

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the six months ended
30 June 2018**

14 August 2018

Condensed consolidated statement of financial position

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017 *restated
Assets			
Property, plant and equipment	280 947	285 862	294 759
Intangible assets	19 670	13 005	12 504
Investment property	124	125	-
Investment in associates	3 223	3 251	3 228
Other investments	55	55	55
Other receivables	272	223	170
Prepaid perpetual usufruct of land	23 218	25 771	26 042
Deferred tax assets	65 344	70 178	83 816
Total non-current assets	392 853	398 470	420 574
Inventories	334 527	277 494	320 675
Other investments	12	12	83
Current income tax receivables	748	778	10
Trade and other receivables	185 714	171 889	160 694
Cash and cash equivalents	101 443	102 046	41 170
Assets classified as held for sale	-	-	-
Total current assets	622 444	552 219	522 632
Total assets	1 015 297	950 689	943 206

* see note no. 4

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of financial position - continued

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017 *restated
Equity			
Issued share capital	177 923	177 923	151 902
Reserves	90 005	221 018	183 247
Foreign currency translation reserves	72	8	9
Retained earnings	(14 807)	(173 600)	(159 529)
Total equity attributable to owners of the Parent Company	253 193	225 349	175 629
Non-controlling interests	17 751	16 485	16 055
Total equity	270 944	241 834	191 684
Liabilities			
Interest-bearing loans and borrowings	375 286	358 003	363 970
Employee benefits obligation	11 273	11 282	9 202
Other payables	16 846	19 515	20 025
Deferred tax liabilities	1 212	-	4 497
Total non-current liabilities	404 617	388 800	397 694
Bank overdraft	2 048	24 607	26 112
Interest-bearing loans and borrowings	61 282	44 523	75 434
Employee benefits obligation	2 594	5 122	2 529
Other financial liabilities	-	-	-
Current income tax payables	117	-	235
Provisions for payables	4 397	3 362	5 049
Trade and other payables	269 181	242 324	244 352
Government grants and other deferred income	117	117	117
Total current liabilities	339 736	320 055	353 828
Total liabilities	744 353	708 855	751 522
Total equity and liabilities	1 015 297	950 689	943 206

* see note no. 4

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Condensed consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	01.04.2018 - 30.06.2018	01.04.2017 - 30.06.2017 <i>*restated</i>	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 <i>*restated</i>
Revenue	535 702	411 215	1 059 933	849 941
Cost of sales	(453 760)	(363 681)	(904 027)	(742 482)
Gross profit	81 942	47 534	155 906	107 459
Other income	3 536	1 531	4 196	2 673
Distribution expenses	(17 403)	(15 206)	(34 214)	(31 547)
Administrative expenses	(13 276)	(10 874)	(24 102)	(20 352)
Other (losses)/gains - net	1 159	744	2 223	(817)
Other expenses	(5 000)	(1 100)	(6 146)	(2 194)
Operating profit before financing costs	50 958	22 629	97 863	55 222
Financial income	-	-	-	17 694
Financial expenses	(32 717)	(13 725)	(48 039)	(25 883)
Net financing costs	(32 717)	(13 725)	(48 039)	(8 189)
Share of profit of associates	(32)	29	(28)	(22)
Profit before tax	18 209	8 933	49 796	47 011
Income tax expense	(1 480)	(2 329)	(6 429)	(9 154)
Profit for the period	16 729	6 604	43 367	37 857
Profit for the period attributable to:				
Owners of the Parent Company	16 026	6 136	41 226	35 577
Non-controlling interests	703	468	2 141	2 280
Profit for the period	16 729	6 604	43 367	37 857
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences	53	(4)	64	(34)
Total comprehensive income for the period	16 782	6 600	43 431	37 823
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	16 079	6 132	41 290	35 543
Non-controlling interests	703	468	2 141	2 280
Total comprehensive income for the period	16 782	6 600	43 431	37 823
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,14	0,08	0,35	0,47
- from continuing operations	0,14	0,08	0,35	0,47
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,11	0,06	0,28	0,34
- from continuing operations	0,11	0,06	0,28	0,34

