Together reach more

Cognor Holding S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2017

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2017	31.12.2016	31.12.2015
			**restated*	**restated*
Assets				
Property, plant and equipment	*15*	285 862	300 250	282 266
Intangible assets	*16*	13 005	11 938	10 834
Investment property	*17*	125	-	-
Investment in associates		3 251	3 250	3 147
Other investments	*18*	55	4 805	13 578
Other receivables	*22*	223	126	49
Prepaid perpetual usufruct of land	*19*	25 771	20 220	21 111
Deferred tax assets	*20*	70 178	93 376	83 467
Total non-current assets		**398 470**	**433 965**	**414 452**
Inventories	*21*	277 494	303 938	269 735
Other investments	*18*	12	138	127
Current income tax receivables	*14*	778	1 908	290
Trade and other receivables	*22*	171 889	137 394	125 775
Cash and cash equivalents	*23*	102 046	25 054	37 303
Non-current assets classified as held for sale	*24*	-	6 012	5 506
Total current assets		**552 219**	**474 444**	**438 736**
Total assets		**950 689**	**908 409**	**853 188**

** the causes and effects of the restatement are described in note 3*

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

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2017	31.12.2016 **restated*	31.12.2015 **restated*
Equity				
Issued share capital	*25*	177 923	150 532	139 702
Reserves		221 018	184 617	194 935
Foreign currency translation reserves		8	43	32
Accumulated losses from previous years and net result of the current year		(173 600)	(188 667)	(185 696)
Total equity attributable to owners of the Parent Company		**225 349**	**146 525**	**148 973**
Non-controlling interests		16 485	13 775	21 569
Total equity		**241 834**	**160 300**	**170 542**
Liabilities				
Interest-bearing loans and borrowings	*27*	358 003	378 383	387 034
Employee benefits obligation	*28*	11 282	9 202	9 230
Other liabilities	*30*	19 515	25 202	37 479
Deferred tax liabilities	*20*	-	6 150	6 409
Total non-current liabilities		**388 800**	**418 937**	**440 152**
Bank overdraft	*27*	24 607	25 274	18 767
Interest-bearing loans and borrowings	*27*	44 523	74 656	48 882
Employee benefits obligation	*28*	5 122	4 939	4 884
Current income tax liabilities	*14*	-	-	5
Provisions for liabilities	*29*	3 362	3 135	3 772
Trade and other liabilities	*30*	242 324	221 051	166 067
Government grants and other deferred income		117	117	117
Total current liabilities		**320 055**	**329 172**	**242 494**
Total liabilites		**708 855**	**748 109**	**682 646**
Total equity and liabilities		**950 689**	**908 409**	**853 188**

** the causes and effects of the restatement are described in note 3*

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

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	*Note*	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016** **restated*	**01.01.2015 - 31.12.2015** **restated*
Continuing operations				
Sales revenue	*7*	1 789 280	1 377 352	1 365 761
Costs of products, goods and materials sold	*8*	(1 573 044)	(1 228 812)	(1 266 013)
Gross profit		**216 236**	**148 540**	**99 748**
Other income	*9*	10 126	5 558	4 545
Distribution expenses	*8*	(65 792)	(51 231)	(48 725)
Administrative expenses	*8*	(50 528)	(39 343)	(35 899)
Other gains - net	*10*	(2 644)	2 822	2 901
Other expenses	*11*	(8 188)	(6 951)	(8 060)
Operating profit		**99 210**	**59 395**	**14 510**
Financial income	*12*	22 131	5 216	26 676
Financial expenses	*12*	(53 339)	(68 412)	(57 107)
Net financing costs		**(31 208)**	**(63 196)**	**(30 431)**
Share of (loss)/profit of associates		51	103	(85)
Gain on bargain purchase		-	-	-
(Loss)/profit before tax		**68 053**	**(3 698)**	**(16 006)**
Income tax expense	*13*	(18 148)	7 770	3 331
(Loss)/profit for the period from continuing operations		**49 905**	**4 072**	**(12 675)**
Discontinued operations				
Loss for the period from discontinued operations, net of tax	*0*	-	-	-
(Loss)/profit for the period		**49 905**	**4 072**	**(12 675)**
(Loss)/profit for the period attributable to:				
Owners of the Parent Company		47 604	4 013	(13 557)
Non-controlling interests		2 301	59	882
(Loss)/profit for the period		**49 905**	**4 072**	**(12 675)**

** the causes and effects of the restatement are described in note 3*

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

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

in PLN thousand	*Note*	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016 **restated*	01.01.2015 - 31.12.2015 **restated*
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		(35)	11	572
Other comprehensive income for the year, net of tax		**(35)**	**11**	**572**
Total comprehensive income for the period		**49 870**	**4 083**	**(12 103)**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		47 569	4 024	(12 985)
Non-controlling interests		2 301	59	882
Total comprehensive income for the period		**49 870**	**4 083**	**(12 103)**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*26*	**0,60**	**0,06**	**(0,20)**
- from continuing operations		0,60	0,06	(0,20)
- from discontinued operations		-	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*26*	**0,44**	**0,04**	**(0,12)**
- from continuing operations		0,44	0,04	(0,12)
- from discontinued operations		-	-	-

** the causes and effects of the restatement are described in note 3*

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

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016 **restated*	01.01.2015 - 31.12.2015 **restated*
Cash flows from operating activities				
Continuing operations				
(Loss)/profit before tax from continuing operations		68 053	(3 698)	(16 006)
Adjustments				
Depreciation	*13, 16*	40 917	38 763	35 569
Amortization	*14*	411	259	801
Foreign exchange (gains)/losses		(22 352)	18 208	(947)
Net gain on purchase of own bonds	*9*	-	(5 216)	(26 013)
Net gain on investment operations		-	(1 004)	-
Net (gains)/losses on disposal of property, plant and equipment, intangible assets and assets classified as held for sale		772	(398)	(3 214)
Interest, transaction costs (related to loans and borrowings) and dividends, net		47 087	46 252	53 412
Change in receivables and prepayments		(45 934)	(11 688)	55 607
Change in inventories		26 444	(34 203)	18 284
Change in trade and other payables		30 276	51 218	(15 914)
Change in provisions		227	(2 608)	(2 776)
Change in employee benefits obligation		2 263	27	(194)
Change in government grants and other deferred income		-	-	-
Share of profit/ (loss) of associates		(51)	(103)	85
Gain on bargain purchase		-	-	-
Other adjustments	*4*	-	-	-
Cash generated from continuing operations		**144 508**	**95 809**	**98 694**
Cash generated from operating activities		**144 508**	**95 809**	**98 694**
Income tax (paid)/returned, incl.		932	(1 712)	(434)
- continuing operations		*932*	*(1 712)*	*(434)*
- discontinued operations		-	-	-
Net cash from operating activities		**145 440**	**94 097**	**98 260**

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

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016 **restated*	01.01.2015 - 31.12.2015 **restated*
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		1 362	2 772	8 543
Proceeds from sale of intangible assets		288	14	507
Proceeds from sale of investment properties		-	-	-
Proceeds from sale of prepaid perpetual usufruct of land		-	465	3 921
Proceeds from sale of assets held for sale		-	-	1 080
Acquisition of subsidiaries, net of cash transferred		-	(363)	(109)
Proceeds from sale of other investments		-	1 014	-
Interest received		294	129	131
Dividends received		50	2	-
Repayment of loans granted		126	-	1 801
Other inflows from investing activities		-	-	515
Acquisition of property, plant and equipment		(15 471)	(34 828)	(17 327)
Acquisition of intangible assets		(1 925)	(1 884)	(779)
Acquisition of investment properties		(125)	-	-
Prepaid perpetual usufruct of land		(1)	-	-
Acquisition of assets held for sale		-	-	-
Acquisition of shares in other companies		-	-	(10)
Loans granted		-	-	(1 700)
Cash generated on investing activities from continuing operations		**(15 402)**	**(32 679)**	**(3 427)**
Cash generated on investing activities from discontinued operations		-	-	-
Net cash from investing activities		**(15 402)**	**(32 679)**	**(3 427)**
Cash flows from financing activities				
Net cash receipts from share issue		39 792	-	-
Proceeds from interest-bearing loans and borrowings		1 438	22 677	19 857
Proceeds from factoring		(503)	2 514	(46 574)
Repayment of interest-bearing loans and borrowings		(18 851)	(33 848)	(32 504)
Payment of finance lease liabilities		(13 761)	(15 956)	(5 668)
Dividends paid and interests on exchangeable notes in the period		(4 280)	(5 278)	(5 286)
Interest and transaction costs (related to loans and borrowings) paid		(46 902)	(39 693)	(35 456)
Other transactions with the Owner		(9 312)	(10 590)	(392)
Cash outflows on financing activities from continuing operations		**(52 379)**	**(80 174)**	**(106 023)**
Cash outflows from discontinued operations		-	-	-
Net cash from financing activities		**(52 379)**	**(80 174)**	**(106 023)**
Net change in cash and cash equivalents		**77 659**	**(18 756)**	**(11 190)**
Cash and cash equivalents net of bank overdraft, at 1 January	*23*	(220)	18 536	29 740
- effect of exchange rate fluctuations on cash held		-	-	*(14)*
Cash and cash equivalents net of bank overdraft, at 31 December	*23*	**77 439**	**(220)**	**18 536**
- including cash restricted for use		*2 964*	*527*	*509*

** the causes and effects of the restatement are described in note 3*

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

Consolidated statement of changes in equity

in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
		Attributable to owners of the Parent Company						
Equity as at 1 January 2015		**132 444**	**202 193**	**(540)**	**(168 074)**	**166 023**	**21 263**	**187 286**
Adjustments resulting from acquisition of OMS	*3*	-	-	-	*581*	**581**	-	**581**
Equity as at 1 January 2015 (including effects of acq. of OMS)		**132 444**	**202 193**	**(540)**	**(167 493)**	**166 604**	**21 263**	**187 867**
Total comprehensive income		-	-	572	(13 557)	**(12 985)**	882	**(12 103)**
- profit for the period		-	-	-	*(13 557)*	***(13 557)***	*882*	***(12 675)***
- foreign currency translation differences relating to foreign operations		-	-	*572*	-	***572***	-	***572***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		7 258	(7 258)	-	(3 938)	**(3 938)**	(39)	**(3 977)**
Dividends paid		-	-	-	-	-	(39)	**(39)**
Conversion of exchangeable notes into shares		*7 258*	*(7 258)*	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	*(3 938)*	***(3 938)***	-	***(3 938)***
Changes in ownership interests		-	-	-	396	**396**	(505)	**(109)**
Obtaining control over previously equity-accounted investee and other		-	-	-	*396*	***396***	*(505)*	***(109)***
Other		-	-	-	(1 104)	**(1 104)**	(32)	**(1 136)**
Equity as at 31 December 2015		**139 702**	**194 935**	**32**	**(185 696)**	**148 973**	**21 569**	**170 542**
Equity as at 1 January 2016		**139 702**	**194 935**	**32**	**(185 696)**	**148 973**	**21 569**	**170 542**
Total comprehensive income		-	-	11	4 013	**4 024**	59	**4 083**
- (loss)/profit for the period		-	-	-	*4 013*	***4 013***	*59*	***4 072***
- foreign currency translation differences relating to foreign operations		-	-	*11*	-	***11***	-	***11***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		10 830	(10 830)	-	(13 521)	**(13 521)**	(249)	**(13 770)**
Dividends paid		-	-	-	-	-	(249)	**(249)**
shares	22	10 830	(10 830)	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	(4 721)	**(4 721)**	-	**(4 721)**
Other settlements with the Owner		-	-	-	(8 800)	**(8 800)**	-	**(8 800)**
Changes in ownership interests		-	-	-	7 241	**7 241**	(7 604)	**(363)**
Obtaining control over previously equity-accounted investee and other		-	-	-	*7 241*	***7 241***	*(7 604)*	***(363)***
Transfer of profit		-	512	-	(512)	-	-	-
Other		-	-	-	(192)	**(192)**	-	**(192)**
Equity as at 31 December 2016		**150 532**	**184 617**	**43**	**(188 667)**	**146 525**	**13 775**	**160 300**

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

Consolidated statement of changes in equity

in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
		Attributable to owners of the Parent Company						
Equity as at 1 January 2017		**150 532**	**184 617**	**43**	**(188 667)**	**146 525**	**13 775**	**160 300**
Total comprehensive income		-	-	*(35)*	*47 604*	***47 569***	*2 301*	***49 870***
- (loss)/profit for the period		-	-	-	*47 604*	***47 604***	*2 301*	***49 905***
- foreign currency translation differences relating to foreign operations		-	-	*(35)*	-	***(35)***	-	***(35)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		27 391	36 401	-	(32 128)	**31 664**	-	**31 664**
Share increase		*39 792*	-	-	-	***39 792***	-	***39 792***
Share increase - contribution in kind of OMS' shares		*24 000*	-	-	*(24 000)*	-	-	-
Decrease of nominal value of shares		*(38 044)*	*38 044*					
Conversion of exchangeable notes into shares	22	*1 643*	*(1 643)*	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	*(4 280)*	***(4 280)***	-	***(4 280)***
Other settlements with the Owner	22	-	-	-	*(3 848)*	***(3 848)***	-	***(3 848)***
Changes in ownership interests		-	-	-	(409)	**(409)**	409	-
Obtaining control over previously equity-accounted investee and other		-	-	-	*(409)*	***(409)***	*409*	-
Equity as at 31 December 2017		**177 923**	**221 018**	**8**	**(173 600)**	**225 349**	**16 485**	**241 834**

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

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

Cognor Holding S.A. - previously Cognor S.A. (“Cognor Holding”, “the Company”, “the Parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Until 29 August 2011, the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor’s shares 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. On November 29, 2016 the Company has changed its name into Cognor Holding S.A.

