 991)	**(180 893)**
Transfer from fixed assets under construction	-	6 640	8 096	393	118	(15 247)	**-**
Disposals	-	(4 484)	(9 824)	(3 446)	(223)	(422)	**(18 399)**
Exchange rate differences	(1 889)	(1 440)	(290)	(35)	(40)	152	**(3 542)**
Balance at 31.12.2010	**842**	**173 062**	**408 521**	**33 421**	**7 374**	**1 781**	**625 001**
Balance at 01.01.2011	842	173 062	408 521	33 421	7 374	1 781	**625 001**
Additions	-	-	1 200	546	-	10 317	**12 063**
Transfer to assets held for sale	-	-	-	48	-	(10)	**38**
Transfer from fixed assets under construction	-	726	4 754	357	350	(6 187)	**-**
Disposals	-	(715)	(2 317)	(1 399)	(155)	(3 647)	**(8 233)**
Balance at 31.12.2011	**842**	**173 073**	**412 158**	**32 973**	**7 569**	**2 254**	**628 869**
Balance at 01.01.2012	842	173 073	412 158	32 973	7 569	2 254	**628 869**
Additions	-	-	2 413	1 711	-	12 900	**17 024**
Transfer from fixed assets under construction	168	494	3 322	469	184	(4 637)	**-**
Disposals	-	(3 336)	(4 120)	(904)	(628)	(45)	**(9 033)**
Balance at 31.12.2012	**1 010**	**170 231**	**413 773**	**34 249**	**7 125**	**10 472**	**636 860**
Depreciation and impairment losses							
Balance at 01.01.2010	(2 584)	(48 435)	(156 768)	(28 764)	(4 425)	(1 881)	**(242 857)**
Depreciation charge for the year *	(47)	(10 708)	(37 783)	(4 189)	(1 121)	-	**(53 848)**
Reversal of impairment loss	-	801	1 571	-	-	540	**2 912**
Reclassification	-	-	(45)	-	45	-	**-**
Transfer to investment properties	3	192	7	-	-	-	**202**
Transfer to/from assets held for sale	-	6 489	10 010	1 388	385	-	**18 272**
Transfer to discontinued operations	2 555	5 976	5 761	27	242	94	**14 655**
Disposals	-	1 181	5 102	2 557	187	-	**9 027**
Exchange rate differences	62	130	212	34	16	-	**454**
Balance at 31.12.2010	**(11)**	**(44 374)**	**(171 933)**	**(28 947)**	**(4 671)**	**(1 247)**	**(251 183)**
Balance at 01.01.2011	(11)	(44 374)	(171 933)	(28 947)	(4 671)	(1 247)	**(251 183)**
Depreciation charge for the year	-	(6 190)	(30 507)	(2 596)	(814)	-	**(40 107)**
Reversal of impairment loss	-	-	241	-	-	-	**241**
Disposals	-	406	1 570	1 144	547	1 247	**4 914**
Balance at 31.12.2011	**(11)**	**(50 158)**	**(200 629)**	**(30 399)**	**(4 938)**	**-**	**(286 135)**
Balance at 01.01.2012	(11)	(50 158)	(200 629)	(30 399)	(4 938)	-	**(286 135)**
Depreciation charge for the year	-	(5 884)	(29 382)	(1 828)	(723)	-	**(37 817)**
Impairment loss	-	-	(13)	-	-	-	**(13)**
Disposals	-	516	2 960	884	416	-	**4 776**
Balance at 31.12.2012	**(11)**	**(55 526)**	**(227 064)**	**(31 343)**	**(5 245)**	**-**	**(319 189)**

(in PLN thousand, unless stated otherwise)

Carrying amounts

Balance at 01.01.2010	67 205	257 822	305 021	11 333	4 531	17 539	663 451
Balance at 31.12.2010	831	128 688	236 588	4 474	2 703	534	373 818
Balance at 01.01.2011	831	128 688	236 588	4 474	2 703	534	373 818
Balance at 31.12.2011	831	122 915	211 529	2 574	2 631	2 254	342 734
Balance at 01.01.2012	831	122 915	211 529	2 574	2 631	2 254	342 734
Balance at 31.12.2012	999	114 705	186 709	2 906	1 880	10 472	317 671

* depreciation charge for 2010 relating to continuing operations amounted to PLN 41 554 thousand, and relating to discontinued operations amounted to PLN 12 294 thousand.

Property, plant and equipment

	31.12.2012	31.12.2011	31.12.2010
Land	999	831	831
Buildings	114 705	122 915	128 688
Plant and equipment	186 709	211 529	236 588
Vehicles	2 906	2 574	4 474
Fixtures and fittings	1 880	2 631	2 703
Under construction	10 472	2 254	534
Total	**317 671**	**342 734**	**373 818**

	31.12.2012	31.12.2011	31.12.2010
Property, plant and equipment pledged as security for liabilities	61 803	14 937	46 153

Leased plant and machinery

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 the equipment at a beneficial price.

As at 31.12.2012 the net carrying amount of leased plant, machinery and vehicles was PLN 31 736 thousand (31.12.2011: PLN 5 642 thousand, 31.12.2010: PLN 20 783 thousand).

The leased equipment secures lease obligations (see note 27).

Collateral

As at 31.12.2012 property, pland and equipment with a carrying amount of PLN 30 067 thousand (31.12.2011: PLN 9 295 thousand, 31.12.2010: PLN 25 370 thousand) was provided as collateral for bank loans, overdrafts and as a security for guarantees granted by the Croatian State.

Additionally, as described in the preceding paragraph, leased equipment secures lease obligations.

Impairment loss

	31.12.2012	31.12.2011	31.12.2010
Land	-	-	-
Buildings	(242)	(2 134)	(2 751)
Plant and equipment	(3 559)	(3 733)	(3 974)
Vehicles	-	-	-
Fixtures and fittings	-	-	-
Under construction	(859)	(859)	(296)
Total	**(4 660)**	**(6 726)**	**(7 021)**

As at 31.12.2012, the Group recognized an impairment losses of PLN 4 660 thousand related mainly to unused production plant and machinery (31.12.2011: PLN 6 726 thousand and 31.12.2010: PLN 7 021 thousand).

14 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2010	24 915	15 863	51	26 763	**67 592**
Additions	-	65	19	752	**836**
Transfer to assets held for sale	-	-	-	(873)	**(873)**
Transfer to discontinued operations	(8 905)	-	-	(1 611)	**(10 516)**
Disposals	(423)	(2 312)	(16)	(367)	**(3 118)**
Exchange rate differences	(332)	-	-	(126)	**(458)**
Balance at 31.12.2010	**15 255**	**13 616**	**54**	**24 538**	**53 463**
Balance at 01.01.2011	15 255	13 616	54	24 538	**53 463**
Additions	-	64	407	233	**704**
Transfer to assets held for sale	-	-	-	(800)	**(800)**
Disposals	-	-	(13)	(899)	**(912)**
Balance at 31.12.2011	**15 255**	**13 680**	**448**	**23 072**	**52 455**
Balance at 01.01.2012	15 255	13 680	448	23 072	**52 455**
Additions	-	69	1 694	69	**1 832**
Disposals	-	-	(61)	(197)	**(258)**
Balance at 31.12.2012	**15 255**	**13 749**	**2 081**	**22 944**	**54 029**
Amortisation and impairment losses					
Balance at 01.01.2010	(1 032)	(7 856)	(24)	(16 505)	**(25 417)**
Amortisation for the year	-	(2 483)	(12)	(2 467)	**(4 962)**
Impairment loss	(5 198)	348	-	(2 066)	**(6 916)**
Transfer to assets held for sale	-	-	-	767	**767**
Transfer to discontinued operations	-	-	-	1 019	**1 019**
Disposals	-	2 099	-	341	**2 440**
Exchange rate differences	-	-	-	93	**93**
Balance at 31.12.2010	**(6 230)**	**(7 892)**	**(36)**	**(18 818)**	**(32 976)**
Balance at 01.01.2011	(6 230)	(7 892)	(36)	(18 818)	**(32 976)**
Amortisation for the year	-	(2 197)	(19)	(1 184)	**(3 400)**
Transfer to assets held for sale	-	-	-	295	**295**
Disposals	-	-	-	693	**693**
Balance at 31.12.2011	**(6 230)**	**(10 089)**	**(55)**	**(19 014)**	**(35 388)**
Balance at 01.01.2012	(6 230)	(10 089)	(55)	(19 014)	**(35 388)**
Amortisation for the year	-	(1 802)	(16)	(1 474)	**(3 292)**
Disposals	-	-	-	86	**86**
Balance at 31.12.2012	**(6 230)**	**(11 891)**	**(71)**	**(20 402)**	**(38 594)**
Carrying amounts					
Balance at 01.01.2010	23 883	8 007	27	10 258	42 175
Balance at 31.12.2010	9 025	5 724	18	5 720	20 487
Balance at 01.01.2011	9 025	5 724	18	5 720	20 487
Balance at 31.12.2011	9 025	3 591	393	4 058	17 067
Balance at 01.01.2012	9 025	3 591	393	4 058	17 067
Balance at 31.12.2012	9 025	1 858	2 010	2 542	15 435