* see note no. 4

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

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

in PLN thousand

	01.07.2017 - 30.06.2018	01.07.2016 - 30.06.2017 <i>*restated</i>
Revenue	1 999 272	1 495 038
Cost of sales	(1 734 589)	(1 311 391)
Gross profit	264 683	183 647
Other income	11 649	5 920
Distribution expenses	(68 459)	(57 253)
Administrative expenses	(54 278)	(42 093)
Other (losses)/gains - net	396	480
Other expenses	(12 140)	(6 972)
Operating profit before financing costs	141 851	83 729
Financial income	4 437	20 745
Financial expenses	(75 495)	(50 641)
Net financing costs	(71 058)	(29 896)
Share of profit of associates	45	(6)
Gain on bargain purchase	-	-
Profit before tax	70 838	53 827
Income tax expense	(15 423)	(7 561)
Profit for the period	55 415	46 266
Profit for the period attributable to:		
Owners of the Parent Company	53 253	43 954
Non-controlling interests	2 162	2 312
Profit for the period	55 415	46 266

* see note no. 4

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

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

in PLN thousand

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

	01.07.2017 - 30.06.2018	01.07.2016 - 30.06.2017 <i>*restated</i>
Foreign currency translation differences	63	(64)
Total comprehensive income for the period	55 478	46 202
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	53 316	43 890
Non-controlling interests	2 162	2 312
Total comprehensive income for the period	55 478	46 202
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,53	0,60
- from continuing operations	0,53	0,60
- from discontinued operations	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,42	0,42
- from continuing operations	0,42	0,42
- from discontinued operations	-	-

* see note no. 4

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

Condensed consolidated statement of cash flows

in PLN thousand

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 <i>*restated</i>
Profit/(loss) before tax from continuing operations	49 796	47 011
Adjustments		
Depreciation	21 632	19 901
Amortization	377	87
Impairment losses and valuation allowances	-	-
Foreign exchange (gains)/losses	16 676	(17 350)
Net (gains)/losses on disposal of property, plant and equipment	(173)	(70)
Interest, transaction costs (related to loans and borrowings) and dividends, net	30 472	25 891
Change in receivables	(15 220)	(23 353)
Change in inventories	(57 033)	(16 737)
Change in trade and other payables	23 981	28 877
Change in provisions	1 035	1 914
Change in employee benefits obligation	(2 537)	(2 410)
Share of profit of associates	28	22
Other adjustments	-	-
Cash generated/(outflows) from operating activities	69 034	63 783
Income tax (paid)/returned, incl.	(236)	1 378
Net cash from operating activities	68 798	65 161
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1 565	746
Proceeds from sale of intangibles	32	11
Proceeds from sale of perpetual usufruct	2 765	-
Acquisition of shares in consolidated companies (net of cash acquired)	(77)	-
Interest received	93	32
Repayment of loans granted	-	55
Acquisition of property, plant and equipment	(7 829)	(8 156)
Acquisition of intangible assets	(6 030)	(653)
Net cash from investing activities	(9 481)	(7 965)
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	15 169	3 041
Proceeds from factoring	743	(1 469)
Repayment of interest-bearing loans and borrowings	(1 593)	(2 013)
Payment of finance lease liabilities	(5 891)	(7 480)
Dividends and interests on exchangeable notes paid	(13 902)	(2 181)
Interest and transaction costs (related to loans and borrowings) paid	(31 887)	(22 504)
Other transactions with the Owner	-	(9 312)
Net cash from financing activities	(37 361)	(41 918)
Net increase / (decrease) in cash and cash equivalents	21 956	15 278
Cash and cash equivalents net of bank overdraft, at 1 January	77 439	(220)
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 31 March	99 395	15 058
- including cash restricted for use	2 215	1 622

* see note no. 4

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

Condensed consolidated statement of cash flows (last twelve months)

in PLN thousand

	01.07.2017 - 30.06.2018	01.07.2016 - 30.06.2017 <i>*restated</i>
(Loss)/profit before tax from continuing operations	70 838	53 827
Adjustments		
Depreciation	42 648	40 288
Amortization	701	251
Impairment losses and valuation allowances	(3 605)	-
Foreign exchange (gains)/losses	11 674	(17 801)
Net gain on purchase of own bonds	-	(3 051)
Net (gains)/losses on investment activities	-	(1 004)
Net (gains)/losses on disposal of property, plant and equipment	669	(338)
Interest, transaction costs (related to loans and borrowings) and dividends, net	51 668	47 933
Change in receivables	(37 801)	11 789
Change in inventories	(13 852)	(66 768)
Change in trade and other payables	25 380	37 680
Change in provisions	(652)	716
Change in employee benefits obligation	2 136	(95)
Share of profit of associates	(45)	6
Other adjustments	-	-
Cash generated/(outflows) from operating activities	149 759	103 433
Cash generated from operating activities	149 759	103 433
Income tax (paid)/returned, incl.	(682)	(332)
- continuing operations	(682)	(332)
- discontinued operations	-	-
Net cash from operating activities	149 077	103 101