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

The consolidated financial statements as at and for the year ended 31 December 2017 comprise the Parent Company and its subsidiaries and associates (“the Group”). Details of the subsidiaries and associates that comprise the Group as at 31 December 2017 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control
COGNOR S.A.	Poland	94.38%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (poprzednio KAPITAŁ S.A. Sp. k.)	Poland	51.0%	2008-03-25*
COGNOR BLACHY DACHOWE S.A.	Poland	100.0%	2007-08-01
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	100.0%	2006-05-15*
AB STAHL AG	Germany	100.0%	2006-08-03*
COGNOR INTERNATIONAL FINANCE plc	Great Britain	94.38%	2013-10-24
PRZEDSIĘBIORSTWO TRANSPORTU SAMOCHODOWEGO S.A.	Poland	93.52%	2014-04-11
ODLEWNIA METALI SZOPIENICE Sp. z o.o.	Poland	100.0%	2017-11-22
4 GROUPS Sp. z o.o.	Poland	30.0% (associate)	2013-01-21
MADROHUT Sp. z o.o.	Poland	23.38% (associate)	2014-04-11

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

On September,1 2017 the Regional Court in Częstochowa has registered the merger between Cognor S.A. (as the acquiring entity) and Złomrex Metal Sp. z o.o. (as the acquired entity). The merger involved two subsidiaries and therefore has no impact on this consolidated financial statements.

On November 22, 2017 PS HoldCo Sp. z o.o. (the parent company of Cognor Holding S.A.) has increased the share capital in Cognor Holding S.A. by giving 100% of shares in Odlewnia Metali Szopienice 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 2017 have been prepared on the going concern basis.

(ii) Statement of compliance

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 16 March 2018.

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.

New standards and interpretations applied in these consolidated financial statements

In these consolidated financial statements, the following standards, which came into force on January 1, 2017, were applied for the first time:

a) Amendments to IAS 7: Disclosure Initiative

Amendments to IAS 7 effective for annual periods beginning on or after 1 January 2017 and will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The group presented the above mentioned disclosure in note 27.

b) Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

The changes to this standard have no impact on these consolidated financial statements.

c) Annual Improvements to IFRSs 2014-2016

The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

The Group applied the standard concerning the above-mentioned disclosures in these financial statements.

Published standards and interpretations that are not yet in effect and have not been applied by the Group before

The Group has decided not to apply earlier any of the following standards, interpretations or amendments to standards before their effective date.

- IFRS 9 'Financial instruments'

IFRS 9 will replace IAS 39. The new standard is effective for annual periods beginning on or after 1 January 2018. The standard is applied retrospectively, however it is not required to transform the data for periods preceding the first application period. Data conversion is only allowed when it is possible without the use of current knowledge and the restated financial report reflects all the requirements of IFRS 9.

The new standard implements one model allowing only 2 categories of financial assets: those to be measuered at fair value and those to be measured at amortised cost.
Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.
IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model.
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
Hedge accounting requirements were amended to align accounting more closely with risk management.

The Group will apply IFRS 9 from January 1, 2018. Impact of the application of IFRS 9 on the consolidated financial statements of the Group has been presented in note No. 4.

- IFRS 15 'Revenue from contracts with customers'

The new standard is effective for the periods beginning on or after 1 January 2018. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

After analyzing the agreements and contracts concluded by the Group, the Management Board believes that this standard does not affect these consolidated financial statements.

- IFRS 16 'Leases'

IFRS 16 "Leasing" was published by the International Accounting Standards Board on January 13, 2016 and is effective for annual periods beginning on January 1, 2019 or after that date.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group does not expect the application of the new standard to have a significant impact on the consolidated financial statements. The Group is in the process of analyzing the impact of this standard on the consolidated financial statements.

Standards and interpretations published that are not yet effective and have not been previously applied by the Group, and which the Group assesses that they will have no impact on its consolidated financial statements

In these consolidated financial statements, the Group has not decided to earlier apply the following published standards, interpretations or amendments to existing standards before their effective date. At the same time, the Group believes that the following standards and interpretations will not affect its financial statements:
a) Amendments to IFRS 15 Revenue from Contracts with Customers
b) Annual Improvements to IFRSs 2014-2016: Amendments to IFRS 1 and IAS 28
c) Annual Improvements to IFRSs 2015-2017
d) IAS 19 Employee benefits

e) IFRS 14 Regulatory Deferral Accounts
f) IFRS 17 "Insurance Contracts"
g) Amendments to IFRS 2, Share-based Payment
h) Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
i) Amendments to IAS 40: Transfers of Investment Property
j) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
k) Amendments to IFRS 10 and IAS 28 concerning the sale or bringing of assets between the investor and its affiliates or joint
l) IFRIC 22 - Foreign Currency Transactions and Advance Consideration
m) IFRIC 23 "Uncertainty over Income Tax Treatments"

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 16 – impairment tests for cash-generating units containing goodwill
- note 20 – deferred tax assets and liabilities and utilization of tax losses
- note 21 – inventories
- note 25 – settlements with the owner
- note 28 – employee benefits obligations
- note 29 and 32 – provisions and contingencies
- note 31 – financial instruments

d) Functional and presentation currency

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

2 Summary of significant accounting policies

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

a) Basis of consolidation

Subsidiaries

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

Associates
Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the 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.

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

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

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

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

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

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

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

Acquisition under joint control
The principles set out in IFRS 3 "Business combinations" do not apply to acquisitions under joint control. Such acquisitions are accounted for using the previous value method ("predecessor value method"), which uses the book value of an entity from the consolidated financial statements at the highest level, taking into account adjustments adjusting to the accounting policy of the Cognor Holding group.

b) Foreign currencies transactions

Foreign currency translation

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

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

Foreign operations

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

c) Property, plant and equipment

Owned assets

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

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

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

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

Subsequent expenditures

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

Depreciation

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

• 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. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization and impairment losses.

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

CO2 emission rights

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

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

Other intangible assets

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

Subsequent expenditures

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

Amortization

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

• 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 or reliably estimated production cost less accumulated depreciation and impairment losses. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of investment property considering residual values. Land is not depreciated. The estimated useful lives are the same as those for property, plant and equipment presented in point c) above.

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

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

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

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

h) Financial assets

Financial instruments

Non-derivative financial assets

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

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

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

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

Held-to-maturity financial assets
Held-to-maturity financial assets include assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost calculated using the effective interest rate method.
Assets in this category are recognized as non-current assets, if the realization date exceeds 12 months from the reporting date.

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

An allowance for trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the 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 distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution expenses in profit or loss.

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

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

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

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

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

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

Impairment losses are recognized in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized.
An impairment loss is reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit and loss.

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

i) Inventories

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

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

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

j) Cash and cash equivalents

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

k) Impairment of non financial assets

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

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit (or a group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of units) and then, to reduce the carrying amount of the other assets in the unit (or a group of units) on a pro rata basis.
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the 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, treasury shares, convertible notes and other contributions of the owner. Supplementary capital is allocated from net profit according to the Commercial Code. Other reserves are allocated from net profit for future dividends payments.

Dividends

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

Repurchase and reissue of treasury shares

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

m) Interest bearing loans and borrowings

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 applying effective interest rate method. Any difference between proceeds (less transaction costs) and redemption value is recognized in profit or loss over the period of the borrowings applying effective interest rate method.

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

n) Employee benefits

Defined benefits plan – 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 Labour 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, specified in IFRS EU, especially in IAS 19 'Employee Benefits'. 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 projected benefit method, separately for each employee.

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

Short-term employee benefits

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

Provisions are recognized in the amount of projected payments for 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 liability could be reliably estimated.

o) Provisions

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

p) Trade and other liabilities

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

q) Deferred government grants and other deferred income

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

r) Revenue

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

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

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

s) Leases

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

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

t) Other income and expenses

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

u) Current and deferred income tax

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

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

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

3 Restatement of comparative data

On November 24, 2017, PS Holdco Sp. z o.o. increasing equity at Cognor Holding S.A. contributed 100% of shares in Odlewnia Metali Szopienice Sp. z o.o.

Due to the fact that the Cognor Holding Group and Odlewnia Metali Szopienice Sp. z o.o. remain, and remained in the period covered by this consolidated report, under common control, the principles set out in IFRS 3 "Business Combinations" do not apply and this acquisition have been settled in the accounting books of the Cognor Holding Group in accordance with the method of previous values ("predecessor value method") based on the accounting values of Odlewnia Metali Szopienice Sp. z o.o. from the consolidated financial statements of the highest level including adjustments adjusting to the accounting policy of the Cognor Holding group.

In connection with the above, consolidated comparable data have changed as if the Odlewnia Metali Szopienice has always been in the Cognor Holding Group. The change was presented in relation to the last presented period, i.e. in the case of the consolidated statement of financial position as at 31 December 2015, in the case of the consolidated statement of profit and loss and other comprehensive income and the consolidated statement of cash flows for the period from 1 January 2015 to 31 December 2015. Any notes that contain a change in status have been restated taking into account the change as of 1 January 2015.

Presented below is the transformation of comparative data for consolidated financial statements of financial position as at December 31, 2015 and December 31, 2016 and for consolidated profit and loss statements and other comprehensive income and consolidated cash flow statements for the period from January 1, 2015 to December 31 2015 and from January 1, 2016 to December 31, 2016.

Consolidated statement of financial position

in PLN thousand

	as at 31 December 2016			*as at 31 December 2015*		
	Published data	**OMS acquisition adjustments**	**Restated data**	**Published data**	**OMS acquisition adjustments**	**Restated data**
Assets						
Property, plant and equipment	292 821	7 429	300 250	278 043	4 223	282 266
Intangible assets	11 938	-	11 938	10 834	-	10 834
Investment in associates	3 250	-	3 250	3 147	-	3 147
Other investments	4 805	-	4 805	13 578	-	13 578
Other receivables	126	-	126	49	-	49
Prepaid perpetual usufruct of land	19 944	276	20 220	20 828	283	21 111
Deferred tax assets	92 058	1 318	93 376	82 018	1 449	83 467
Total non-current assets	**424 942**	**9 023**	**433 965**	**408 497**	**5 955**	**414 452**
Inventories	297 741	6 197	303 938	263 476	6 259	269 735
Other investments	2 721	(2 583)	138	4 236	(4 109)	127
Current income tax receivables	1 908	-	1 908	290	-	290
Trade and other receivables	136 997	397	137 394	127 378	(1 603)	125 775
Cash and cash equivalents	24 980	74	25 054	36 928	375	37 303
Non-current assets classified as held for sale	6 012	-	6 012	5 506	-	5 506
Total current assets	**470 359**	**4 085**	**474 444**	**437 814**	**922**	**438 736**
Total assets	**895 301**	**13 108**	**908 409**	**846 311**	**6 877**	**853 188**
Equity						
Issued share capital	150 532	-	150 532	139 702	-	139 702
Reserves	184 617	-	184 617	194 935	-	194 935

Foreign currency translation reserves	43	-	43	32	-	32
Accumulated losses from previous years and	(193 064)	4 397	(188 667)	(187 547)	1 851	(185 696)
Total equity attributable to owners of the Parent Company	**142 128**	**4 397**	**146 525**	**147 122**	**1 851**	**148 973**
Non-controlling interests	13 775	-	13 775	21 569	-	21 569
Total equity	**155 903**	**4 397**	**160 300**	**168 691**	**1 851**	**170 542**
Liabilities						
Interest-bearing loans and borrowings	376 398	1 985	378 383	386 446	588	387 034
Employee benefits obligation	9 058	144	9 202	9 113	117	9 230
Other liabilities	25 202	-	25 202	37 479	-	37 479
Deferred tax liabilities	6 150	-	6 150	6 409	-	6 409
Total non-current liabilities	**416 808**	**2 129**	**418 937**	**439 447**	**705**	**440 152**
Bank overdraft	23 154	2 120	25 274	15 846	2 921	18 767
Interest-bearing loans and borrowings	72 451	2 205	74 656	48 873	9	48 882
Employee benefits obligation	4 914	25	4 939	4 867	17	4 884
Current income tax liabilities	-	-	-	5	-	5
Provisions for liabilities	3 130	5	3 135	3 697	75	3 772
Trade and other liabilities	218 824	2 227	221 051	164 768	1 299	166 067
Government grants and other deferred income	117	-	117	117	-	117
Total current liabilities	**322 590**	**6 582**	**329 172**	**238 173**	**4 321**	**242 494**
Total liabilites	**739 398**	**8 711**	**748 109**	**677 620**	**5 026**	**682 646**
Total equity and liabilities	**895 301**	**13 108**	**908 409**	**846 311**	**6 877**	**853 188**