Intangible assets

	31.12.2012	31.12.2011	31.12.2010
Goodwill	9 025	9 025	9 025
Development costs	1 858	3 591	5 724
Emission rights	2 010	393	18
Software and other	2 542	4 058	5 720
Total	**15 435**	**17 067**	**20 487**

Impairment losses

As at 31.12.2012, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 1 040 thousand (31.12.2011: PLN 1 040 thousand; 31.12.2010: PLN 2 066 thousand). Impairment losses recognized in 2012 and 2011 related to software, and in 2010 related to development costs and also to a trademark.

Leased intangible assets

As at 31.12.2012 and as at 31.12.2011 there was no leased intangible assets (31.12.2010: PLN 2 506 thousand).

Amortisation and impairment loss charge

The amortisation and impairment losses are recognised in the following captions of the profit or loss:

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Cost of sales	-	-	(2 418)
Distribution expenses	-	-	(10)
Administration expenses	(433)	(3 400)	(2 534)
Other expenses	(2 859)	-	(6 916)
	(3 292)	**(3 400)**	**(11 878)**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs):

	31.12.2012	31.12.2011	31.12.2010
Scrap division	5 029	5 029	5 029
Production division	3 996	3 996	3 996
Distribution division	-	-	-
	9 025	**9 025**	**9 025**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the 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 2012 are as follows:

	Scrap division	Production division	Distribution division
Discount rate (post-tax)	11.94%	11.94%	-
Growth rate	2.9%	2.9%	-

The key assumptions used for value-in-use calculations in 2011 are as follows:

	Scrap division	Production division	Distribution division
Discount rate (post-tax)	11.47%	11.47%	-
Growth rate	2.0%	2.0%	-

The key assumptions used for value-in-use calculations in 2010 are as follows:

	Scrap division	Production division	Distribution division
Discount rate (post-tax)	11.47%	11.47%	-
Growth rate	2.0%	2.0%	2.0%

Management 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 31.12.2012, there was no need to recognize additional impairment on goodwill relating to the scrap division and production division.
As the result of the impairment test as at 31.12.2011, there was no need to recognize additional impairment on goodwill relating to the scrap division and production division.
As the result of the impairment test as at 31.12.2010, goodwill relating to the production division of PLN 5 198 thousand was written down. Additionally, in 2010 goodwill allocated to the distribution division of PLN 8 905 thousand was transferred to assets held for sale.

15 Investment property

in PLN thousand	2012	2011	2010
Balance at 1 January	1 291	1 320	603
Transfer from tangible fixed assets	-	-	717
Amortization for the period	(17)	(29)	-
Disposals	(671)	-	-
Balance at 31 December	**603**	**1 291**	**1 320**

Management's assessed that the carrying value of investment property approximates to its fair value.
In years 2012 - 2010, the Group did not receive revenues from renting investment properties.

16 Investments in associates

As at 31.12.2012 and as at 31.12.2011 the Group had no investments in associates.
As at 31 December 2010, the Group had no investments in associates other than those included in the disposal group.

17 Other investments

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Non-current investments			
Loans granted	30	-	39
Shares in unconsolidated entities	3 087	3 086	3 249
Other	4 000	-	-
	7 117	**3 086**	**3 288**
Current investments			
Loans granted	3 813	25 176	-
Shares in unconsolidated entities	-	10	10
Other	1 318	-	-
	5 131	**25 186**	**10**

An impairment loss amounting to PLN 139 997 thousand (incl. impairment loss for shares in unconsolidated entities, i.e. Zeljezara Split of PLN 139 991 thousand) was recognised on 31.12.2012 due to financial difficulties of the borrowers. In previous years an impairment loss was recognized with respect to loans (31.12.2011: PLN 6 thousand, 31.12.2010: PLN 13 846 thousand) and with respect to shares in unconsolidated entities (31.12.2011: PLN 153 601 thousand).

As at 31 December 2012, 2011 and 2010 shares in the following consolidated subsidiaries:
- Zlomrex International Finance S.A.,
- Ferrostal Łabędy Sp. z o.o.,
- ZW Walcownia Bruzdowa Sp. z o.o.
- Huta Stali Jakościowych S.A.,
- Business Support Services Sp. z o.o.,
- Złomrex Metal Sp. z o.o. (since 2010)

are pledged as security for High Yield Bonds listed on the Luxembourg Stock Exchange.

Additionally, the shares in Odlewnia Metali Szopienice Sp. z o.o. (as at 31.12.2010 disclosed as other investments) were also pledged as security for the High Yield Bonds. On 27 August 2011, Odlewnia Metali Szopienice Sp. z o.o. was disposed of to PS HoldCo Sp. z o.o., that is the main shareholder of the Parent Company.

Till December 2010, shares in Cognor Stahlhandel GmbH were also pledged as security, however taking into consideration plans for the sale of these shares, after acceptance of bondholders, the pledge was removed. In 2010, shares in Złomrex Metal Sp. z o.o. (also a subsidiary) were pledged as security for High Yield Bonds listed on the Luxembourg Stock Exchange.

18 Perpetual usufruct of land

in PLN thousand	**2012**	**2011**	**2010**
Balance at 1 January	19 850	19 257	45 857
Acquisition	-	1 971	755
Transfer to fixed assets held for sale	-	-	(26 889)
Disposals	(473)	(308)	-
Amortization for the period	(423)	(396)	(466)
Impairment loss	-	(674)	-
Balance at 31 December	**18 954**	**19 850**	**19 257**

19 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**		
	31.12.2012	**31.12.2011**	**31.12.2010**	**31.12.2012**	**31.12.2011**	**31.12.2010**	**31.12.2012**	**31.12.2011**	**31.12.2010**
Property, plant and equipment	3 862	1 618	-	(13 926)	(15 502)	(20 237)	(10 064)	(13 884)	(20 237)
Intangible assets	266	1 580	1 547	-	-	(122)	266	1 580	1 425
Investment property	-	75	75	-	-	-	-	75	75
Other investments	1 037	2 551	4 481	(827)	-	(2 705)	210	2 551	1 776
Prepaid perpetual usufruct of land	1 858	1 899	2 047	-	(90)	(1 305)	1 858	1 809	742
Inventories	2 216	2 383	2 478	-	-	(176)	2 216	2 383	2 302
Trade and other receivables	1 052	382	888	(4 245)	(7 424)	(3 958)	(3 193)	(7 042)	(3 070)