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

Condensed consolidated statement of cash flows (last twelve months) - continued

in PLN thousand

	01.07.2017 - 30.06.2018	01.07.2016 - 30.06.2017 <i>*restated</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2 181	2 012
Proceeds from sale of intangibles	309	18
Proceeds from sale of perpetual usufruct	2 765	133
Interest received	355	105
Dividends received	50	2
Repayment of loans granted	71	55
Other inflows/(outflows) from investing activities	-	1 014
Acquisition of property, plant and equipment	(15 144)	(27 310)
Acquisition of intangible assets	(7 302)	(1 705)
Acquisition of investment properties	(125)	-
Prepaid perpetual usufruct of land	(1)	-
Acquisition of shares in consolidated companies	(77)	(300)
Cash generated on investing activities from continuing operations	(16 918)	(25 976)
Cash generated on investing activities from discontinued operations	-	-
Net cash from investing activities	(16 918)	(25 976)
Cash flows from financing activities		
Net cash receipts from share issue	39 792	-
Proceeds from interest-bearing loans and borrowings	13 566	22 938
Proceeds from factoring	1 709	(1 903)
Repayment of interest-bearing loans and borrowings	(18 431)	(12 701)
Payment of finance lease liabilities	(12 172)	(13 566)
Dividends and interests on exchangeable notes paid	(16 001)	(4 562)
Interest and transaction costs (related to loans and borrowings) paid	(56 285)	(44 799)
Other transactions with the Owner	-	(18 565)
Cash outflows on financing activities from continuing operations	(47 822)	(73 158)
Cash outflows from discontinued operations	-	-
Net cash from financing activities	(47 822)	(73 158)
Net increase / (decrease) in cash and cash equivalents	84 337	3 967
Cash and cash equivalents net of bank overdraft, at 1 July	15 058	11 091
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	99 395	15 058
- including cash restricted for use	2 215	1 622

* see note no. 4

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

Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company						
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
in PLN thousand							
Equity as at 1 January 2017 (before restatements)	150 532	184 617	43	(193 064)	142 128	13 775	155 903
Restatements*	-	-	-	4 397	4 397	-	4 397
Equity as at 1 January 2017	150 532	184 617	43	(188 667)	146 525	13 775	160 300
Total comprehensive income	-	-	(34)	35 577	35 543	2 280	37 823
- (loss)/profit	-	-	-	35 577	35 577	2 280	37 857
- foreign currency translation differences relating to foreign operations	-	-	(34)	-	(34)	-	(34)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	1 370	(1 370)	-	(6 439)	(6 439)	-	(6 439)
Conversion of exchangeable notes	1 370	(1 370)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 181)	(2 181)	-	(2 181)
Other settlements with the Owner	-	-	-	(4 258)	(4 258)	-	(4 258)
Equity as at 30 June 2017	151 902	183 247	9	(159 529)	175 629	16 055	191 684
Equity as at 1 January 2017 (before restatements)	150 532	184 617	43	(193 064)	142 128	13 775	155 903
Restatements*	-	-	-	4 397	4 397	-	4 397
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	-	-	-	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 in equity							
Contribution by and distributions to owners of the Company	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	1 643	(1 643)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(4 280)	(4 280)	-	(4 280)
Other settlements with the Owner	-	-	-	(3 848)	(3 848)	-	(3 848)
Change in ownership interests	-	-	-	(409)	(409)	409	-
Changes in minority after acquisition	-	-	-	(409)	(409)	409	-
Equity as at 31 December 2017	177 923	221 018	8	(173 600)	225 349	16 485	241 834

* see note no. 4

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

Condensed consolidated statement of changes in equity - continued

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total		
<i>in PLN thousand</i>							
Equity as at 1 January 2018	177 923	221 018	8	(173 600)	225 349	16 485	241 834
<i>Change of accounting method due to application of IFRS9</i>	-	-	-	(342)	(342)	-	(342)
Equity as at 1 January 2018	177 923	221 018	8	(173 942)	225 007	16 485	241 492
Total comprehensive income	-	-	64	41 226	41 290	2 141	43 431
- profit	-	-	-	41 226	41 226	2 141	43 367
- foreign currency translation differences relating to foreign operations	-	-	64	-	64	-	64
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	(131 013)	-	117 111	(13 902)	-	(13 902)
Dividends	-	-	-	(11 862)	(11 862)	-	(11 862)
Creation of other reserves from profit	-	34 259	-	(34 259)	-	-	-
Cover of losses from previous periods from other reserves	-	(165 272)	-	165 272	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 040)	(2 040)	-	(2 040)
Change in ownership interests	-	-	-	798	798	(875)	(77)
Changes in minority after acquisition	-	-	-	798	798	(875)	(77)
Equity as at 30 June 2018	177 923	90 005	72	(14 807)	253 193	17 751	270 944

* see note no. 4

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

1 Parent entity

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.