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	1 January 2016 - 31 December 2016			*1 January 2015 - 31 December 2015*		
	Published data	**OMS acquisition adjustments**	**Restated data**	**Published data**	**OMS acquisition adjustments**	**Restated data**
Continuing operations						
Sales revenue	1 352 393	24 959	1 377 352	1 364 804	957	1 365 761
Costs of products, goods and materials sold	(1 209 667)	(19 145)	(1 228 812)	(1 268 982)	2 969	(1 266 013)
Gross profit	**142 726**	**5 814**	**148 540**	**95 822**	**3 926**	**99 748**
Other income	5 727	(169)	5 558	4 717	(172)	4 545
Distribution expenses	(49 970)	(1 261)	(51 231)	(47 791)	(934)	(48 725)
Administrative expenses	(37 938)	(1 405)	(39 343)	(34 640)	(1 259)	(35 899)
Other gains - net	2 697	125	2 822	2 952	(51)	2 901
Other expenses	(6 724)	(227)	(6 951)	(7 913)	(147)	(8 060)
Operating profit	**56 518**	**2 877**	**59 395**	**13 147**	**1 363**	**14 510**
Financial income	5 216	-	5 216	26 678	(2)	26 676
Financial expenses	(68 212)	(200)	(68 412)	(57 009)	(98)	(57 107)
Net financing costs	**(62 996)**	**(200)**	**(63 196)**	**(30 331)**	**(100)**	**(30 431)**
Share of (loss)/profit of associates	103	-	103	(85)	-	(85)
Gain on bargain purchase	-	-	-	-	-	-
(Loss)/profit before tax	**(6 375)**	**2 677**	**(3 698)**	**(17 269)**	**1 263**	**(16 006)**
Income tax expense	7 901	(131)	7 770	3 324	7	3 331

(Loss)/profit for the period from continuing operations	**1 526**	**2 546**	**4 072**	**(13 945)**	**1 270**	**(12 675)**

Consolidated statement of cash flows

in PLN thousand

	1 January 2016 - 31 December 2016			*1 January 2015 - 31 December 2015*		
	Published data	**OMS acquisition adjustments**	**Restated data**	**Published data**	**OMS acquisition adjustments**	**Restated data**
Cash flows from operating activities - continuing operations						
(Loss)/profit before tax from continuing operations	(6 375)	2 677	(3 698)	(17 269)	1 263	(16 006)
Adjustments						
Depreciation	38 061	702	38 763	35 062	507	35 569
Amortization	259	-	259	801	-	801
Foreign exchange (gains)/losses	18 208	-	18 208	(947)	-	(947)
Net gain on purchase of own bonds	(5 216)	-	(5 216)	(26 013)	-	(26 013)
Net gain on investment operations	(1 004)	-	(1 004)	-	-	-
Net (gains)/losses on disposal of property, plant and equipment, intangible assets and assets classified as held for sale	(280)	(118)	(398)	(3 239)	25	(3 214)
Interest, transaction costs (related to loans and borrowings) and dividends, net	46 003	249	46 252	53 174	238	53 412
Change in receivables and prepayments	(9 688)	(2 000)	(11 688)	60 027	(4 420)	55 607
Change in inventories	(34 265)	62	(34 203)	19 582	(1 298)	18 284
Change in trade and other payables	50 290	928	51 218	(16 477)	563	(15 914)
Change in provisions	(2 538)	(70)	(2 608)	(2 838)	62	(2 776)
Change in employee benefits obligation	(8)	35	27	(205)	11	(194)
Change in government grants and other defer	-	-	-	-	-	-
Share of profit/ (loss) of associates	(103)	-	(103)	85	-	85
Gain on bargain purchase	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Cash generated from continuing operations	**93 344**	**2 465**	**95 809**	**101 743**	**(3 049)**	**98 694**
Cash generated from operating activities	**93 344**	**2 465**	**95 809**	**101 743**	**(3 049)**	**98 694**
Income tax (paid)/returned, incl.	(1 712)	-	(1 712)	(434)	-	(434)
- continuing operations	*(1 712)*	-	*(1 712)*	*(434)*	-	*(434)*
- discontinued operations	-	-	-	-	-	-
Net cash from operating activities	**91 632**	**2 465**	**94 097**	**101 309**	**(3 049)**	**98 260**
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	2 638	134	2 772	8 469	74	8 543
Proceeds from sale of intangible assets	14	-	14	507	-	507
Proceeds from sale of investment properties	-	-	-	-	-	-
Proceeds from sale of prepaid perpetual usufruct of land	465	-	465	3 918	3	3 921
Proceeds from sale of assets held for sale	-	-	-	1 080	-	1 080

Acquisition of subsidiaries, net of cash transferred	(363)	-	(363)	(109)	-	(109)
Proceeds from sale of other investments	1 014	-	1 014	-	-	-
Interest received	404	(275)	129	136	(5)	131
Dividends received	2	-	2	-	-	-
Repayment of loans granted	1 500	(1 500)	-	1 801	-	1 801
Other inflows from investing activities	-	-	-	515	-	515
Acquisition of property, plant and equipment	(30 911)	(3 917)	(34 828)	(16 974)	(353)	(17 327)
Acquisition of intangible assets	(1 884)	-	(1 884)	(779)	-	(779)
Acquisition of assets held for sale	-	-	-	-	-	-
Acquisition of shares in other companies	-	-	-	(10)	-	(10)
Loans granted	-	-	-	(1 700)	-	(1 700)
Cash generated on investing activities from continuing operations	**(27 121)**	**(5 558)**	**(32 679)**	**(3 146)**	**(281)**	**(3 427)**
Cash generated on investing activities from discontinued operations	-	-	-	-	-	-
Net cash from investing activities	**(27 121)**	**(5 558)**	**(32 679)**	**(3 146)**	**(281)**	**(3 427)**
Cash flows from financing activities						
Proceeds from interest-bearing loans and borrowings	20 148	2 529	22 677	19 857	-	19 857
Proceeds from factoring	757	1 757	2 514	(46 574)	-	(46 574)
Repayment of interest-bearing loans and borrowings	(33 164)	(684)	(33 848)	(32 240)	(264)	(32 504)
Payment of finance lease liabilities	(15 947)	(9)	(15 956)	(5 655)	(13)	(5 668)
Dividends paid and interests on exchangeable notes in the period	(5 278)	-	(5 278)	(5 286)	-	(5 286)
Interest and transaction costs (related to loans and borrowings) paid	(39 693)	-	(39 693)	(35 456)	-	(35 456)
Other transactions with the Owner	(10 590)	-	(10 590)	(392)	-	(392)
Cash outflows on financing activities from continuing operations	**(83 767)**	**3 593**	**(80 174)**	**(105 746)**	**(277)**	**(106 023)**
Cash outflows from discontinued operations	-	-	-	-	-	-
Net cash from financing activities	**(83 767)**	**3 593**	**(80 174)**	**(105 746)**	**(277)**	**(106 023)**
Net change in cash and cash equivalents	**(19 256)**	**500**	**(18 756)**	**(7 583)**	**(3 607)**	**(11 190)**
Cash and cash equivalents net of bank overdraft, at 1 January	21 082	(2 546)	18 536	28 679	1 061	29 740
- effect of exchange rate fluctuations on cash held	-	-		*(14)*	-	*(14)*
Cash and cash equivalents net of bank overdraft, at 31 December	**1 826**	**(2 046)**	**(220)**	**21 082**	**(2 546)**	**18 536**
- including cash restricted for use	*494*	*33*	*527*	*474*	*35*	*509*

In addition, the Group has changed the definition of intra-group eliminations for particular types of expenses and revenue categories. The following changes have already been presented in the consolidated report for the first half of 2017.

The impact of the changes resulting from the above change in presentation compared to the data presented in the published annual consolidated financial statement as at 31 December 2016 is presented below.

in PLN thousand	**Published**	**Change of presen-tation**	**OMS acquisition adjust-ments**	**Restated**
Expenses by type for the period from 1 January 2015 till 31 December 2015				
Energy and materials consumption	(799 413)	(65 195)	(17 738)	(882 346)
External services	(203 421)	65 195	(1 003)	(139 229)
		-		
Expenses by type for the period from 1 January 2016 till 31 December 2016				
Energy and materials consumption	(747 171)	(94 360)	(39 422)	(880 953)
External services	(228 440)	76 736	(1 285)	(152 989)
Cost of goods for resale and materials	(148 796)	17 624	23 739	(107 433)
		-		
Revenues from sale for the period from 1 January 2016 till 31 December 2016				
Revenues from sale of products	1 127 525	18 060	47 512	1 193 097
Revenues from sale of raw materials	30 969	(18 060)	938	13 847
		-		

4 Impact of the IFRS 9 standard on the Group consolidated financial statements

As at the date of these financial statements, the Group completed work on the analysis of the impact of the standard on the opening balance as of January 1, 2018. Further in this note there are financial data which the Group assesses as complying in all material respects with the requirements of IFRS 9. However, these data were not audited and it is possible that the final amounts included in the financial statements for 2018 will differ from those presented below. The Group plans to complete the implementation in the first quarter of 2018. The main remaining stages of the work are: changes in accounting policies and accounting instructions, adaptation of accounting systems to new requirements, adaptation of processes so that economic events are considered in terms of IFRS 9 requirements at the time of conclusion, transactions and preparation of disclosures to the financial statements. The Group plans to present key disclosures resulting from the requirements of IFRS 9 in the interim report as at March 31, 2018.

The Group decided to implement the standard on January 1, 2018 without adjusting the comparative data, which means that the data for 2017 and 2018 will not be comparable, while the adjustments related to the adaptation to IFRS will be introduced on January 1, 2018.

a) trade receivables

The Group regularly uses factoring facilities to improve liquidity. Handing over receivables to factoring results in ceasing their recognition in the financial statements according to IAS 39 and IFRS 9. Therefore, all trade receivables that the Group provides to the factor do not meet the criteria of the model "hold to collect" and "hold for the purpose of collection and sale" are therefore classified as "measured at fair value through profit or loss". The application of IFRS 9 will therefore change the method of measurement of these receivables from amortized cost at fair value. The effects of fair value measurement will be recognized in the financial result. As at December 31, 2017, the Group discloses PLN 14,745 thousand PLN of factoring receivables. Due to the fact that they are receivables with short maturities, the Group believes that the fair value measurement will not significantly affect the consolidated financial statements.

Trade receivables (not transferred to the factor) are classified as measured at amortized cost and are subject to impairment loss. The application of IFRS 9 will affect the calculation of the impairment loss from the model of losses incurred for model of expected losses. The receivables of the Group do not contain a significant element of financing, therefore the impairment allowance will be calculated on the basis of expected loan losses over the entire lifetime of the receivables. The analysis conducted by the Group shows that the write-down on this account will not significantly affect the consolidated financial statements and will amount to approx. PLN thousand 342.

b) loans granted

As part of the analysis of the business model, the Group determined that all loans meet the maintenance model for the purpose of downloading (the Group did not sell or plan to sell). Loans presented by the Group meet the SPPI test and will therefore be measured at amortized cost with a recognized impairment charge using the expected credit loss model. No significant impact on the financial result. Loans granted as at December 31, 2017 amounted to thousand PLN 12.

c) cash and cash equivalents

Cash on bank accounts meets the SPPI test and business model test "hold to collect". Therefore, cash will continue to be measured at amortized cost. The application of IFRS 9 will change the calculation of the impairment loss from the loss model incurred to the expected loss model. External bank ratings were used to assess credit risk. The analysis showed that these assets have a low credit risk as at the reporting date and the potential write-off will have no impact on the reported cash.

d) shares in other units

Due to the immateriality of this item, the Group departed from a detailed analysis of this item (value of shares in other entities as at 31 December 2017 amounts to PLN 55 thousand)

e) Interest-bearing loans and borrowings

Liabilities due to SSN and liabilities due to bank loans and other borrowings are valued by the Group at amortized cost and the application of IFRS 9 will not in any way affect the change of their valuation.

f) trade payables

Trade payables are valued by the Group at amortized cost and application of IFRS 9 will not affect the valuation in any way.

5 Segment reporting

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

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

The reportable operating segments derive their revenue primarily from the following divisions:
1. scrap division – this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division – this segment includes activities of processing scrap metal into steel billets, steel billets into finished products, and selling them; processing of non-ferrous scrap into finished products and selling them;
3. distribution division – this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other – this segment includes other activities such as holding activities, financial activities, recycling materials, including plastic foils, paper and other products.