Interest bearing loans and borrowings	24 778	16 144	6 341	(5 061)	-	(104)	19 717	16 144	6 237
Employee benefits	2 020	2 875	3 452	-	-	-	2 020	2 875	3 452
Provisions	10	19	69	-	-	-	10	19	69
Trade and other payables	6 039	6 256	6 798	(25)	-	-	6 014	6 256	6 798
Other items	2 084	-	-	-	-	(1 440)	2 084	-	(1 440)
Tax value of loss carry-forward expected to be utilised	43 988	50 123	33 685	-	-	-	43 988	50 123	33 685
Tax assets/(liabilities)	**89 210**	**85 905**	**61 861**	**(24 084)**	**(23 016)**	**(30 047)**	**65 126**	**62 889**	**31 814**
Set off of tax assets/ liabilities	(17 466)	(15 079)	(21 077)	17 466	15 079	21 077			
Net deferred tax assets/ liabilities	**71 744**	**70 826**	**40 784**	**(6 618)**	**(7 937)**	**(8 970)**			

Movement in temporary differences during the year

in PLN thousand	01.01.2012	Recognised in profit or loss and in foreign currency translation	Recognised through business combinations and in equity	31.12.2012
Property, plant and equipment	(13 884)	3 820	-	(10 064)
Intangible assets	1 580	(1 314)	-	266
Investment property	75	(75)	-	-
Other investments	2 551	(2 341)	-	210
Prepaid perpetual usufruct of land	1 809	49	-	1 858
Inventories	2 383	(167)	-	2 216
Trade and other receivables	(7 042)	3 849	-	(3 193)
Interest bearing loans and borrowings	16 144	3 573	-	19 717
Employee benefits	2 875	(855)	-	2 020
Provisions	19	(9)	-	10
Trade and other payables	6 256	(242)	-	6 014
Other items	-	2 084	-	2 084
Tax value of loss carry-forwards expected to be utilised	50 123	(6 135)	-	43 988
	62 889	**2 237**	**-**	**65 126**
Foreign exchange rate differences		(39)		
Recognised in the profit and loss		**2 198**		
	62 889	**2 237**	**-**	**65 126**

in PLN thousand	01.01.2011	Recognised in profit or loss and in foreign currency translation	Recognised through business combinations and in equity	31.12.2011
Property, plant and equipment	(20 237)	6 353	-	(13 884)
Intangible assets	1 425	155	-	1 580
Investment property	75	-	-	75
Other investments	1 776	775	-	2 551
Prepaid perpetual usufruct of land	742	1 067	-	1 809
Inventories	2 302	81	-	2 383
Trade and other receivables	(3 070)	(3 972)	-	(7 042)
Interest bearing loans and borrowings	6 237	9 907	-	16 144

Employee benefits	3 452	(577)	-	2 875
Provisions	69	(50)	-	19
Trade and other payables	6 798	(542)	-	6 256
Other items	(1 440)	1 440	-	-
Tax value of loss carry-forward expected to be utilised	33 685	16 438	-	50 123
	31 814	**31 075**	**-**	**62 889**
Transfer of deferred tax to disposal group of assets		(8 440)		
Foreign exchange rate differences		(72)		
Recognised in the profit and loss		**22 563**		
	31 814	**31 075**	**-**	**62 889**

in PLN thousand	**01.01.2010**	**Recognised in profit or loss and in foreign currency translation**	**Recognised through business combinations and in equity**	**31.12.2010**
Property, plant and equipment	(28 713)	8 476	-	(20 237)
Intangible assets	2 134	(709)	-	1 425
Investment property	75	-	-	75
Other investments	7 371	(5 595)	-	1 776
Prepaid perpetual usufruct of land	(1 872)	2 614	-	742
Inventories	5 239	(2 937)	-	2 302
Trade and other receivables	(3 401)	331	-	(3 070)
Interest bearing loans and borrowings	6 838	(601)	-	6 237
Employee benefits	5 732	(2 280)	-	3 452
Provisions	72	(3)	-	69
Trade and other payables	5 531	1 267	-	6 798
Other items	(5 513)	4 073	-	(1 440)
Tax value of loss carry-forward expected to be utilised	46 612	(12 927)	-	33 685
	40 105	**(8 291)**	**-**	**31 814**
Transfer of deferred tax to disposal group of assets		(450)		
Foreign exchange rate differences		28		
Recognised in the profit and loss		**(8 713)**		
	40 105	**(8 291)**	**-**	**31 814**

Unrecognised deferred tax assets

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

in PLN thousand	**2012**	**2011**	**2010**
Tax losses	1 981	2 234	26 997
Other	-	-	-
Total	**1 981**	**2 234**	**26 997**

The tax losses as at 31.12.2012 presented in the above table expire in 2014 (PLN 1 255 thousand), in 2015 (PLN 557 thousand), in 2016 (PLN 164 thousand) and in 2017 (PLN 5 thousand).
Deferred tax assets have not been recognized in respect of these items due to uncertainty that future taxable profit will be available against which the tax losses can be utilized.

In 2010 deferred tax assets regarding loss carry-forward of Złomrex S.A. in the amount PLN 14 263 thousand was not recognized due to uncertainty of their utilisation. In 2011, Złomrex S.A. merged with HSW-Huta Stali Jakościowych S.A. and the Group recognized deferred tax assets regarding loss carry-forwards of Złomrex S.A. in the amount of PLN 18 092 thousand based on the Management's reassessment of probability of their utilisation.

20 Inventories

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
Raw materials	47 996	57 029	38 646
Semi-finished goods and work in progress	50 138	50 937	46 416
Finished goods	59 170	51 763	34 540
Goods for resale	21 897	18 743	56 614
	179 201	**178 472**	**176 216**

Movements in allowances for inventories

in PLN thousand	**2012**	**2011**	**2010**
Balance at 1 January	(12 054)	(11 541)	(30 202)
Recognition	(892)	(513)	(5 830)
Utilization	-	-	2 350
Reversal	649	-	8 358
Transfer to discontinued operations	-	-	13 783
Balance at 31 December	**(12 297)**	**(12 054)**	**(11 541)**

Inventories are presented net of allowances of PLN 12 297 thousand (31.12.2011: PLN 12 054 thousand; 31.12.2010: PLN 11 541 thousand). Allowances related mainly to goods for resale and finished goods with a net realisable value below cost. The write-down and reversal are recognized in cost of sales.

As at 31.12.2012, inventories with a carrying value of PLN 118 772 thousand (31.12.2011: PLN 138 609 thousand; 31.12.2010: PLN 116 837 thousand) were subject to pledges as collateral for bank loans and overdrafts.

21 Trade and other receivables

Short-term receivables

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
Trade receivables	163 713	179 993	111 973
Bills of exchange	119	2 146	2 062
Statutory receivables excluding income tax	1 651	2 452	24 163
Prepayments for services and inventories	3 985	1 805	818
Receivables relating to the sale of Cognor Stahlhandel (see note 24)	7 156	11 663	-
Other receivables	5 067	6 845	3 604
	181 691	**204 904**	**142 620**

Long-term receivables

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Receivables relating to Zeljezara Split (see also note 24)	40 882	44 332	-
Other receivables	61	251	241
	40 943	**44 583**	**241**

As at 31.12.2012, trade and other receivables are presented net of impairment allowances amounting to PLN 34 914 thousand (31.12.2011: PLN 35 472 thousand; 31.12.2010: 22 198 thousand).
As at 31.12.2012, receivables with a carrying value of PLN 35 076 thousand (31.12.2011: PLN 11 017 thousand; 31.12.2010: PLN 82 176 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secure factoring liabilities (see note 27).

As at 31.12.2012 and as at 31.12.2011, receivables relating to Zeljezara Split were presented as long-term receivables. The amount relates to the acceptance of the binding offer for termination of the contract for the sale of shares in Zeljezara Split and the expected payment by the Croatian Privatisation Fund to Złomrex S.A. of EUR 10 million plus interests. Details are described in note 24.

After the announcement of the bankruptcy of Zelejzara Split d.d. by the Commercial Court in Split on 11th March 2011 and losing control over the entity, the net assets of Zeljezara Split were written down.

22 Cash and cash equivalents

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Cash in bank	42 032	24 288	8 795
Cash in bank restricted in use	15 732	22 410	29
Cash in hand	191	171	236
Short-term bank deposit	6 196	-	-
Other	-	297	220
Cash and cash equivalents	**64 151**	**47 166**	**9 280**
Bank overdrafts	(15 495)	(25 236)	(83 884)
Cash and cash equivalents presented as assets of disposal group	-	-	6 900
Cash and cash equivalents in the statement of cash flows	**48 656**	**21 930**	**(67 704)**

At 31.12.2012, cash and cash equivalents were not pledged as security for liabilities (31.12.2011: PLN 0 thousand, 31.12.2010: PLN 27 949 thousand).
Detailed information regarding bank overdrafts is presented in note 27.

23 Assets classified as held for sale

in PLN thousand	2012	2011	2010
Balance at 1 January	16 708	103 733	43 039
Additions	-	68	104
Transfer from tangible assets	-	(38)	67 496
Transfer from intangible assets	-	505	106
Transfer from prepaid perpetual usufruct of land	-	-	26 889
Disposals	(4 922)	(86 898)	(33 055)
Amortization for the period	-	(662)	(2 065)
Impairment loss	-	-	1 219
Balance at 31 December	**11 786**	**16 708**	**103 733**

On November 26, 2010, Cognor S.A. entered into a conditional asset sale agreement with ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. The transaction related to Cognor's distribution operations in Poland and comprised in particular:

- transfer of 11 warehouses,
- transfer of leases pertaining to 2 warehouses,
- transfer of movable assets located on the above sites,
- transfer of inventories located on the above sites,
- transfer of certain IT licenses.

In connection with the conditional asset sale agreement the tangible and intangible assets which were to be sold were classified as assets held for sale.

On the 5th May 2011, Cognor S.A. and its subsidiaries – Cognor Services Sp. z o.o., Cognor Finanse Sp. z o.o. and Złomrex Centrum Sp. z o.o. ("the Sellers") fulfilled conditions of the Assets Sale Agreement dated November 26, 2010. The Sellers concluded the Promised Sale Agreement with ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. ("the Purchasers"). The Sellers sold own warehouses, movable assets and inventories located in the above sites and transfered leases and sub leases transfer pertaining to 2 warehouses. The net price for the real estate and movable assets amounted to PLN 148 700 thousand, including:

- for real estate: PLN 129 076 399.66
- for movable assets: PLN 19 623 600.34

The net price for inventories amounted to PLN 32 509 491.32. The total net price for assets and inventories amounted to PLN 181 209 491.33. The carrying value of these assets (real estate, movable assets and intangible assets) in the consolidated financial statements as at 5 May 2011 amounted to PLN 85 582 825.04 and inventories: PLN 31 321 551.

Payment for the sold assets occurred on the 6th May 2011, but part of the price in the amount of PLN 24 335 thousand was paid by the Buyers to an interest-bearing Escrow Account as security for any claims of the Buyers against the Sellers. After 12 months from signing the Promised Sale Agreement the amount of PLN 7 445 thousand was released from the Escrow Account and the rest of deposit will be released after 24 months from the date of the Promised Sale Agreement. Interests on the Escrow deposit as a whole is attributable to the Sellers. The profit on this sale was presented in the 2011 consolidated statement of comprehensive income in the line "Profit/(loss) from discontinued operations".

As at 31.12.2012 and as at 31.12.2011, 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 asset (disposal group).

24 Disposal group held for sale and discontinued operations

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

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

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

In 2010, the Group Management has also decided to sell its shares in Cognor Stahlhandel GmbH (Austria) which comprised all the Group's distribution operations outside Poland. The conditional share sale agreement was concluded in December 2010 and the transaction was closed on the 4th of February 2011. As a result of the above, all assets and liabilities of Cognor Stahlhandel GmbH have been classified as a disposal group in the financial statements for the year ended 31 December 2010. At the date of reclassification, the net assets of the Cognor Stahlhandel GmbH subgroup were stated at an amount which was expected to be recovered through sale.

On 4th of February 2011, the transaction closed following fulfillment of all the conditions precedent. As a result Złomrex S.A. and Cognor S.A. sold:

- 74.9% interest in Cognor Stahlhandel GmbH (Cognor Austria) and
- 25.1% interest in Cognor Austria acquired by Cognor S.A. and Złomrex S.A. on 3 February 2011 from voestalpine Stahl GmbH.

The profit on this sale was presented in the 2011 consolidated statement of comprehensive income in the line "Profit/(loss) from discontinued operations".
Income from the sale of shares in Cognor Stahlhandel GmbH recognised in 2011 amounted to PLN 106 517 thousand. The final sale price for these shares is subject to a dispute between Cognor S.A. and the Buyers.
In connection with the dispute, in 2012 the Parent Company and its subsidiaries involved in the sale of Cognor Stahlhandel GmbH's shares, filed for a ruling before the Arbitration Tribunal. This process is likely to conclude in 2013 and The Management Board of the Parent Company considers that the receivable from sale of Cognor Stahlhandel GmbH in the amount of no less than PLN 7 156 thousands is recoverable.

Cash flows of disposal group held for sale

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Operating cash flows (including tax paid)	-	(4 717)	6 095
Investing cash flows	-	276 287	34 097
Financing cash flows	-	(845)	(19 496)
Total cash flows	**-**	**270 725**	**20 696**

Assets of disposal group held for sale

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Property, plant and equipment	-	-	335 320
Intangible assets	-	-	592
Investments	-	-	15 156
Deferred tax assets	-	-	9 488
Inventories	-	-	92 925
Trade and other receivables	-	-	70 730
Cash and cash equivalents	-	-	20 323
	-	**-**	**544 534**

Liabilities of disposal group held for sale

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Interest-bearing loans and borrowings	-	-	88 903
Employee benefits	-	-	29 717
Deferred tax liabilities	-	-	48 014
Bank overdraft	-	-	13 423
Provisions for payables	-	-	1 453
Trade and other payables	-	-	189 488
Deferred government grants and other deferred income	-	-	103
	-	**-**	**371 101**

Analysis of the result of discontinued operations, and the result recognized on the remeasurement of disposal group, is as follows:

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Income	-	241 602	1 166 099
Expenses	-	(166 504)	(1 214 920)
Profit/(loss) before tax of discontinued operations	**-**	**75 098**	**(48 821)**
Tax	-	2 664	1 248
Profit/(loss) after tax of discontinued operations	**-**	**77 762**	**(47 573)**
Impairment loss/(Reversal of impairment loss)	-	14 249	(40 545)
Profit/(loss) for the year from discontinued operations	**-**	**92 011**	**(88 118)**

25 Equity

Issued share capital

	31.12.2012	31.12.2011	31.12.2010
Registered shares number at reporting date	66 222 248	66 222 248	66 222 248
Number of issued warrants	6 622	6 622	-
Nominal value of 1 share	2 PLN	2 PLN	2 PLN

At 31.12.2012, the parent Company's share capital comprised 66 222 248 ordinary shares (2011: 66 222 248; 2010: 66 222 248) with a nominal value of PLN 2 each. In 2011, the Parent Company issued 6 622 warrants which entitle the holder to convert 1 warrant into 10 000 ordinary shares. The nominal value of warrants is 50 PLN.

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

The ownership structure as at December 31, 2012 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	65,98%	43 691 307	65,98%
TFI PZU	4 373 522	6,60%	4 373 522	6,60%
Other shareholders	18 157 419	27,42%	18 157 419	27,42%
Total	**66 222 248**	**100,00%**	**66 222 248**	**100,00%**

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

In accordance with the High Yield Bonds agreement the Group is permited to pay dividends up to the limit of EUR 5 million. There were no dividends declared or paid in years 2010-2012.