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

Business segments

in PLN thousand **31.12.2017**	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	214 153	1 536 888	5 203	33 036			
Inter-segment revenue	230 941	6 818	38	39 305			
Total revenue	**445 094**	**1 543 706**	**5 241**	**72 341**	**-**	(277 102)	**1 789 280**
Cost of sales to external customers	(199 526)	(1 367 758)	(5 154)	(28 193)			
Inter-segment cost of sales	(215 774)	(5 161)	(5)	(2 241)			
Total cost of sales	**(415 300)**	**(1 372 919)**	**(5 159)**	**(30 434)**	**-**	250 768	**(1 573 044)**
Segment result	**29 794**	**170 787**	**82**	**41 907**	**-**	**(26 334)**	**216 236**
Other income	2 426	6 382	36	503	-	779	10 126
Distribution and administrative expenses	(21 229)	(110 237)	(1 076)	(21 363)	-	37 585	(116 320)
Other (losses)/gain net	(221)	2 585	7	(734)	-	(4 281)	(2 644)
Other expenses	(329)	(9 735)	(25)	(1 000)	-	2 901	(8 188)
Operating (loss)/profit	**10 441**	**59 782**	**(976)**	**19 313**	**-**	**10 650**	**99 210**
Net financing costs	(794)	(6 344)	125	(5 644)	(17 990)	(561)	(31 208)
Share of profit of associates, net of tax							51
Income tax expense							(18 148)
Profit for the period							**49 905**

in PLN thousand 31.12.2016	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	155 598	1 179 970	10 999	30 785			
Inter-segment revenue	191 396	13 461	-	24 003			
Total revenue	**346 994**	**1 193 431**	**10 999**	**54 788**	**-**	(228 860)	**1 377 352**
Cost of sales to external customers	(149 348)	(1 079 548)	(9 521)	(27 314)			
Inter-segment cost of sales	(175 115)	(12 260)	-	(6 645)			
Total cost of sales	**(324 463)**	**(1 091 808)**	**(9 521)**	**(33 959)**	**-**	230 939	**(1 228 812)**
Segment result	**22 531**	**101 623**	**1 478**	**20 829**	**-**	**2 079**	**148 540**
Other income	2 380	3 106	40	699	1 884	(2 551)	5 558
Distribution and administrative expenses	(21 048)	(73 054)	(1 956)	(12 212)	(3 779)	21 475	(90 574)
Other gain/(losses) net	943	200	(28)	13 272	2 147	(13 712)	2 822
Other expenses	(295)	(4 671)	(115)	(451)	(4 469)	3 050	(6 951)
Operating (loss)/profit	**4 511**	**27 204**	**(581)**	**22 137**	**(4 217)**	**10 341**	**59 395**
Net financing costs	(535)	(41)	294	(5 944)	(65 406)	8 436	(63 196)
Share of profit of associates, net of tax							103
Income tax expense							7 770
Loss for the period (continuing operations)							**4 072**

in PLN thousand 31.12.2015	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	191 059	1 126 836	14 157	33 709			
Inter-segment revenue	204 641	101 662	7	17 953			
Total revenue	**395 700**	**1 228 498**	**14 164**	**51 662**	**-**	**(324 263)**	**1 365 761**
Cost of sales to external customers	(183 097)	(1 062 165)	(12 007)	(28 493)			
Inter-segment cost of sales	(192 371)	(86 558)	(8)	(8 510)			
Total cost of sales	**(375 468)**	**(1 148 723)**	**(12 015)**	**(37 003)**	**-**	**307 196**	**(1 266 013)**
Segment result	**20 232**	**79 775**	**2 149**	**14 659**	**-**	**(17 067)**	**99 748**
Other income	1 354	4 208	236	396	64 039	(65 688)	4 545
Distribution and administrative expenses	(21 387)	(57 962)	(2 241)	(947)	(17 127)	15 040	(84 624)
Other gain/(losses) net	(846)	23 147	178	-	967	(20 545)	2 901
Other expenses	(366)	(4 562)	(38)	(5)	(5 771)	2 682	(8 060)
Operating (loss)/profit	**(1 013)**	**44 606**	**284**	**14 103**	**42 108**	**(85 578)**	**14 510**
Net financing costs	(1 265)	(3 477)	(27)	(3 061)	(95 777)	73 176	(30 431)
Share of profit of associates, net of tax							(85)
Gain on bargain purchase							-
Income tax expense							3 331
Profit for the period							**(12 675)**

Inter-segment revenues and cost of sales in 2015 and 2014 in Production division differ from published financial statements due to elimination of revenue and costs of sales within one segment.

in PLN thousand

31.12.2017	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	71 397	610 988	6 679	39 358	222 267	**950 689**
Segment liabilities	30 971	196 788	442	(2 144)	482 797	**708 854**
Capital expenditures	3 842	19 573	767	2 181	-	**26 363**
Major non-cash items:						
Depreciation/amortization	(2 279)	(36 734)	(291)	(2 024)	-	**(41 328)**
Impairment losses and valuation allowances	9	(3 124)	17	(55)	-	**(3 153)**
Total major non-cash items	**(2 270)**	**(39 858)**	**(274)**	**(2 079)**	**-**	**(44 481)**

in PLN thousand

31.12.2016	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	63 334	618 739	3 449	40 494	182 393	**908 409**
Segment liabilities	33 458	157 338	1 244	4 491	551 578	**748 109**
Capital expenditures	(8 159)	64 438	-	4 299	-	**60 578**
Major non-cash items:						
Depreciation/amortization	(2 226)	(31 341)	(191)	(1 851)	(3 413)	**(39 022)**
Impairment losses and valuation allowances	78	(148)	19	149	-	**98**
Total major non-cash items	**(2 148)**	**(31 489)**	**(172)**	**(1 702)**	**(3 413)**	**(38 924)**

in PLN thousand

31.12.2015	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	59 043	575 186	3 497	46 924	168 538	**853 188**
Segment liabilities	11 181	141 641	1 063	3 975	524 786	**682 646**
Capital expenditures	2 959	25 582	-	2 848	-	**31 389**
Major non-cash items:						
Depreciation/amortization	(2 390)	(27 702)	(229)	(1 642)	(4 407)	**(36 370)**
Impairment losses and valuation allowances	(87)	1 062	(144)	(318)	1 054	**1 567**
Total major non-cash items	**(2 477)**	**(26 640)**	**(373)**	**(1 960)**	**(3 353)**	**(34 803)**

Unallocated assets *in PLN thousand*	**31.12.2017**	**31.12.2016**	**31.12.2015**
Long-term and short-term investments	3 318	8 193	16 852
Deferred tax assets	70 178	93 376	83 467
Current income tax receivable	778	1 908	290
Cash and cash equivalents	102 046	25 054	37 303
Assets held for sale	-	6 012	5 506
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc.)	45 822	47 850	25 120
	222 267	**182 393**	**168 538**

Unallocated liabilities *in PLN thousand*	**31.12.2017**	**31.12.2016**	**31.12.2015**
Interest-bearing loans and borrowings	402 526	453 039	435 916
Bank overdraft	24 607	25 274	18 767
Deferred tax liabilities	-	6 150	6 409
Government grants and other deferred income	117	117	117
Current income tax payables	-	-	5
Other liabilities	55 547	66 998	63 572
	482 797	**551 578**	**524 786**

6 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Revenue from external customers	1 325 774	986 910	898 977	247 007	174 153	232 421	216 499	216 289	234 363	1 789 280	1 377 352	1 365 761
Capital expenditures	26 363	60 578	31 389	-	-	-	-	-	-	26 363	60 578	31 389

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

Major customer

In 2017, none of the Group’s customers exceeded 10% of consolidated revenues (in 2016 and 2015 none of the Group's customers exceeded 10% of consolidated revenues).

7 Revenues from sale

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Revenues from sale of products	1 512 408	1 193 097	1 134 800
Revenues form sale of services	29 610	23 358	27 104
Revenues from sale of goods	222 466	147 050	191 051
Revenues from sale of raw materials	24 796	13 847	12 806
	1 789 280	**1 377 352**	**1 365 761**

8 Expenses by type

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Depreciation and amortisation (note 14 and 15)	(40 866)	(38 566)	(35 809)
Energy and materials consumption	(1 129 927)	(880 953)	(882 346)
External services	(152 491)	(152 989)	(139 229)
Taxes and charges	(10 809)	(9 427)	(15 246)
Wages and salaries	(130 654)	(112 264)	(105 054)
Social security contributions and other benefits	(30 621)	(28 232)	(26 206)
Other expenses	(4 734)	(3 891)	(4 290)
Amortisation of prepaid perpetual usufruct of land	(462)	(456)	(561)
Total expenses by type	**(1 500 564)**	**(1 226 778)**	**(1 208 741)**
Cost of goods for resale and materials	(201 824)	(107 433)	(160 085)
Changes in inventories, prepayments, accruals and costs settled	13 024	14 825	18 189
Costs of products, goods and materials sold, administrative and distribution expenses	**(1 689 364)**	**(1 319 386)**	**(1 350 637)**

9 Other income

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Compensations and penalties received	1 507	1 242	804
Insurance compensations	739	184	173
Forgiven liabilities	557	513	188
Reimbursed costs of court proceedings	140	98	87
Reversal of impairment for non financial non-current assets	3 605	99	-
Donations	708	44	105
Interest income relating to trade receivables	1 846	1 037	1 390
Fees and commissions	3	12	-
Reversal of allowance for interest and other receivables	210	1 109	502
Other	811	1 220	1 296
	10 126	**5 558**	**4 545**

10 Other gains/(losses) - net

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Net gain/ (loss) on disposal of property, plant and equipment	(613)	875	1 207
Net gain/(loss) on disposal of intangible assets	(159)	(507)	25
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	-	30	2 506
Net gain/(loss) on disposal of assets held for sale	-	-	(524)
Net loss on sales of other investments	-	1 004	(96)
(Recognition)/reversal of impairment loss on other investments	-	-	(87)
Net foreign exchange gain relating to operating activities	(1 640)	1 005	124
Net foreign exchange (loss)/gain relating to financial assets	(232)	415	(254)
	(2 644)	**2 822**	**2 901**

11 Other expenses

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Interest expenses relating to non-financial liabilities	(1 247)	(1 100)	(2 001)
Uncollectible receivables	(2 061)	(599)	(1 401)
Impairment of tangible and intangible assets	-	-	(99)
Costs of court proceedings	(475)	(283)	(242)
Contractual penalties	(969)	(1 946)	(2 188)
Receivables written off	(1 023)	(729)	(278)
Donations	(3)	(19)	(22)
Unused production capacities	-	-	-
Other	(2 410)	(2 275)	(1 829)
	(8 188)	**(6 951)**	**(8 060)**

12 Net financing costs

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Financial income			
Net gain on the purchase of own bonds	-	5 216	26 213
Net foreign exchange gain	22 131	-	463
Financial income, total	**22 131**	**5 216**	**26 676**
Financial costs			
Interest expense relating to financial liabilities	(47 171)	(46 055)	(49 073)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(4 836)	(5 668)	(6 071)
Net foreign exchange loss	-	(15 712)	-
Other	(1 332)	(977)	(1 963)
Financial expenses, total	**(53 339)**	**(68 412)**	**(57 107)**
Net financing costs	**(31 208)**	**(63 196)**	**(30 431)**

13 Income tax expense

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

in PLN thousand	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016**	**01.01.2015 - 31.12.2015**
Current tax expense			
Current year			
- continuing operations	(198)	(89)	(54)
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	(17 950)	7 859	3 385
- discontinued operations	-	-	-
	(17 950)	**7 859**	**3 385**
Total income tax expense in the profit or loss and other comprehensive income	**(18 148)**	**7 770**	**3 331**

Reconciliation of effective tax rate

in PLN thousand	**01.01.2017 - 31.12.2017**	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016**	**01.01.2016 - 31.12.2016**	**01.01.2015 - 31.12.2015**	**01.01.2015 - 31.12.2015**
(Loss)/profit before tax	**100,0%**	**68 053**	**100,0%**	**(3 698)**	**100,0%**	**(16 006)**
Income tax using the domestic corporation tax rate	(19,0%)	(12 930)	(19,0%)	703	(19,0%)	3 041
Effect of tax rates in foreign jurisdictions	0,1%	38	(1,2%)	44	(0,8%)	133
Non-deductible costs	(3,1%)	(2 106)	29,2%	(1 078)	13,1%	(2 093)
Tax exempt income	2,1%	1 425	(53,5%)	1 980	(0,2%)	25
Utilisation of tax losses not recognised in previous years	-	-	(14,9%)	550	(5,7%)	915
Temporary differences for which no deferred tax asset was recognised	-	-	-	-	-	-
Tax losses for which no deferred tax asset was recognised	-	-	-	-	(1,4%)	223
Permanent tax differences arised on business combination in capital group	-	-	(146,2%)	5 405	-	-
Adjustment to prior years' income tax	0,1%	88	0,3%	(10)	-	-
Recognition of deferred tax assets previously not recognised	(2,0%)	(1 348)	-	-	(2,7%)	432
Other	(4,9%)	(3 315)	(4,8%)	176	(4,1%)	655
	(26,7%)	**(18 148)**	**(210,1%)**	**7 770**	**(20,8%)**	**3 331**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

14 Current tax assets and liabilities

The current tax receivables as at 31.12.2017 amounted to PLN 778 thousand (31.12.2016: PLN 1,908 thousand, 31.12.2015: PLN 290 thousand).

As at 31.12.2017 the current tax liabilities amounted to PLN 0 thousand (31.12.2016: PLN 0 thousand, 31.12.2015: PLN 5 thousand).