Treasury shares

At 31 December 2011, the Group held 5 000 thousand of the Parent Company's shares. Treasury shares are presented in equity within Reserves.
On 27 March 2012, PS HoldCo Sp. z o.o. bought from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.) 5 000 000 shares. The nominal value of sold shares was PLN 10 000 thousand. The contribution received fulfilled PS HoldCo Sp. z o.o.'s commitment for a capital contribution to the Group. After this transaction the Group no longer holds treasury shares (directly or indirectly).

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the loss attributable to ordinary shareholders of PLN 443 thousand (2011: profit of PLN 115 820 thousand; 2010: loss of PLN 179 919 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 66 222 thousand (2011: 66 222 thousand, 2010: 61 403 thousand).
The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2012 was 66 222 thousand (2011: 66 222 thousand, 2010: 66 222 thousand).

As at 31 December 2012, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive due to the fact that the average market value of the Parent Company’s shares was lower than PLN 4. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

27 Interest-bearing loans and borrowings

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 31.

in PLN thousand

	31.12.2012	31.12.2011	31.12.2010
Non-current liabilities			
Secured bank loans	-	50	125
Secured fixed interest rate debt	483 307	527 494	494 063
Finance lease liabilities	3 713	4 594	8 974
	487 020	**532 138**	**503 162**
Current liabilities			
Current portion of secured bank loans	-	75	34 389
Current portion of secured fixed interest rate debt	14 182	15 264	17 813
Current portion of finance lease liabilities	3 745	6 353	10 604
Factoring and bill of exchange liabilities	13 528	15 821	13 325
Reverse factoring	18 879	8 365	22 989
Other borrowings	24 999	-	8 129
	75 333	**45 878**	**107 249**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2012 (excl. lease liabilities)

in PLN thousand

	Total	Less than one year	Between one and three years	Between three and five years
Secured fixed interest rate debt	497 489	14 182	483 307	-
Factoring and bill of exchange liabilities	13 528	13 528	-	-
Reverse factoring	18 879	18 879	-	-
Other borrowings	24 999	24 999	-	-
	554 895	**71 588**	**483 307**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2011 (excl. lease liabilities)

in PLN thousand

	Total	Less than one year	Between one and three years	Between three and five years
Secured bank loans	125	75	50	-
Secured fixed interest debt	542 758	15 264	527 494	-
Factoring and bill of exchange liabilities	15 821	15 821	-	-
Reverse factoring	8 365	8 365	-	-
	567 069	**39 525**	**527 544**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2010 (excl. lease liabilities)

in PLN thousand

	Total	Less than one year	Between one and three years	Between three and five years
Secured bank loans	34 514	34 389	125	-
Secured fixed interest debt	511 876	17 813	-	494 063
Factoring and bill of exchange liabilities	13 325	13 325	-	-
Reverse factoring	22 989	22 989	-	-
Other borrowings	8 129	8 129	-	-
	590 833	**96 645**	**125**	**494 063**

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2012			**31.12.2011**			**31.12.2010**	
Less than one year	4 043	298	3 745	7 141	788	6 353	11 606	1 002	10 604
Between one and five years	4 059	346	3 713	4 940	346	4 594	9 792	818	8 974
More than 5 years	-	-	-	-	-	-	-		
	8 102	**644**	**7 458**	**12 081**	**1 134**	**10 947**	**21 398**	**1 820**	**19 578**

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

(in PLN thousand, unless stated otherwise)

Analysis of bank overdraft:

Financial institution	Current limit	Balance as at 31.12.2012	Type of liability	Date of granting	Repayment date	Interest	Security
BRE Bank S.A.	10 000	9 558	Bank overdraft	2012-03-05	2013-02-27*	6.3%	- 4 blank bills of exchange
PEKAO S.A.	10 000	5 937	Bank overdraft	2012-04-27	2013-03-03	6.17%	- registered pledge of properties
Total	**20 000**	**15 495**					

* repayment date was extended until 29 August 2013

Analysis of secured and unsecured bank loans and borrowings:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
DEUTSCHE BANK PBC S.A.	-	24 999	operating credit	2012-02-22	2013-03-01*	WIBOR 1M + margin 1.4%	- registered pledge of properties with reassignment of insurance rights, - proxy to the bank account, - blank bills of exchange, - registered pledge of inventories.
Total	**-**	**24 999**					

* repayment date was extended until 2 September 2013

(in PLN thousand, unless stated otherwise)

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
Millenium Leasing Sp. z o.o.	1 538	1 314	lease	2007-05-24 / 2012-12-01	2012-10-05/ 2017-11-30	WIBOR 1M/3M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
BRE Leasing Sp. z o.o.	78	20	lease	2012-12-21	2017-11-11	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Fortis Lease Polska Sp. z o.o.	-	1 473	lease	2007-01-29/ 2007-08-15	2012-09-30/ 2013-03-13	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
SG Eqipment Finanse Sp. z o.o.	378	212	lease	2009-06-22	2014-07-20	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp. z o.o.	21	175	lease	2011-04-12	2013-07-31/ 2014-07-31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Europejski Fundusz Leasingowy Sp. z o.o.	1 585	360	lease	2012-04-02	2016-05-31/ 2013-06-30	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
VB Leasingi Polska S.A.	-	79	lease	2008-03-26	2013-03-15	LIBOR 3M+margin	- blank bill of exchange, - leased equipment.
Bankowy Fundusz Leasingowy S.A.	113	112	lease	2012-02-27	2015-03-15	WIBOR 1M+margin EURIBOR 1M+margin LIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Total	**3 713**	**3 745**					

(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
SEB Commercial Finance Sp. z o.o.	-	23 501	factoring	2008-09-05/ 2010-01-20	2012-12-31/ 2013-12-31	WIBOR 1M+margin	- blank bill of exchange, - proxy to the bank account, - reassignment of insurance rights.
Bank Gospodarki Żywnościowej S.A.	-	2 893	factoring	2011-08-04	31-07-2013	WIBOR 1M+margin	- registered pledge of inventories
BRE Faktoring S.A.	-	6 013	factoring	2011-12-09	not defined	WIBOR O/N+margin	- blank bill of exchange, - reassignment of insurance rights.
Total	**-**	**32 407**					

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)	483 307	14 182	High Yield bonds	2007-01-29	2014-02-01	8.5%	First priority pledges of shares in: - Zlomrex International Finance S.A., - Ferrostal Łabędy Sp. z o.o, - ZW-Walcownia Bruzdowa Sp. z o.o., - Odlewnia Metali Szopienice Sp. z o.o.*, - Huta Stali Jakościowych S.A., - Business Support Services Sp. z o.o., - Złomrex Metal Sp. z o.o.
Total	**483 307**	**14 182**					

* on 27 August 2011, Odlewnia Metali Szopienice Sp. z o.o. was disposed of to PS HoldCo Sp. z o.o., that is the main shareholder of the Parent Company.

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 – margin 1.5%,
- WIBOR 1M – margin between 1.4% and 4.0%,
- WIBOR 3M – margin 4.2%
- LIBOR 1M – margin between 0.3% and 0.6%,

Fixed interest rates fall between 6.17% and 8.5%.

Reverse factoring line in the amount of PLN 18 879 thousand due to SEB Commercial Finance Sp. z o.o. until 31 December 2012 was extended until 31 December 2013.

Based on the stipulations of the loan agreement with BRE Bank S.A., the Group is obliged to meet certain financial covenants. In case of the breach of covenant the bank is entitled to charge a higher interest margin. As at 31 December 2012, the two out of the three agreed financial ratios were not met by the Group. As at 31 December 2012, the total liability related to agreement with BRE Bank S.A. amounted to PLN 9,558 thousand. After reporting date, the liability which was due on 27 February 2013 was extended until 29 August 2013 (limit of PLN 10 million). The margin remained unchanged.