15 Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2015 (published data)	1 001	170 193	427 098	36 475	7 104	15 652	**657 523**
Adjustments relating to OMS acquisition	*-*	*3 644*	*5 136*	*365*	*600*	*9*	***9 754***
Balance at 01.01.2015 including OMS acquisition adj.	1 001	173 837	432 234	36 840	7 704	15 661	667 277
Additions	-	-	9 154	3 293	654	17 509	**30 610**
Transfer from fixed assets under construction	-	1 518	13 469	390	483	(15 860)	**-**
Disposals	-	(453)	(7 594)	(3 568)	(112)	(2 953)	**(14 680)**
Balance at 31.12.2015	**1 001**	**174 902**	**447 263**	**36 955**	**8 729**	**14 357**	**683 207**
Balance at 01.01.2016	1 001	174 902	447 263	36 955	8 729	14 357	**683 207**
Additions	-	572	14 665	6 828	-	36 629	**58 694**
Transfer to assets held for sale	-	-	-	-	-	(506)	**(506)**
Transfer from fixed assets under construction	-	1 146	38 959	309	343	(40 757)	**-**
Disposals	-	(3 112)	(3 414)	(4 291)	(154)	(462)	**(11 433)**
Balance at 31.12.2016	**1 001**	**173 508**	**497 473**	**39 801**	**8 918**	**9 261**	**729 962**
Balance at 01.01.2017	1 001	173 508	497 473	39 801	8 918	9 261	**729 962**
Additions	-	-	9 947	3 228	338	10 924	**24 437**
Transfer from fixed assets under construction	-	2 780	7 405	306	948	(11 439)	**-**
Disposals	-	(604)	(6 009)	(1 886)	(73)	(94)	**(8 666)**
Balance at 31.12.2017	**1 001**	**175 684**	**508 816**	**41 449**	**10 131**	**8 652**	**745 733**
Depreciation and impairment losses							
Balance at 01.01.2015 (published data)	(11)	(64 149)	(270 249)	(28 084)	(5 465)	-	**(367 958)**
Adjustments relating to OMS acquisition	*-*	*(2 098)*	*(2 332)*	*(295)*	*(594)*	*-*	***(5 319)***
Balance at 01.01.2015 including OMS acquisition adj.	(11)	(66 247)	(272 581)	(28 379)	(6 059)	-	**(373 277)**
Depreciation charge for the year	-	(6 504)	(25 231)	(2 929)	(344)	-	**(35 008)**
Impairment loss	-	-	(99)	-	-	-	**(99)**
Disposals	-	143	4 024	3 115	84	77	**7 443**
Balance at 31.12.2015	**(11)**	**(72 608)**	**(293 887)**	**(28 193)**	**(6 319)**	**77**	**(400 941)**
Balance at 01.01.2016	(11)	(72 608)	(293 887)	(28 193)	(6 319)	77	**(400 941)**
Depreciation charge for the year	-	(5 393)	(28 834)	(3 564)	(516)	-	**(38 307)**
Reversal of impairment loss	-	-	99	-	-	-	**99**
Disposals	-	2 302	2 742	4 282	111	-	**9 437**
Balance at 31.12.2016	**(11)**	**(75 699)**	**(319 880)**	**(27 475)**	**(6 724)**	**77**	**(429 712)**
Balance at 01.01.2017	(11)	(75 699)	(319 880)	(27 475)	(6 724)	77	**(429 712)**
Depreciation charge for the year	-	(5 425)	(31 327)	(3 241)	(462)	-	**(40 455)**
Reversal of impairment loss	-	2 751	854	-	-	-	**3 605**
Disposals	-	604	4 237	1 777	73	-	**6 691**
Balance at 31.12.2017	**(11)**	**(77 769)**	**(346 116)**	**(28 939)**	**(7 113)**	**77**	**(459 871)**

(in PLN thousand, unless stated otherwise)

Carrying amounts

Balance at 01.01.2015	990	106 044	156 849	8 391	1 639	15 652	289 565
Balance at 31.12.2015	**990**	**102 294**	**153 376**	**8 762**	**2 410**	**14 434**	**282 266**
Balance at 01.01.2016	990	102 294	153 376	8 762	2 410	14 434	282 266
Balance at 31.12.2016	**990**	**97 809**	**177 593**	**12 326**	**2 194**	**9 338**	**300 250**
Balance at 01.01.2017	990	97 809	177 593	12 326	2 194	9 338	300 250
Balance at 31.12.2017	**990**	**97 915**	**162 700**	**12 510**	**3 018**	**8 729**	**285 862**

Property, plant and equipment

	31.12.2017	31.12.2016	31.12.2015
Land	990	990	990
Buildings	97 915	97 809	102 294
Plant and equipment	162 700	177 593	153 376
Vehicles	12 510	12 326	8 762
Fixtures and fittings	3 018	2 194	2 410
Under construction	8 729	9 338	14 434
Total	**285 862**	**300 250**	**282 266**

	31.12.2017	31.12.2016	31.12.2015
Property, plant and equipment pledged as security for liabilities	88 134	118 419	116 898

Leased property, plant and equipment

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

As at 31.12.2016 the net carrying amount of leased property, plant and equipment was PLN 35 823 thousand (31.12.2016: PLN 42 822 thousand, 31.12.2015: PLN 40 823 thousand).

The leased assets secure lease obligations (see note 27).

Collateral

As at 31.12.2016 property, plant and equipment with a carrying amount of PLN 52 311 thousand (31.12.2016: PLN 75 597 thousand, 31.12.2015: PLN 76 075 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 27).

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

Impairment loss

	31.12.2017	31.12.2016	31.12.2015
Buildings	(242)	(2 993)	(2 993)
Plant and equipment	(2 215)	(3 069)	(3 168)
Under construction	-	(859)	(859)
Total	**(2 457)**	**(6 921)**	**(7 020)**

As at 31.12.2017, the Group recognized an impairment losses of PLN 2 457 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2016: PLN 6 921 thousand and 31.12.2015: PLN 7 020 thousand).

16 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2015 (published data)	15 255	13 864	1 497	22 863	**53 479**
Adjustments relating to OMS acquisition	-	-	-	*44*	*44*
Balance at 01.01.2015 including OMS acquisition adj.	15 255	13 864	1 497	22 907	**53 523**
Additions	-	34	334	411	**779**
Disposals	-	-	(386)	(58)	**(444)**
Other	(96)	-	-	-	**(96)**
Balance at 31.12.2015	**15 159**	**13 898**	**1 445**	**23 260**	**53 762**
Balance at 01.01.2016	15 159	13 898	1 445	23 260	**53 762**
Additions	-	662	131	1 091	**1 884**
Disposals	-	-	(521)	(4)	**(525)**
Balance at 31.12.2016	**15 159**	**14 560**	**1 055**	**24 347**	**55 121**
Balance at 01.01.2017	15 159	14 560	1 055	24 347	**55 121**
Additions	-	487	240	1 198	**1 925**
Disposals	-	-	(448)	(3)	**(451)**
Balance at 31.12.2017	**15 159**	**15 047**	**847**	**25 542**	**56 595**
Amortisation and impairment losses					
Balance at 01.01.2015 (published data)	(6 230)	(13 440)	(156)	(22 315)	**(42 141)**
Adjustments relating to OMS acquisition	-	-	-	(44)	**(44)**
Balance at 01.01.2015 including OMS acquisition adj.	(6 230)	(13 440)	(156)	(22 359)	**(42 185)**
Amortisation for the year	-	(52)	(319)	(430)	**(801)**
Disposals	-	-	-	58	**58**
Balance at 31.12.2015	**(6 230)**	**(13 492)**	**(475)**	**(22 731)**	**(42 928)**
Balance at 01.01.2016	(6 230)	(13 492)	(475)	(22 731)	**(42 928)**
Amortisation for the year	-	(72)	(114)	(73)	**(259)**
Disposals	-	-	-	4	**4**
Balance at 31.12.2016	**(6 230)**	**(13 564)**	**(589)**	**(22 800)**	**(43 183)**
Balance at 01.01.2017	(6 230)	(13 564)	(589)	(22 800)	**(43 183)**
Amortisation for the year	-	(76)	(252)	(83)	**(411)**
Disposals	-	-	-	4	**4**
Balance at 31.12.2017	**(6 230)**	**(13 640)**	**(841)**	**(22 879)**	**(43 590)**
Carrying amounts					
Balance at 01.01.2015	9 025	424	1 341	548	11 338
Balance at 31.12.2015	**8 929**	**406**	**970**	**529**	**10 834**
Balance at 01.01.2016	8 929	406	970	529	10 834
Balance at 31.12.2016	**8 929**	**996**	**466**	**1 547**	**11 938**
Balance at 01.01.2017	8 929	996	466	1 547	11 938
Balance at 31.12.2017	**8 929**	**1 407**	**6**	**2 663**	**13 005**

Intangible assets

	31.12.2017	31.12.2016	31.12.2015
Goodwill	8 929	8 929	8 929
Development costs	1 407	996	406
CO2 emission rights	6	466	970

Software and other	2 663	1 547	529
Total	**13 005**	**11 938**	**10 834**

Impairment losses

As at 31.12.2017, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 1 040 thousand (31.12.2016: PLN 1 040 thousand; 31.12.2015: PLN 1 040 thousand). Recognized impairment losses are related to software.

Amortisation and impairment loss charge

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

in PLN thousand	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016**	**01.01.2015 - 31.12.2015**
Cost of sales	-	-	-
Administration expenses	(352)	(237)	(762)
Other expenses	(62)	(22)	(39)
	(414)	**(259)**	**(801)**

Impairment tests for cash-generating units containing goodwill

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

	31.12.2017	**31.12.2016**	**31.12.2015**
Scrap division	5 029	5 029	5 029
Production division	3 900	3 900	3 900
	8 929	**8 929**	**8 929**

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

The key assumptions used for value-in-use calculations in 2017 are as follows:

	Scrap division	**Production division**
Discount rate	9.4%	9.4%
Growth rate	2.0%	2.0%

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

	Scrap division	**Production division**
Discount rate	8.9%	8.9%
Growth rate	2.0%	2.0%

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

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

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

As the result of the impairment test as at 31.12.2017, 31.12.2016 and 31.12.2015 there was no need to recognize an additional impairment write down on goodwill relating to the scrap division and the production division.

17 Investment property

in PLN thousand	2017	2016	2015
Balance at 1 January	-	-	-
Acquisition	125	-	-
Balance at 31 December	**125**	**-**	**-**

Management's assessed that the carrying value of investment property approximates its fair value.
In years 2015 - 2016, the Group did not receive revenues from renting investment properties.

18 Other investments

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
Non-current investments			
Options for own equity instruments*	-	4 750	13 513
Shares in unconsolidated entities	55	55	65
	55	**4 805**	**13 578**
Current investments			
Loans granted	12	138	127
Other	-	-	-
	12	**138**	**127**

* see note 25 regarding the details of the transactions with PS Holdco Sp. z o.o.

19 Perpetual usufruct of land

in PLN thousand	2017	2016	2015
Balance at 1 January (published data)			22 794
Adjustments relating to OMS acquisition			290
Balance at 1 January including OMS acquisition adj.	20 220	21 111	23 084
Acquisition	1	-	-
Transfer to non-current assets held for sale	6 012	-	-
Disposals	-	(435)	(1 412)
Amortization for the period	(462)	(456)	(561)
Balance at 31 December	**25 771**	**20 220**	**21 111**

20 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		
	31.12.2017	31.12.2016	31.12.2015	31.12.2017	31.12.2016	31.12.2015	31.12.2017	31.12.2016	31.12.2015
Property, plant and equipment	18 261	18 780	12 471	(6 555)	(13 303)	(9 394)	11 706	5 477	3 077
Intangible assets	4 325	4 654	4 515	(1)	-	-	4 324	4 654	4 515
Other investments	779	779	779	(1 343)	(1 263)	(395)	(564)	(484)	384

Prepaid perpetual usufruct of land	184	212	275	27	(91)	(97)	211	121	178
Inventories	1 500	1 998	1 643	-	-	-	1 500	1 998	1 643
Trade and other receivables	1 500	1 680	1 867	(8)	(1 467)	(4 347)	1 492	213	(2 480)
Interest bearing loans and borrowings	17 030	19 755	50 384	(1 209)	(103)	-	15 821	19 652	50 384
Employee benefits	3 824	3 070	3 083	-	-	-	3 824	3 070	3 083
Provisions	647	1 948	158	-	-	-	647	1 948	158
Trade and other payables	4 262	5 790	9 446	(154)	(377)	-	4 108	5 413	9 446
Other items	277	421	797	(5)	(6)	(136)	272	415	661
Tax value of loss carry-forward expected to be utilised	26 837	44 749	6 009	-	-	-	26 837	44 749	6 009
Tax assets/(liabilities)	**79 426**	**103 836**	**91 427**	**(9 248)**	**(16 610)**	**(14 369)**	**70 178**	**87 226**	**77 058**
Set off of tax assets/ liabilities	(9 248)	(10 460)	(7 960)	9 248	10 460	7 960			
Net deferred tax assets/ liabilities	**70 178**	**93 376**	**83 467**	**-**	**(6 150)**	**(6 409)**			

Movement in temporary differences during the year

in PLN thousand	01.01.2017	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2017
Property, plant and equipment	5 477	6 229	-	11 706
Intangible assets	4 654	(330)	-	4 324
Investment property	-	-	-	-
Other investments	(484)	(80)	-	(564)
Prepaid perpetual usufruct of land	121	90	-	211
Inventories	1 998	(498)	-	1 500
Trade and other receivables	213	1 279	-	1 492
Interest bearing loans and borrowings	19 652	(3 831)	-	15 821
Employee benefits	3 070	754	-	3 824
Provisions	1 948	(1 301)	-	647
Trade and other payables	5 413	(2 207)	902	4 108
Other items	415	(143)	-	272
Tax value of loss carry-forwards expected to be utilised	44 749	(17 912)	-	26 837
	87 226	**(17 950)**	**902**	**70 178**

in PLN thousand	01.01.2016	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2016
Property, plant and equipment	3 077	2 400	-	5 477
Intangible assets	4 515	139	-	4 654
Other investments	384	(868)	-	(484)
Prepaid perpetual usufruct of land	178	(57)	-	121
Inventories	1 643	355	-	1 998
Trade and other receivables	(2 480)	2 693	-	213

Interest bearing loans and borrowings	50 384	(31 070)	338	19 652
Employee benefits	3 083	(13)	-	3 070
Provisions	158	1 790	-	1 948
Trade and other payables	9 446	(6 003)	1 970	5 413
Other items	661	(246)	-	415
Tax value of loss carry-forward expected to be utilised	6 009	38 740	-	44 749
	77 058	**7 860**	**2 308**	**87 226**
Recognised in the profit or loss		**7 860**		
	77 058	**7 860**	**2 308**	**87 226**

in PLN thousand	**01.01.2015**	**Recognised in profit or loss**	**Recognised in equity, including business combinations**	**31.12.2015**
Property, plant and equipment	755	2 322	-	3 077
Intangible assets	25	4 490	-	4 515
Other investments	164	220	-	384
Prepaid perpetual usufruct of land	1 264	(1 086)	-	178
Inventories	2 626	(983)	-	1 643
Trade and other receivables	(7 114)	4 634	-	(2 480)
Interest bearing loans and borrowings	46 755	2 319	1 310	50 384
Employee benefits	2 729	354	-	3 083
Provisions	694	(536)	-	158
Trade and other payables	12 922	(3 476)	-	9 446
Other items	691	(30)	-	661
Tax value of loss carry-forward expected to be utilised	10 852	(4 843)	-	6 009
	72 363	**3 385**	**1 310**	**77 058**
Recognised in the profit or loss		**3 385**		
	72 363	**3 385**	**1 310**	**77 058**

Unrecognised deferred tax assets

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

in PLN thousand	**2017**	**2016**	**2015**
Intangible assets	13 348	13 348	7 408
Tax losses	-	-	798
Total	**13 348**	**13 348**	**8 206**

21 Inventories

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Raw materials	70 088	92 681	58 844
Semi-finished goods and work in progress	65 434	114 961	86 920
Finished products	119 504	79 659	108 166
Goods for resale	22 468	16 637	15 805
	277 494	**303 938**	**269 735**

Movements in allowances for inventories

in PLN thousand	**2017**	**2016**	**2015**
Balance at 1 January	(11 169)	(11 224)	(12 562)
Recognition	(97)	-	(854)
Utilization	15	31	24
Reversal	52	24	2 168
Balance at 31 December	**(11 199)**	**(11 169)**	**(11 224)**

As at 31.12.2017, inventories are presented net of allowances of PLN 11 199 thousand (31.12.2016: PLN 11 169 thousand; 31.12.2015: PLN 11 224 thousand). Allowances relate mainly to goods for resale and finished goods with a net realisable value below cost. Recognition and reversal of inventory allowance are recognized as costs of sales.

As at 31.12.2017, inventories with a carrying value of PLN 20 709 thousand (31.12.2016: PLN 9 905 thousand; 31.12.2015: PLN 13 589 thousand) were subject to pledges as collateral for bank loans and overdrafts.

22 Trade and other receivables

Short-term receivables

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Trade receivables	111 814	83 294	69 122
Bills of exchange	-	-	197
Statutory receivables excluding income tax	28 313	23 372	18 362
Prepayments for services and inventories	2 191	3 823	10 006
Factoring receivables	14 745	21 675	20 653
Other receivables	14 826	5 230	7 435
	171 889	**137 394**	**125 775**

Long-term receivables

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Other receivables	223	126	49
	223	**126**	**49**

As at 31.12.2017, receivables with a carrying value of PLN 0 thousand (31.12.2016: 0 PLN thousand; 31.12.2015: PLN 19 404 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secure factoring liabilities (see note 27).

Factoring receivables

As at 31 December 2017 subsidiaries Cognor S.A., Cognor Blachy Dachowe S.A. and Odlewnia Metali Szopienice Sp. z o.o. were parties to factoring agreements. Existing agreements concern non-recourse and recourse factoring of trade receivables financed up to set limits.

Types of factoring and limits as at 31 December 2017 were as follows:

Factoree	Effective date	Factor:	Limit:	Type of factoring
Cognor S.A. (branch HSJ)	indefinite	mFactoring S.A.	PLN 20 000 thousand	non-recourse

Cognor S.A. (branch HSJ)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Pekao Faktoring Sp. z o.o.	PLN 5 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	mFactoring S.A.	PLN 30 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	KUKE S.A.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 5 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	mFaktoring S.A.	PLN 18 000 thousand	non-recourse
Cognor Blachy Dachowe S.A.	indefinite	mFaktoring S.A.	PLN 1 500 thousand	non-recourse
Odlewnia Metali Szopienice Sp. z o.o.	till November 6, 2018	ING Commercial Finanse Polska S.A.	PLN 3 000 thousand	recourse

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

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2017 PLN 14 745 thousand). The remaining receivables (90%) were derecognised from the statement of financial position.

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

	31.12.2017	31.12.2016	31.12.2015
Trade receivables in total	248 420	215 632	145 435
Factoring receivables derecognised from statement of financial position	(121 861)	(110 663)	(55 660)
Factoring receivables	(14 745)	(21 675)	(20 653)
Trade receivables net	**111 814**	**83 294**	**69 122**

23 Cash and cash equivalents

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
Cash in bank	98 414	22 803	22 148
Cash in bank restricted in use	2 964	527	509
Cash in hand	244	248	218
Short-term bank deposits	-	1 169	14 421
Other	424	307	7
Cash and cash equivalents in statement of financial position	**102 046**	**25 054**	**37 303**
Bank overdrafts	(24 607)	(25 274)	(18 767)
Cash and cash equivalents in the statement of cash flows	**77 439**	**(220)**	**18 536**

As at 31.12.2017, 31.12.2016 and 31.12.2015, cash and cash equivalents were not pledged as security for liabilities.

Detailed information regarding bank overdrafts is presented in note 27.

24 Assets classified as held for sale

in PLN thousand	2017	2016	2015
Balance at 1 January (published data)			7 110
Adjustments relating to OMS acquisition			-
Balance at 1 January including OMS acquisition adj.	6 012	5 506	7 110
Transfer from property, plant and equipment	-	506	-
Transfer from perpetual usufruct of land	(6 012)	-	-
Disposals	-	-	(1 604)
Balance at 31 December	**-**	**6 012**	**5 506**

As at 31.12.2016 and 31.12.2015, the assets held for sale include perpetual usufruct of land, 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. Due to the lack of offers regarding the above mentioned perpetual usufruct of land in 2017 the Management of the Parent Company made a decision to reclasify this item to perpetual usufruct of land.

25 Equity

Issued share capital

	31.12.2017	31.12.2016	31.12.2015
Registered shares number at reporting date	118 615 660	75 265 868	69 851 487
Number of issued warrants	56 355 003	57 176 380	62 590 761
Nominal value of 1 share	1,5 PLN	2 PLN	2 PLN

On 31 December 2017 the Parent Company's share capital comprised of 118 615 660 ordinary shares (2016: 75 265 868; 2015: 69 851 487).

On December 14, 2017, the District Court in Częstochowa registered changes in equity resulting from:
a) issue by Cognor Holding SA:
- by way of a public offering, 26 528 415 shares of issue No. 11 with a nominal value of PLN 1.5 per share (PLN 39,792 thousand)
- private subscription of 16,000,000 issue shares No. 12 with a nominal value of PLN 1.5 per share (PLN 24,000 thousand)
b) reduction of the share capital by reducing the nominal value of each share from PLN 2.0 to PLN 1.5 (with the simultaneous increase of the share capital of Cognor Holding by issuing the shares described above)

On 29 August 2011 Cognor S.A. purchased from PS Holdco Sp. z o.o. 20 957 400 shares of Złomrex S.A. On the same day Cognor Holding S.A. and PS Holdco Sp. z o.o. entered into the agreement on settlement of the liability arising from the said purchase (Settlement Agreement). In the Settlement Agreement the price for the shares in Złomrex S.A. was fixed at PLN 145 995 116.10 and its payment was made conditional on the concurrent increase of share capital of Cognor Holding S.A. by PS Holdco Sp. z o.o. by way of subscribing to Cognor's warrants series B owned by PS Holdco Sp. z o.o. at the amount at least equal to the price for shares. The parties also agreed that the price for the shares in Złomrex S.A. shall be appropriately reduced in case of the lack of the ability to repay the receivable of Złomrex S.A. (currently Cognor S.A.) owned from the Republic of Croatia at the amount of PLN 39 215 thousand. It was also decided that until the payment of the liability of Cognor Holding S.A. resulting from the purchase of shares in Złomrex S.A. (also until the final price for Złomrex S.A. shares is determined), this liability shall be bearing the interest at the level of 7% p.a. and that the pa

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

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

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

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand (the value as at 31.12.2017: PLN 19 515 thousand). Due to the change of payment schedule, the liability has been remeasured at amortized cost and the effect has been recognised as the reduction of equity (as at 31.12.2017 in the amount of PLN 3 848 thousand).

In connection with the request of the holders of Exchangeable Notes (EN) to Cognor International Finance plc (the subsidiary) for a conversion of Notes held by them into shares of Cognor S.A., there have been series of conversions of Exchangeable Notes into shares. The National Securities Depositary admitted to trading following number of shares Cognor S.A .:
- 50 000 shares were admitted to trading on 9 July 2015,
- 41 489 shares were admitted to trading on 3 August 2015,
- 457 446 shares were admitted to trading on 7 September 2015,
- 3 080 304 shares were admitted to trading on 17 November 2015,
- 868 456 shares were admitted to trading on 10 August 2016,
- 4 545 925 shares were admitted to trading on 7 November 2016,
- 685 155 shares were admitted to trading on 23 June 2017,
- 136 222 shares were admitted to trading on 14 July 2017.

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

Altogether 5 414 381 shares of Cognor Holding S.A. were admitted to trading in 2016 as a result of conversions of 2 959 024 EUR of Exchangeable Notes. The abovementioned Notes were converted at the rate of 2.35 PLN per share.

Altogether 821 377 shares of Cognor Holding S.A. were admitted to trading in 2017 as a result of conversions of 448 894 EUR of Exchangeable Notes. The abovementioned Notes were converted at the rate of 2.35 PLN per share.

The conversion price of Exchangeable Notes was reduced to PLN 2.05 per share according to resolution of the Management Board of Cognor Holding S.A. of 9 January 2018 in connection with the reduction of the nominal price of the shares.

The Shareholders' structure as at 31 December 2017 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.*	92 162 739	77.70%	92 162 739	77.70%
Other shareholders	26 452 921	22.30%	26 452 921	22.30%
Total	**118 615 660**	**100.00%**	**118 615 660**	**100.00%**

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

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

Treasury shares

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

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 47 604 thousand (2016: profit of PLN 4 013 thousand; 2015: loss of PLN 13 557 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2017 of 79 278 thousand (2016: 70 971 thousand, 2015: 66 930 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2017 was 107 219 thousand (2016: 108 573 thousand, 2015: 113 492 thousand).
The calculation of diluted earnings per share at 31 December 2017 was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in 2017 excluding interest paid in this period.

As at 31 December 2017, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share warrants was based on quoted average market prices for the period during which the warrants were outstanding.

27 Interest-bearing loans and borrowings and bank overdrafts

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 31.

in PLN thousand

	31.12.2017	31.12.2016	31.12.2015
Non-current liabilities			
Secured bank loans	-	178	889
Secured fixed interest rate debt	333 590	350 453	370 730
Finance lease liabilities	19 918	20 851	14 173
Other borrowings	4 495	6 901	1 242
	358 003	**378 383**	**387 034**
Current liabilities			
Current portion of secured bank loans	238	773	712
Current portion of secured fixed interest rate debt	29 495	33 759	11 439

Current portion of finance lease liabilities	10 548	10 509	6 945
Factoring with recourse	1 254	12 266	9 752
Scrap pre-financing	-	12 323	14 324
Other borrowings	2 988	5 026	5 710
	44 523	**74 656**	**48 882**
Bank overdrafts	24 607	25 274	18 767
	69 130	**99 930**	**67 649**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2017 (excl. lease liabilities)

in PLN thousand

	Total	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**
Secured bank loans	238	238	-	-	-
Secured fixed interest rate debt	363 085	29 495	333 590	-	-
Factoring with recourse	1 254	1 254	-	-	-
Other borrowings	-	-	-	-	-
	364 577	**30 987**	**333 590**	**-**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2016 (excl. lease liabilities)

	Total	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5**	**Over 5 years**
Secured bank loans	951	773	178	-	-
Secured fixed interest rate debt	384 212	33 759	-	350 453	-
Factoring with recourse	12 266	12 266	-	-	-
Other borrowings	24 250	17 349	5 793	875	233
	421 679	**64 147**	**5 971**	**351 328**	**233**

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

in PLN thousand

	Total	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**
Secured bank loans	1 601	712	889	-	-
Secured fixed interest debt	382 169	11 439	-	370 730	-
Factoring with recourse	9 752	9 752	-	-	-
Other borrowings	21 276	20 034	868	130	244
	414 798	**41 937**	**1 757**	**370 860**	**244**

Finance lease liabilities

in PLN thousand	**Minimum lease payments**	**Interest**	**Principal**	**Minimum lease payments**	**Interest**	**Principal**	**Minimum lease payments**	**Interest**	**Principal**
		31.12.2017			**31.12.2016**			**31.12.2015**	
Less than one year	11 470	922	10 548	11 113	604	10 509	7 346	401	6 945
Between 1 and 5 years	20 838	920	19 918	21 249	398	20 851	14 651	478	14 173
	32 308	**1 842**	**30 466**	**32 362**	**1 002**	**31 360**	**21 997**	**879**	**21 118**

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

(in PLN thousand, unless stated otherwise)

Changes in debt

The table below presents balance sheet changes of individual debt titles of the Cognor Holding Capital Group.