Secured fixed interest debt

In order to finance the acquisition of Cognor Stahlhandel GmbH and to refinance some existing indebtedness, in 2007 the Group issued high-yield notes with a nominal value of EUR 170 000 thousand. The notes were issued by Złomrex International Finance S.A. based on the Indenture dated 23 January 2007.

According to the aforementioned Indenture, the Parent Company is obliged, inter alia, to meet certain financial covenants until the repayment date. These include, among others, a financial covenant, i.e. Consolidated Fixed Charge Coverage Ratio (the CFCC Ratio), minimum level of which has been set at 2.25. In accordance with article IV section 4.3. of the Indenture, the ratio is to be calculated as the ratio of the adjusted pro-forma EBITDA to interest expense.

The Indenture does not require that the Company maintains the CFCC Ratio above the 2.25 level throughout the life of the bonds. As a consequence, a ratio lower than 2.25 does not itself result in a default under the Indenture. However, in such cases the Company is limited with respect to certain business actions. The most important limitation is that neither the Company, nor any of its subsidiaries are allowed to incur indebtedness other than that specifically permitted by the Indenture.

Liabilities due to Shareholder

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

28 Employee benefits obligations

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
Long-term provisions for retirement and jubilee awards	6 735	7 970	11 862
Short-term provisions for retirement and jubilee awards	2 815	5 677	4 713
	9 550	**13 647**	**16 575**

Employee benefits

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

	31.12.2012	**31.12.2011**	**31.12.2010**
Discount rate	4.0%	5.0% - 5.5%	5.0% - 5.5%
Future Salary Increase	2.5%	1.5% - 3.5%	1.5% - 3.5%
Inflation	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 2010	18 351	15 649	7 136	**41 136**
Current service cost	560	622	1 080	**2 262**
Interest cost	850	708	290	**1 848**
Actuarial (gain)/loss due to changes in assumptions	1 005	392	75	**1 472**
Actual benefits paid	(1 353)	(2 290)	(144)	**(3 787)**
Other actuarial (gain)/loss	(371)	1 462	(59)	**1 032**
Contribution by program participants	(408)	-	(180)	**(588)**
Transfer to discontinued operations	(15 310)	(3 926)	(6 371)	**(25 607)**
Exchange rate differences	(847)	(119)	(227)	**(1 193)**
At 31 December 2010	**2 477**	**12 498**	**1 600**	**16 575**
At January 2011	2 477	12 498	1 600	**16 575**
Current service cost	159	532	43	**734**
Interest cost	88	440	44	**572**
Actuarial (gain)/loss due to changes in assumptions	(1)	-	(6)	**(7)**
Actual benefits paid	(456)	(1 472)	(16)	**(1 944)**
Other actuarial (gain)/loss	(862)	(1 248)	(173)	**(2 283)**
At 31 December 2011	**1 405**	**10 750**	**1 492**	**13 647**
At January 2012	1 405	10 750	1 492	**13 647**
Current service cost	51	626	2 198	**2 875**
Interest cost	24	323	56	**403**
Actuarial (gain)/loss due to changes in assumptions	(31)	502	85	**556**
Actual benefits paid	(133)	(836)	(4 641)	**(5 610)**
Other actuarial (gain)/loss	(94)	(1 809)	(418)	**(2 321)**
Reclassification	(664)	(3 738)	4 402	**-**
At 31 December 2012	**558**	**5 818**	**3 174**	**9 550**

Susceptibility of employee benefits obligations to changes in basic assumptions

As at 31 December 2012	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.5%	0.5%	3.24%	(3.08%)
Future Salary Increase	0.5%	0.5%	(3.14%)	3.27%
Inflation	0.5%	0.5%	3.49%	(3.60%)

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

29 Provisions for payables

in PLN thousand	2012	2011	2010
Balance at 1 January	381	403	834
Provisions raised during the year	55	6	557
Provisions utilised during the year	(6)	-	(682)
Provisions released during the year	-	(28)	(123)
Transfer to disposal groups	-	-	(176)
Exchange rate differences	-	-	(7)
Balance at 31 December	**430**	**381**	**403**

30 Trade and other payables

Short term

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Trade payables	121 085	152 657	192 637
Statutory payables	6 419	9 967	8 439
Bills of exchange payables	133	1 798	1 733
Investment payables	460	787	1 393
Prepayments for services and deliveries of goods	2 625	530	1 094
Deferred consideration for acquisition of subsidiaries (Cognor Stahlhandel GmbH, Huta Stali Jakościowych S.A.)	-	-	33 542
Liabilities due to Shareholder	5 694	3 471	-
Payroll liabilities	2 692	3 336	2 979
Accrued expenses	697	1 264	2 262
Other non-trade payables	2 365	2 307	6 491
	142 170	**176 117**	**250 570**

Long term

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Investment payables	-	65	-

31 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2012

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Assets held to maturity date	Total
Assets according to statement of financial position				
a) Non-current assets				
Other investments (excl. shares)	4 030	-	-	**4 030**
Other receivables	40 943	-	-	**40 943**
b) Current assets				
Receivables excluding prepayments and tax receivables	176 055	-	-	**176 055**
Other investments (excl.shares)	3 813	1 318	-	**5 131**
Cash and cash equivalents	64 151	-	-	**64 151**
Total	**288 992**	**1 318**	**-**	**290 310**

As at 31.12.2011

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Assets held to maturity date	Total
Assets according to statement of financial position				
a) Non-current assets				
Other receivables	44 583	-	-	**44 583**
b) Current assets				
Receivables excluding prepayments and tax receivables	200 647	-	-	**200 647**
Other investments (excl.shares)	25 176	-	-	**25 176**
Cash and cash equivalents	47 166	-	-	**47 166**
Total	**317 572**	**-**	**-**	**317 572**

As at 31.12.2010

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Assets held to maturity date	Total
Assets according to statement of financial position				
a) Non-current assets				
Other investments (excl.shares)	39	-	-	**39**
Other receivables	241	-	-	**241**
b) Current assets				
Receivables excluding prepayments and tax receivables	113 678	-	-	**113 678**
Cash and cash equivalents	9 280	-	-	**9 280**
Total	**123 238**	**-**	**-**	**123 238**

Liabilities

As at 31.12.2012

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)	483 307	-	**483 307**
Finance lease liabilities	3 713	-	**3 713**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	71 588	-	**71 588**
Finance lease liabilities	3 745	-	**3 745**
Bank overdraft	15 495	-	**15 495**
Trade and other payables excluding tax payables	135 751	-	**135 751**
Total	**713 599**	**-**	**713 599**

As at 31.12.2011

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)	527 544	-	**527 544**
Finance lease liabilities	4 594	-	**4 594**
Trade and other payables	65	-	**65**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	39 525	-	**39 525**
Finance lease liabilities	6 353	-	**6 353**
Bank overdraft	25 236	-	**25 236**
Trade and other payables	165 620	-	**165 620**
Total	**768 937**	**-**	**768 937**

As at 31.12.2010

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)	494 188	-	**494 188**
Finance lease liabilities	8 974	-	**8 974**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	96 645	-	**96 645**
Finance lease liabilities	10 604	-	**10 604**
Bank overdraft	83 884	-	**83 884**
Trade and other payables	241 992	-	**241 992**
Total	**936 287**	**-**	**936 287**

Financial assets designated as at fair value through profit or loss include units in investment funds and derivatives.

Loans and receivables include loans granted, trade and other receivables (excluding tax receivables, statutory receivables and 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 tax liabilities and other statutory payables).

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.

• Investments in investment funds: the fair value is based on their listed market price.

• Derivatives: the fair value of derivatives is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual derivative price and the current derivative price for the residual maturity of the contract.