	Total	Secured fixed interest rate debt	Secured bank loans	Finance lease liabilities	Factoring with recourse	Scrap pre-financing	Other borrowing s
Balance as at 1 January 2017	453 039	384 212	951	31 360	12 266	12 323	11 927
Liability paid	(32 612)	-	(712)	(13 761)	-	(12 323)	(5 816)
Increase of liability	14 952	-	-	13 513	-	-	1 439
Interests paid	(39 704)	(39 053)	(18)	-	-	-	(633)
Interests accrued	37 203	36 620	17	-	-	-	566
Movements on factoring	(503)	-	-	-	(503)	-	-
Change of recourse factoring into non-recourse	(10 509)	-	-	-	(10 509)	-	-
Settlement of emission costs	2 979	2 979	-	-	-	-	-
Foreign currency differences	(22 319)	(21 673)	-	(646)	-	-	-
Balance as at 31 December 2017	**402 526**	**363 085**	**238**	**30 466**	**1 254**	**-**	**7 483**

(in PLN thousand, unless stated otherwise)

As at 31 December 2017
Analysis of loan agreements and other loans:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
PKO BP S.A.	-	238	investment loan	2008-03-31	2018-03-30	WIBOR 1M+margin	- blank bill of exchange, - mortgage on the property.
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	4 495	2 449	loan	2014-07-31	2024-09-15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum / 0.48 rediscount rate at least 3.5 per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company, - bank guarantee
4Workers Przemysław Sztuczkowski	-	539	loan	2014-10-23	2018-12-31	fixed 13,2%	- blank bill of exchange.
Total	**4 495**	**3 226**					

(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
mLeasing S.A.	5 694	3 783	lease	2013-02-26	2022-10-30	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	5 634	2 444	lease	2013-10-28	2020-08-15	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Europejski Fundusz Leasingowy Sp. z o.o.	1 569	771	lease	2014-03-10	2022-06-30	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Millenium Leasing Sp. z o.o.	1 022	1 280	lease	2012-04-20	2020-06-05	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment, - mortgage on the property.
Pekao Leasing Sp. z o.o.	641	316	lease	2013-04-04	2021-03-12	WIBOR 1M+margin	- blank bill of exchange, - guarantee of the related company - leased equipment,
SG Equipment Polska Sp. z o.o.	3 152	1 351	lease	2015-12-31	2021-04-15	WIBOR 1M+margin EURIBOR 3M+margin	- blank bill of exchange, - leased equipment.
Alior Leasing Sp. z o.o.	1 762	487	lease	2017-03-22	2022-10-30	WIBOR 1M+margin, WIBOR 3M+margin, EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.

(in PLN thousand, unless stated otherwise)

Other lessors	444	116	lease	2013-04-04	2022-11-28	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Total	**19 918**	**10 548**					

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
ING Commercial Finanse Polska S.A.	-	1 254	factoring with recourse	2016-11-08	2018-11-06	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - proxy to the bank account, - reassignment of insurance rights.
Total	**-**	**1 254**					

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)	333 590	29 495	Senior Secured Notes	2014-02-01	2021-02-01	Senior Secured Notes - 1st and 2nd year – 7,5% - 3rd year – 10% - 4th – 6th year – 12,5%.	details please see below
Total	**333 590**	**29 495**					

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 1M – margin between 1.8% and 4.0%,
- EURIBOR 1M – margin between 3.2% and 4.0%,

In 2016 Cognor Holding S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. - currently the branches of Cognor S.A.) utilised bank overdraft with mBank S.A. Based on Annex No. 10 dated 29 June 2015 the limit was increased from PLN 9.1 million to PLN 25 million and split between Ferrostal Łabędy Sp. z o.o. PLN 11.65 million, Huta Stali Jakościowych S.A. PLN 13.35 million. The same annex extended bank overdraft until 29 May 2016. On 7 January 2016 limits for both companies were set at PLN 0. On 27 January 2016 new limit for Huta Stali Jakościowych S.A. was set on the level of PLN 10 million, on 18 July 2016 the limit has been increased to PLN 15 million and finally on 27 July 2016 to PLN 25 million. Annex No. 13 dated 26 July 2016 extended bank overdraft until 27 July 2017. Annex No. 14 dated 24 July 2017 extended bank overdraft until 28 December 2017 and annex no. 15 dated 28 December 2017 extended it until 29 March 2018. On 17 January 2018 it was settled that whole limit will be used by Cognor Holding S.A.

As at 31 December 2017, bank overdrafts was utilised as follows: Cognor S.A. PLN 24 153 thousand (branch HSJ in Stalowa Wola).

On June 30, 2017 there was signed a Facilities Agreement between Cognor S.A. as borrower and Cognor Holding S.A. together with other companies from the group (Zlomrex Metal Sp. z o.o., Cognor International Finance plc, Cognor Blachy Dachowe S.A., Business Support Services Sp. z o.o., Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A.) as guarantors and mBank S.A. and Bank Polska Kasa Opieki S.A. as lenders, under which lenders commited to provide the borrower with the following financing: (i) a term loan facility of up to EUR 50 mln to be used to refinance the Senior Secured Notes (as at 31 December 2017 the nominal value of SSN is 80 887 290 EUR) and (ii) an overdraft revolving facility of up to PLN 40 mln to be used to finance day-to-day operations of the borrower and guarantors, including to replace the existing revolving facilities.

The Facilities Agreement provides that the Facilities may be drawn upon the satisfaction of certain conditions precedent, including the delivery of documentation confirming that an equity contribution has been made by Cognor Holding S.A. in a specific manner and in the amount necessary for the total repayment of the Bonds. In order to obtain own contribution Cognor Holding S.A. on June 27, 2017 has filed to Financial Supervisory Commission (KNF) a prospectus under which it would apply for admission to trading 83 333 334 shares with a nominal value of PLN 1.50 per share (PLN 125 mln in total). On October 3, 2017 there has been signed an annex to the aforementioned Facilities Agreement on the basis of which parites agreed to reduce the requirements of acquiring by Cognor Holding S.A. funds from the planned public offering to PLN 90 mln.

As a result of issue Cognor Holding SA acquired 26 528 415 shares as a result of the public offering and 16 000 000 shares as part of a private subscription with nominal value of PLN 1.50 per share. Cognor Holding S.A. raised in total PLN 63.8 million. Due to the failure to meet the suspensive conditions of Cognor SA in agreement with the banks, signed the annex on 28 December 2017 under which the parties decided to extend the loan availability period until 30 march 2018. Cognor Holding SA conducts further negotiations in order to obtain the abovementioned loan.

Secured fixed interest debt

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

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

- 1st and 2nd year – 7.5% (from 4 February 2014 till 1 February 2016),
- 3rd year – 10.0% (from 2 February 2016 till 1 February 2017),
- 4th to 6th year – 12.5% (from 2 February 2017 till 1 February 2020).

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

The Senior Secured Notes are guaranteed by: PS Holdco Sp. z o.o., Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o.(currently the branch of Cognor S.A.), Huta Stali Jakościowych S.A.(currently the branch of Cognor S.A.), Ferrostal Łabędy Sp. z o.o.(currently the branch of Cognor S.A.), Złomrex Metal Sp. z o.o. (currently branch of Cognor S.A.)

Liability for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) of the book value of PLN 363 085 thousand on 31 December 2017 was secured as follows:
- financial pledge on shares of companies: Złomrex Metal Sp. z o.o.(currently the branch of Cognor S.A.), ZW-Walcownia Bruzdowa Sp. z o.o.(currently the branch of Cognor S.A.), Huta Stali Jakościowych S.A.(currently the branch of Cognor S.A.), Ferrostal Łabędy Sp. z o.o.(currently the branch of Cognor S.A.);
- registered pledge on:
(i) shares in the following companies: Złomrex Metal Sp. z o.o.(currently the branch of Cognor S.A.), ZW-Walcownia Bruzdowa Sp. z o.o.(currently the branch of Cognor S.A.), Huta Stali Jakościowych S.A.(currently the branch of Cognor S.A.), Ferrostal Łabędy Sp. z o.o.(currently the branch of Cognor S.A.);
(ii) certain non-current assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.(both currently the branches of Cognor S.A.),
(iii) issued by Huta Stali Jakościowych S.A.(currently the branch of Cognor S.A.) intercompany bonds;
- mortgages on real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.(both currently the branches of Cognor
- governed by English law a lien on the shares of the issuer Cognor International Finance plc;
- statements of execution notarially confirmed by Cognor International Finance plc and all companies which guarantee issuance of Senior

On 31 December 2015 the Group has redeemed of 14 460 819 EUR Senior Secured Notes purchased earlier by the Group's companies, generating a gain of PLN 26 213 thousand. On 28 December 2016 the Group has redeemed of 5 000 000 EUR Senior Secured Notes purchased earlier by the Group's companies, generating a gain of 5 216 PLN thousand. As at 31 December 2017 the principal amount of Senior Secured Notes outstanding was 80 887 290 EUR.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on 1 February 2021, interest will be payable semi-annually in arrears on 1st February and 1st August and the fixed interest rate is 5%. In addition, Cognor International Finance plc has right not to pay a cash but capitalize the interest on exchangeable notes (using higher, i.e. 10% coupon). The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor S.A. new and/or existing shares, credited as fully paid, in the period from 1 March 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to:
(i) deliver (or procure the issue or transfer and delivery of) Cognor Holding S.A. shares,
(ii) pay a cash settlement amount, or
(iii) a combination thereof.
Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

In connection with the reduction of nominal price of shares, the the Management Board of Cognor Holding S.A. adopted resolution on 9 January 2018 which reduced the convertion price of Exchangeable Notes to PLN 2,05 per share.

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

In 2015, bondholders of Exchangeable Notes converted 1 983 422 EUR nominal value of notes into 3 629 239 shares of Cognor Holding S.A. worth PLN 7 258 thousand. In 2016, bondholders of Exchangeable Notes converted 2 959 024 EUR nominal value of notes into 5 414 381 shares of Cognor Holding S.A. worth PLN 10 830 thousand. In 2017 bondholders of Exchangeable Notes converted 448 894 EUR nominal value of notes into 821 377 shares of Cognor Holding S.A. worth PLN 1 643 thousand.The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 31 December 2017 was 19 695 663 EUR.

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

28 Employee benefits obligations

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
Long-term provisions for retirement and jubilee awards	11 282	9 202	9 230
Short-term provisions for retirement and jubilee awards	5 122	4 939	4 884
	16 404	**14 141**	**14 114**

Employee benefits

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

	31.12.2017	31.12.2016	31.12.2015
Discount rate	3.25%	3.5%	3.0%
Future Salary Increase	2.5%-3.5%	2.0%	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 2015	725	7 329	6 131	**14 185**
Adjustments relating to OMS	18	105	-	**123**
At January 2015 including OMS adj.	743	7 434	6 131	**14 308**
Current service cost	(447)	479	4 443	**4 475**
Interest cost	10	129	22	**161**
Actuarial (gain)/loss due to changes in assumptions	19	487	(46)	**460**
Actual benefits paid	48	(887)	(4 459)	**(5 298)**
The share of program participants	-	-	9	**9**
Other actuarial (gain)/loss	(1)	-	-	**(1)**
At 31 December 2015	**372**	**7 642**	**6 100**	**14 114**
At January 2016	372	7 642	6 100	**14 114**
Current service cost	360	14	364	**738**
Interest cost	87	178	33	**298**
Actuarial (gain)/loss due to changes in assumptions	343	371	97	**811**
Actual benefits paid	(79)	(856)	(885)	**(1 820)**
The share of program participants	-	-	-	-
Other actuarial (gain)/loss	-	-	-	-
At 31 December 2016	**1 083**	**7 349**	**5 709**	**14 141**
At January 2017	1 083	7 349	5 709	**14 141**
Current service cost	1 206	807	2 199	**4 212**
Interest cost	35	215	25	**275**
Actuarial (gain)/loss due to changes in assumptions	263	1 461	18	**1 742**
Actual benefits paid	(27)	(807)	(3 121)	**(3 955)**
The share of program	-	-	-	-
Other actuarial (gain)/loss	3	(14)	-	**(11)**
At 31 December 2017	**2 563**	**9 011**	**4 830**	**16 404**

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2017	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.25%	0.25%	1.5%	(1.4%)
Future Salary Increase	0.25%	0.25%	(1.4%)	1.5%
Probability of resignation	0.25%	0.25%	1.6%	(1.6%)

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

29 Short-term provisions

in PLN thousand	**2017**	**2016**	**2015**
Balance at 1 January (published data)			6 535
Adjustments relating to OMS acquisition			13
Balance at 1 January including OMS acquisition adj.	3 135	3 772	6 548
Recognised through business combinations	-		-
Provisions raised during the year	3 217	14	1 053
Provisions utilised during the year	(2 908)	(304)	(3 258)
Provisions released during the year	(82)	(347)	(571)
Balance at 31 December	**3 362**	**3 135**	**3 772**

In the short-term provisions as at 31 December 2017 are included among the other: the provisions for purchase of energy certificates of PLN 3,2 million and other provisions.

30 Trade and other payables

Short term

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Trade payables	200 141	167 628	133 642
Statutory payables	25 293	18 192	10 448
Bills of exchange payables	-	-	-
Investment payables	2 049	6 596	4 795
Prepayments for services and deliveries of goods	1 908	1 580	453
Liabilities due to Shareholder*	-	8 017	6 619
Payroll liabilities	9 533	6 410	5 644
Accrued expenses	2 194	3 451	1 084
Other payables	1 206	9 177	3 382
	242 324	**221 051**	**166 067**

Long term

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Liabilities due to Shareholder*	19 515	25 202	37 289
Other payables	-	-	190
	19 515	**25 202**	**37 479**

* see note 25 for details relating to the transactions with PS Holdco Sp. z o.o.