• Interest-bearing loans and borrowings, excluding for 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 2012 amounted to PLN 378 532 thousand (2011: PLN 375 733 thousand; 2010: PLN 370 655 thousand) – the amount was calculated on the basis of market transactions of bonds issued by Złomrex International Finance (similar debt securities) in the period close to reporting day. The carrying amount of liability to PS HoldCo Sp. z o.o. approximates fair value due to an interest rate which is similar to the interest rate applicable for liabilities with similar liquidity risk.

The Group's activities expose it 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 31.12.2012 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	62 413	2 022	-	**64 435**
Interest-bearing loans and borrowings	(497 489)	-	(208)	**(497 697)**
Trade and other payables	(2 048)	-	-	**(2 048)**
Exposure to currency risk on balances denominated in foreign currencies	**(437 124)**	**2 022**	**(208)**	**(435 310)**

As at 31.12.2011 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Other investments	21 607	-	-	**21 607**
Trade and other receivables	27 693	-	-	**27 693**
Interest-bearing loans and borrowings	(542 758)	-	(87)	**(542 845)**
Trade and other payables	(4 262)	(71)	-	**(4 333)**
Exposure to currency risk on balances denominated in foreign currencies	**(497 720)**	**(71)**	**(87)**	**(497 878)**

As at 31.12.2010 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	15 663	747	352	**16 762**
Interest-bearing loans and borrowings	(511 876)	-	(3 685)	**(515 561)**
Trade and other payables	(35 019)	(728)	(364)	**(36 111)**
Exposure to currency risk on balances denominated in foreign currencies	**(531 232)**	**19**	**(3 697)**	**(534 910)**

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

A 15 percent weakening/strengthening of the functional currencies against the following currencies at 31 December 2012 would have increased (decreased) 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 2011 and 2010 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**Profit / (loss)**		**Equity**	
	increase of exchange rates by 15%	decrease of exchange rates by 15%	increase of exchange rates by 15%	decrease of exchange rates by 15%
31.12.2012	(65 297)	65 297	(65 297)	65 297
31.12.2011	(74 682)	74 682	(74 682)	74 682
31.12.2010	(80 241)	80 241	(80 241)	80 241

Sensitivity analysis of derivatives on the exchange rate differences (derivatives)

The Group did not hedge this exposure through derivatives as at 31 December 2012, 31 December 2011 and 31 December 2010.

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 Group's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The main element to limit the interest rate risk was the issuance of bonds by Zlomrex International Finance based on fixed rate of 8.5%.

In addition, the liability to PS HoldCo Sp. z o.o. relating to the purchase of Złomrex S.A. shares is based on a fixed interest rate of 7% (based on gross balance).

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

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
Fixed rate instruments			
Financial assets	-	24 864	-
Financial liabilities	(497 489)	(547 215)	(511 876)
	(497 489)	**(522 351)**	**(511 876)**

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
Floating rate instruments			
Financial assets	9 161	47 478	9 319
Financial liabilities	(80 359)	(56 037)	(182 419)
	(71 198)	**(8 559)**	**(173 100)**

Cash flow and fair value interest rate risk

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

Cash flow sensitivity analysis for floating rate financial instruments

A change of 150 basis points in interest rates at the reporting date would have increased/(decreased) 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 2011 and 2010.

Influence of interest rate change for the period ended (excluding derivatives):

in PLN thousand	**Profit / (loss)**		**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%
31.12.2012	(1 068)	1 068	(1 068)	1 068
31.12.2011	(128)	128	(128)	128
31.12.2010	(2 597)	2 597	(2 597)	2 597

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 Group's 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 Group's 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	**31.12.2012**	**31.12.2011**	**31.12.2010**
Financial assets designated at fair value through profit or loss	1 318	-	-
Loans and receivables	224 841	270 406	113 958
Cash and cash equivalents held at banks	63 960	46 995	9 044
	290 119	**317 401**	**123 002**

As at 31 December 2012, loans in the amount of PLN 7 843 thousand (2011: PLN 25 176 thousand, 2010: PLN 39 thousand) were not overdue and are not impaired.

Insured trade receivables

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
from other entities	44 326	21 825	65 432

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Not past due	121 721	136 590	74 506
Past due	**60 975**	**61 389**	**58 658**
1-30 days	25 852	29 967	18 586
31-90 days	5 485	5 106	5 203
91-180 days	3 015	371	4 287
181-365 days	2 421	712	12 232
more than one year	24 202	25 233	18 350
	182 696	**197 979**	**133 164**

Impairment loss

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Not past due	-	(105)	(617)
Past due	**(18 983)**	**(17 881)**	**(20 575)**
1-30 days	-	-	(145)
31-90 days	(91)	-	(205)
91-180 days	(57)	(11)	(455)
181-365 days	(596)	(444)	(6 597)
more than one year	(18 239)	(17 426)	(13 173)
	(18 983)	**(17 986)**	**(21 192)**

Net carrying value

in PLN thousand	31.12.2012	31.12.2011	31.12.2010
Not past due	121 721	136 485	73 889
Past due	**41 992**	**43 508**	**38 083**
1-30 days	25 852	29 967	18 441
31-90 days	5 394	5 106	4 998
91-180 days	2 958	360	3 832
181-365 days	1 825	268	5 635
more than one year	5 963	7 807	5 177
	163 713	**179 993**	**111 972**

Recognition and utilization of impairment losses on trade and interests receivables

in PLN thousand	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Balance at 1 January	(17 986)	(21 192)	(29 305)
Recognition	(3 076)	(3 678)	(18 902)
Utilization	-	2 825	7 394
Release	2 079	4 059	5 459
Transfer to discontinued operations	-	-	13 929
Exchange rate differences	-	-	233
Balance at 31 December	**(18 983)**	**(17 986)**	**(21 192)**

Trade receivables overdue less than 6 months are generally not considered to be impaired. As at 31 December 2012, trade receivables of PLN 121 721 thousand were not overdue and are not impaired (2011: PLN 136 485 thousand; 2010: PLN 73 889 thousand). As at 31 December 2012, trade receivables of PLN 41 992 thousand (2011: PLN 43 508 thousand; 2010: PLN 38 083 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.

As at 31 December 2012, trade receivables of PLN 18 983 thousand (2011: PLN 17 881 thousand; 2010: PLN 20 575 thousand) were overdue and impaired. As a result, in 2012 they were provided for in the amount of PLN 18 983 thousand, and in 2011 for PLN 17 881 thousand, and in 2010 for PLN 20 575 thousand. As at 31 December 2012 there were no receivables that were not overdue but impaired due to the financial situation of customers (2011: PLN 105 thousand, 2010: PLN 617 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 Group's 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 Group's reputation.

Contractual maturities of financial liabilities including interest payments

As at 31.12.2012

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	7 458	8 102	4 042	3 714	346	-
Bank overdraft	15 495	15 495	15 495	-	-	-
Other interest-bearing liabilities	554 895	601 046	98 390	502 656	-	-
Trade and other payables	135 751	135 751	135 751	-	-	-
	713 599	**760 394**	**253 678**	**506 370**	**346**	**-**

As at 31.12.2011

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	10 947	12 081	7 141	4 940	-	-
Bank overdraft	25 236	26 515	26 515	-	-	-
Other interest-bearing liabilities	567 069	639 524	60 933	578 591	-	-
Trade and other payables	176 182	176 182	176 182	-	-	-
	779 434	**854 302**	**270 771**	**583 531**	**-**	**-**

The liability (including interest) arising from the purchase of Złomrex shares in the amount of PLN 145 995 thousand will be settled from funds obtained on exercise of the warrants held by PS HoldCo Sp. z o.o. Amounts exceeding the amount of PLN 145 995 thousand are settled on a regular basis.

As at 31.12.2010

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	19 578	20 817	11 351	9 466	-	-
Bank overdraft	83 884	83 884	83 884	-	-	-
Other interest-bearing liabilities	590 833	713 786	121 627	85 637	506 522	-
Trade and other payables	250 431	250 431	250 431	-	-	-
	944 726	**1 068 918**	**467 293**	**95 103**	**506 522**	**-**

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the changes in ownership, return on equity and debt/equity ratios. The Group's aim is to achieve a return on equity at a level that is satisfactory to the shareholders. There were no changes in the capital management policy during the year.

32 Capital commitments

The Group had contractual commitment resulting from the share purchase agreement to make capital expenditures of PLN 3 000 thousand in Cognor Górnośląski till 2011. This commitment resulted from agreements of share purchase. In 2008, the capital expenditure in Cognor Górnośląski amounted to PLN 522 thousand. In 2009, Cognor Górnośląski has merged with Cognor S.A. Till 31 December 2010, total capital expenditures amounted to PLN 3 213 thousand, that fulfilled completely this commitment.

As at 31 December 2007, the Group had contractual commitment relating to the acquisition of Zeljezara Split concluded with The Croatian Privatization Fund relating to the obligation of the Company to ensure that Zeljezara Split makes capital investments of HRK 114 million during the period 2008-2011 as well as to maintain its present employment level. In 2009, the Group has realised capital investments of HRK 57 million.
In April 2010, Złomrex S.A. increased the capital in Zeljzera Split in the amount of HRK 104 853 thousand (EUR 14 448 thousand), including an increase in share capital in the amount of HRK 1 thousand and share premium in the amount of HRK 104 852 thousand. On 23 April 2010, this increase was covered through the conversion of loans granted to Zeljezara Split by Złomrex S.A. Consequently, the commitments is considered to have been fully fulfilled.

33 Contingencies, guarantees and other commitments

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

Contingencies

In the sale contracts relating to :

- the sale of 100% shares of Cognor Stahlhandel GmbH dated 4th of February 2011 (refer also to note 24), the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities or other damages incurred by Buyers in connection with the transaction structure finally accepted.
- the sale on 5th May 2011 of most of the assets of the distribution division in Poland to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. (refer also to note 24), the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities and costs of any dispute with public administration arising in relation to the Buyers in connection with the transaction structure finally accepted.

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

Other commitments

As at 31 December 2010, the Group had the following other commitments:

- in accordance with the share purchase agreement of Cognor Stahlhandel GmbH the Company had a put/call option for the purchase of the remaining 25.1% of the shares with an exercise date between 1 January 2009 and 31 December 2010.

On 3rd February 2011, the commitment has been realised as part of the transaction described in details in note 24.

34 Related parties

Identity of related parties

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

Related parties not consolidated are as follows:

- Odlewnia Metali Szopienice Sp. z o.o. (sold on August 27th, 2011)
- Złomrex Finans Sp. z o.o.
- Złomrex China Limited
- AB Stahl AG
- Steelco Sp. z o.o. (merged in October 2011 with Złomrex S.A,)
- Vereinigte Biegegesellschaft GmbH (sold on February 4th, 2011)

- Zimmermann Stahlhandel GmbH (sold on February 4th, 2011)
- Cognor GmbH Muchen (sold on February 4th, 2011)
- Cognor Veting Stahlhandel d.o.o., Bosnia (sold on February 4th, 2011)
- Cognor Stahlhandel d.o.o., Slovenia (sold on February 4th, 2011)
- Cognor Stahlhandel Budapeszt kft., Hungary (sold on February 4th, 2011)
- Cognor Stahlhandel Slowakei s.r.o., Slovakia (sold on February 4th, 2011)

Associates are as follows;

- Vastad Edelstahl Handel GmbH (sold on February 4th, 2011)
- BWS Bewehrungsstahl GmbH (sold on February 4th, 2011)

Companies controlled by the owner:

- PS Holdco Sp. z o.o.
- 4Workers Sp. z o.o. (previous name Wiedza i Praca Sp. z o.o.)

in PLN thousand	**31.12.2012**	**31.12.2011**	**31.12.2010**
Short-term receivables:			
- related parties (not consolidated)	9 309	5 722	3 962
- companies controlled by the owner*	177	15	1
Short-term liabilities			
- related parties (not consolidated)	80	111	210
- companies controlled by the owner*	5 985	3 641	222
Short-term payables in relation to acquisition of shares			
- companies controlled by the owner	-	22 990	-
Loans granted			
- related parties (not consolidated)	7 450	3 257	-

in PLN thousand	**01.01.2012 - 31.12.2012**	**01.01.2011 - 31.12.2011**	**01.01.2010 - 31.12.2010**
Revenues from sale of products			
- related parties (not consolidated)	-	15	-
Revenues from sale of services			
- related parties (not consolidated)	34	60	80
- companies controlled by the owner	212	41	20
Revenues from sale of raw materials and commodities			
- related parties (not consolidated)	28 242	23 804	14 555
- companies controlled by the owner	71	982	-
Purchase of commodities and raw materials			
- related parties (not consolidated)	5 581	8 166	1 822
- companies controlled by the owner	1 126	133	-
Purchase of services			
- related parties (not consolidated)	10	81	6
- companies controlled by the owner	1 457	841	940
Other income			
- related parties (not consolidated)	982	630	174
Other gain/(losses) net			
- related parties (not consolidated)	-	21	(871)
- companies controlled by the owner	3 046	15 693	-
Other costs			
- related parties (not consolidated)	(26)	(14)	(227)
Financial costs			
- related parties (not consolidated)	(5)	(94)	-
- companies controlled by the owner	(9 938)	(3 472)	-

On 27 March 2012 PS HoldCo Sp. z o.o. bought 5 000 000 shares of Cognor S.A. (see note 25) from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.)
* please refer also to note 27 for the details of presentation of receivables from and liabilities to PS Holdco.

Transactions with the members of the Management and Supervisory Boards
The remuneration paid to the Management and Supervisory Boards members was as follows:

in PLN thousand	**01.01.2012 - 31.12.2012**	**01.01.2011 - 31.12.2011**	**01.01.2010 - 31.12.2010**
Management Board of the Parent Company	120	3 386	4 073
Supervisory Board of the Parent Company	378	407	24
Management Boards of subsidiaries	2 986	1 943	2 266
Supervisory Boards of subsidiaries	89	109	342
	3 573	**5 845**	**6 705**

Remuneration of Management Boards of subsidiaries of PLN 1.1 million which was paid in 2012 was accrued as at 31 December 2011, therefore it was included in the consolidated financial statements as at and for the year ended 31 December 2011 (under administrative expenses).

35 Restatements

In the previously published consolidated statement of changes in equity for 2011, the reclassifications of foreign exchange differences on disposal of foreign operations were presented as Transactions with owners of the Company, recognized in equity. In the comparative data of these consolidated financial statements, the reclassifications of foreign exchange operations on disposal of foreign operations for 2011 were presented under other comprehensive income.

36 Subsequent events

On 10 January 2013, Cognor S.A. together with Ferrostal Łabędy Sp. z o.o. (subsidiary) concluded a cooperation agreement with Zakład Walcowniczy Profil S.A. in Kraków. In terms of the agreement, between 1 February 2013 and 30 June 2013, Ferrostal Łabędy Sp. z o.o. will be the exclusive supplier of steel billets to Zakład Walcowniczy Profil S.A.

As mentioned in note 27:
• the reverse factoring line in the amount of PLN 18 879 thousand due to SEB Commercial Finance Sp. z o.o. was extended until 31 December 2013.
• the bank overdraft in the amount of PLN 9 558 thousand due to BRE Bank S.A. which was due on 27 February 2013 was extended until 29 August 2013 (limit of PLN 10 million).
• the operating credit in the amount of PLN 24 999 thousand due to Deutsche Bank PBC S.A. which was due on 1 March 2013 was extended until 2 September 2013 (limit of PLN 25 million).

Poraj, 21 March 2013

Przemysław Sztuczkowski *Chairman of the Management Board*	Przemysław Grzesiak *Vice-Chairman of the Management Board*
Krzysztof Zoła *Chief Financial Officer*	Dominik Barszcz *Chief Accountant*