31 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2017

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
a) Non-current assets				
Other receivables	223	-	-	**223**
b) Current assets				
Receivables excluding prepayments and tax receivables	141 385	-	-	**141 385**
Other investments (excl.shares)	12	-	-	**12**
Cash and cash equivalents	-	-	102 046	**102 046**
Total	**141 620**	**-**	**102 046**	**243 666**

As at 31.12.2016

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
*a) Non-current assets**				
Other receivables	126	-	-	**126**
b) Current assets				
Receivables excluding prepayments and tax receivables	110 199	-	-	**110 199**
Other investments (excl.shares)	138	-	-	**138**
Cash and cash equivalents	-	-	25 054	**25 054**
Total	**110 463**	**-**	**25 054**	**135 517**

* excluding options for own equity instruments described in note 25

As at 31.12.2015

in PLN thousand	Loans and receivables	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
Assets according to statement of financial position				
a) Non-current assets				
Other receivables	49	-	-	**49**
b) Current assets				
Receivables excluding prepayments and tax receivables	97 407	-	-	**97 407**
Other investments (excl.shares)	127	-	-	**127**
Cash and cash equivalents	-	-	37 303	**37 303**
Total	**97 583**	**-**	**37 303**	**134 886**

Liabilities

As at 31.12.2017

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)	338 085	-	**338 085**
Finance lease liabilities	19 918	-	**19 918**
Other liabilities	19 515	-	**19 515**
b) Short-term liabilities		-	
Interest-bearing loans and borrowings (excluding finance lease liabilities)	33 975	-	**33 975**
Finance lease liabilities	10 548	-	**10 548**
Bank overdraft	24 607	-	**24 607**
Trade and other payables excluding tax payables	217 031	-	**217 031**
Total	**663 679**	**-**	**663 679**

As at 31.12.2016

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)	357 532	-	**357 532**
Finance lease liabilities	20 851	-	**20 851**
Trade and other payables	25 202	-	**25 202**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	64 147	-	**64 147**
Finance lease liabilities	10 509	-	**10 509**
Bank overdraft	25 274	-	**25 274**
Trade and other payables excluding tax payables	202 859	-	**202 859**
Total	**706 374**	**-**	**706 374**

As at 31.12.2014

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	372 861	-	**372 861**
Finance lease liabilities	14 173	-	**14 173**
Trade and other payables	37 479		**37 479**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	41 937	-	**41 937**
Finance lease liabilities	6 945	-	**6 945**
Bank overdraft	18 767	-	**18 767**
Trade and other payables excluding tax payables	155 619	-	**155 619**
Total	**647 781**	**-**	**647 781**

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

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

Financial instruments at fair value through profit or loss

As at 31 December 2017, 31 December 2016, 31 December 2015 there were no financial instruments at fair value through profit or loss.

Fair values

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

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

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

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

• Fixed rate debt securities. The fair value of bonds at 31 December 2017 amounted to PLN 355 823 thousand (2016: PLN 312 172 thousand, 2015: PLN 196 913 thousand) - which was calculated on the basis of the market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date (level 1 in fair value hierarchy) as at 31.12.2017, 31.12.2016 and 31.12.2015.

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

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

Market risk

Foreign currency risk

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

Exposure to foreign currency risk

The Group exposure to foreign currency risk was as follows:

Information on balances denominated in foreign currencies

As at 31.12.2017 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	19 465	9	-	**19 474**
Interest-bearing loans and borrowings	(376 082)	-	-	**(376 082)**
Trade and other payables	(11 963)	(1 464)	-	**(13 427)**
Exposure to currency risk on balances denominated in foreign currencies	**(368 580)**	**(1 455)**	**-**	**(370 035)**

As at 31.12.2016 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	16 519	-	-	**16 519**
Interest-bearing loans and borrowings	(394 704)	-	-	**(394 704)**
Trade and other payables	(9 411)	(1 266)	-	**(10 677)**
Exposure to currency risk on balances denominated in foreign currencies	**(387 596)**	**(1 266)**	**-**	**(388 862)**

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

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

A 15 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2017 would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2016 and 2015 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	(Loss) / profit		Equity	
	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%
31.12.2017	(55 505)	55 505	(55 505)	55 505
31.12.2016	(58 329)	58 329	(58 329)	58 329
31.12.2015	(56 917)	56 917	(56 917)	56 917

Sensitivity analysis of derivatives on the exchange rate differences

The Group did not hold derivatives as at 31 December 2017, 31 December 2016 and 31 December 2015.

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.

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

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

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Fixed rate instruments			
Financial assets	12	2 721	4 109
Financial liabilities	(363 085)	(386 787)	(382 169)
	(363 073)	**(384 066)**	**(378 060)**

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Floating rate instruments			
Financial assets	-	-	127
Financial liabilities	(64 048)	(91 526)	(72 514)
	(64 048)	**(91 526)**	**(72 387)**

Impact of interest rate risk on cash flows and fair values

As the Group has no significant interest-bearing assets, 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 received at variable rates expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to the risk of financial instruments fair value changes.

Cash flow sensitivity analysis for floating rate financial instruments

Increase/decrease of 150 basis points in interest rates at the reporting date would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016 and 2015.

Influence of interest rate change for the period ended:

in PLN thousand	**Financial result**		**Equity**	
	increase of interest rates by 1.5%	decrease of interest rates by 1.5%	increase of interest rates by 1.5%	decrease of interest rates by 1.5%
31.12.2017	(961)	961	(961)	961
31.12.2016	(1 373)	1 373	(1 373)	1 373
31.12.2015	(1 086)	1 086	(1 086)	1 086

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 Group uses receivables insurance to limit credit risk. The majority of trade receivables are insured, and due to the wide range of the Group's recipients, the concentration of credit risk is not significant.

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	31.12.2017	31.12.2016	31.12.2015
Loans and receivables	141 620	110 463	97 583
Cash and cash equivalents (excluding cash in hand)	101 802	24 806	37 085
	243 422	**135 269**	**134 668**

As at 31 December 2017, loans in the amount of PLN 12 thousand (2016: PLN 138 thousand, 2015: PLN 127 thousand) were not overdue and were not impaired.

Insured trade receivables

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
from other entities	54 685	11 875	38 939

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
Not past due	78 706	42 296	38 716
Past due	**49 757**	**55 374**	**56 485**
1-30 days	22 795	21 544	17 441
31-90 days	2 873	5 222	4 657
91-180 days	907	3 312	791
181-365 days	858	3 500	3 329
more than one year	22 324	21 796	30 267
	128 463	**97 670**	**95 201**

Impairment loss

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
Not past due	(453)	(45)	(87)
Past due	**(16 196)**	**(14 331)**	**(25 992)**
1-30 days	-	(15)	(38)
31-90 days	(475)	(149)	(55)
91-180 days	(253)	(8)	(73)
181-365 days	(101)	(60)	(276)
more than one year	(15 367)	(14 099)	(25 550)
	(16 649)	**(14 376)**	**(26 079)**

Net carrying value

in PLN thousand	31.12.2017	31.12.2016	31.12.2015
Not past due	78 253	42 251	38 629
Past due	**33 561**	**41 043**	**30 493**
1-30 days	22 795	21 529	17 403
31-90 days	2 398	5 073	4 602
91-180 days	654	3 304	718
181-365 days	757	3 440	3 053
more than one year	6 957	7 697	4 717
	111 814	**83 294**	**69 122**

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

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Balance at 1 January (published data)			(26 005)
Acquisition OMS adjustments			(171)
Balance at 1 January (including OMS acquisition adj.)	(14 376)	(26 079)	(26 176)
Recognition	(2 996)	(445)	(730)
Utilization	391	7 236	692
Release	332	4 912	135
Balance at 31 December	**(16 649)**	**(14 376)**	**(26 079)**

As at 31 December 2017, trade receivables of PLN 78 253 thousand were not overdue and were not impaired (2016: PLN 42 251 thousand; 2015: PLN 38 629 thousand). As at 31 December 2017, trade receivables of PLN 33 561 thousand (2016: PLN 41 043 thousand; 2015: 30 493 PLN thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with a long history of cooperation, with whom the Group had no problems in the past or are secured with the clients assets.

As at 31 December 2017, trade receivables of PLN 16 196 thousand (2016: PLN 14 331 thousand; 2015: PLN 25 992 thousand) were overdue and impaired. As a result, in 2017 they were provided for in the amount of PLN 16 196 thousand, and in 2016 for PLN 14 331 thousand, and in 2015 for PLN 25 992 thousand. As at 31 December 2017 receivables of PLN 453 thousand were not overdue but impaired due to the financial situation of customers (2016: PLN 45 thousand, 2015: PLN 87 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 31.12.2017

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	30 466	26 062	8 644	14 158	3 260	-
Bank overdraft	24 607	24 607	24 607	-	-	-
Other interest-bearing liabilities	372 060	464 898	49 502	413 031	2 365	-
Trade and other payables (excluding current income tax payables)	236 546	246 929	217 031	-	29 898	-
	663 679	**762 496**	**299 784**	**427 189**	**35 523**	**-**

As at 31.12.2016

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	31 360	32 362	11 112	19 809	1 441	-
Bank overdraft	25 274	25 274	25 274	-	-	-
Other interest-bearing liabilities	421 679	566 125	73 271	104 380	388 241	233
Trade and other payables (excluding current income tax payables)	228 061	246 069	202 859	-	43 210	-
	706 374	**869 830**	**312 516**	**124 189**	**432 892**	**233**

As at 31.12.2015

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	21 118	22 577	7 641	10 519	4 417	-
Bank overdraft	18 767	18 767	18 767	-	-	-
Other interest-bearing liabilities	414 798	576 463	52 771	88 683	434 765	244
Trade and other payables (excluding current income tax payables)	193 098	205 004	155 619	17 166	-	32 219
	647 781	**822 811**	**234 798**	**116 368**	**439 182**	**32 463**

Capital management

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

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

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

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

32 Contingencies and capital commitments

The Group has not the contingent liabilities nor capital commitments.

33 Explanatory note to the statement fo cash flows

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Change in receivables and prepayments in statement of financial position	(34 592)	(11 696)	55 608
Exchange differences resulting from foreign entities translation	(10)	8	(1)
Change of recourse factoring into non-recourse	(10 509)	-	
Compensation agreements	(823)	-	
Change in receivables and prepayments in statement of cash flows	**(45 934)**	**(11 688)**	**55 607**

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Change in trade and other payables statement of financial position	15 586	42 707	(15 201)
Exchange differences resulting from foreign entities translation	8	(19)	8
Change of investment payables	4 547	(1 801)	(186)
Compensation agreements	823	-	-
Change of dividends payables	-	(30)	-
Change of payables to Shareholder	9 312	10 553	-
Change in payables due to the transfer of the result to the Social Fund	-	(192)	(535)
Change in trade and other payables in statement of cash flows	**30 276**	**51 218**	**(15 914)**

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Change in provisions in statement of financial position	17 275	(10 805)	(7 471)
Change on deferred taxation	(17 950)	7 859	3 385
Change on deferred taxation recognized in equity	902	338	1 310
Change in provisions in statement of cash flows	**227**	**(2 608)**	**(2 776)**

34 Related parties

Identity of related parties

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

Owner:

- PS Holdco Sp. z o.o.

Related parties not consolidated are as follows:

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

Associates are as follows:

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

Companies controlled by the owner:

- 4 Workers Przemysław Sztuczkowski (previous name Wiedza i Praca Sp. z o.o.)
- KDPP Doradztwo Biznesowe Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- Złomrex China Limited (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- FER Holding Sp. z o.o. (sold on October 3rd, 2016 to PS Holdco Sp. z o.o.)
- HSJ Holding Sp. z o.o. (sold on October 3rd, 2016 to PS Holdco Sp. z o.o.)

in PLN thousand	**31.12.2017**	**31.12.2016**	**31.12.2015**
Short-term receivables:			
- owner	-	220	-
- associates	-	-	3
- companies controlled by the owner	18	1	21
Short-term liabilities			
- owner*	19 515	25 202	43 910
- companies controlled by the owner	457	302	418
- associates	-	64	3
Loans granted			
- owner	-	126	115
Loans received			
- companies controlled by the owner	539	2 575	-
Short-term investments			
- owner*	-	4 750	13 513

* see note 25 regarding the details of the transactions with PS Holdco Sp. z o.o.

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Revenues from sale of services			
- owner	1	180	1
- companies controlled by the owner	40	27	105
- associates	29	29	29
Revenues from sale of raw materials and merchandise			
- companies controlled by the owner	1	1	1
Purchase of merchandise and raw materials			
- companies controlled by the owner	1 158	877	1 174
Purchase of services			
- associates	691	652	555
- companies controlled by the owner	2 757	3 668	2 699
Other income			
- owner	7	26	12
Financial costs			
- companies controlled by the owner	(286)	(178)	-
- owner	(4 341)	(2 252)	(3 028)

Transactions with the members of the Management and Supervisory Boards

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

in PLN thousand	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Management Board of the Parent Company	5 094	5 030	5 112
Supervisory Board of the Parent Company	378	378	378
Management Boards of subsidiaries	2 525	3 013	3 162
Supervisory Boards of subsidiaries	-	10	28
	7 997	**8 431**	**8 680**

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

35 Remuneration of the statutory auditor

in PLN thousand	2017
Audit of the separate and consolidated financial statements of Cognor Holding S.A. for 2017 (Pricewaterhousecoopers Sp. z o.o.)	35
Semi-annual reviews (for the first half of 2017) and quarterly (for the third quarter of 2017) separate and consolidated financial statements of Cognor Holding S.A. (Pricewaterhousecoopers Sp. z o.o.)	55
Audit of separate financial statements of subsidiaries (Pricewaterhousecoopers Sp. z o.o.)	110
Audit of separate financial statements of subsidiaries (ECDDP Audyt Sp. z o.o.)	30
Audit of separate financial statements of subsidiaries (FKCA Ltd)	23
Attestation service in the scope of verification of the intensity coefficient of electric energy consumption (Cognor S.A. and OMS Sp. z o.o.) (Pricewaterhousecoopers Sp. z o.o.)	20
Services related to the prospectus prepared for the purpose public offering of the Cognor Holding S.A. (Pricewaterhousecoopers Sp. z o.o.)	250
	523

36 Subsequent events

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

Poraj, 16 March 2018

Przemysław Sztuczkowski *Chairman of the Management Board*	Przemysław Grzesiak *Vice-Chairman of the Management Board*
Krzysztof Zoła *Member of the Management Board*	Dominik Barszcz *Member of the Management Board*