2 Cognor Holding S.A. Group

The condensed consolidated interim financial statements as at and for the three months ended 30 June 2018 comprise the Parent Company and its subsidiaries ("the Group"). Details of the subsidiaries that comprise the Group as at 30 June 2018 are presented in the table below.

Name of the entity	Seat of the 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. (previously KAPITAŁ S.A. Sp. k.)	Poland	98.0%	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*
COGNOR INTERNATIONAL FINANCE plc	Great Britain	94.38%	2013-10-24
PRZEDSIĘBIORSTWO TRANSPORTU SAMOCHODOWEGO S.A.	Poland	93.90%	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	23.47% (associate)	2014-04-11

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

Acquisitions in 2018

In the first six months of 2018, Cognor Holding S.A. made a capital increase in the subsidiary Cognor Holding S.A. Sp. k. for PLN 5,525 thousand PLN without participation of a minority shareholder as a result of which the participation of Cognor Holding S.A. increased from 51% to 98%.

In the first six months of 2018, Cognor Holding S.A. acquired Cognor S.A. shares worth 6 thousand PLN. This did not affect the change in the share capital of Cognor S.A.

In the first six months of 2018, Cognor S.A. acquired Przedsiębiorstwo Transportu Samochodowego S.A. shares worth 71 thousand PLN. This transaction has changed the participation of Cognor Group from 93.52% to 93.9%.

3 Basis of preparation of consolidated financial statements

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2018.

b) Ongoing basis

The condensed consolidated financial statements as of and for the period ended 30 June 2018 have been prepared on the going concern basis.

c) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

In the first six months of 2018, the Capital Group implemented IFRS 9. The effect of changes on 1 January 2018 was recognized as an adjustment to the result from previous years. The Group decided to apply IFRS 9 without transforming comparable data, therefore the previous periods presented differ from the ones applied in 2018. For details please see note 5.

The Group has implemented IFRS 15 'Revenue from contracts with customers' effective from January 1, 2018. For details please see note 6

The Group is in the process of analyzing the impact of IFRS 16 'Leases' on the consolidated financial statements. This impact will be disclosed in consolidated financial statements for 2018.

Other amendments to the standards that are effective from January 1, 2018: Amendments to IFRS 4 "Insurance Contracts" - application of IFRS 9 Financial instruments, including IFRS 4 Insurance Contracts, Amendments to IFRS 2 "Payments based on shares" - Classification and valuation of payments on the basis of shares, Amendments to IAS 40 "Investment property" - Transfer of investment property, IFRIC 22 "Foreign currency transactions and pre-financing", Amendments to various standards "Amendments to IFRS (cycle 2014-2016)" - amendments to IFRS 1 and IAS 28- did not affect the consolidated financial statements of the Group.

d) Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2017.

e) Additional comparative periods

In relation to the information requirements arising from the obligation of publication of these consolidated financial statements on Luxembourg Stock Exchange (LSE), the Group publishes additional comparative periods for the last 12 months for the statement of profit or loss and other income and for cash flow statement.

The interim condensed consolidated financial statements of the Group cover the period of six months ended on June 30, 2018 and contain comparative data for the six months ended June 30, 2017 and as at December 31, 2017 - they were reviewed or audited by a certified auditor. The consolidated interim consolidated income statement and total income includes data for the 3 months ended 30 June 2018 and comparative data for the 3 months ended 30 June 2017, as well as for the 12 months ended 30 June 2018 and data comparative for the period of 12 months ended 30 June 2017 - they were not reviewed or audited by a certified auditor.

4 Restatement of consolidated comparative

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 30 June 2017, 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 2017 to 30 June 2017. Any notes as at 30 June 2017 and those which contain a change in status have been properly restated.

Presented below is the transformation of comparative data for consolidated financial statements of financial position as at June 30, 2017 and for consolidated profit and loss statements and other comprehensive income and consolidated cash flow statements for the period from January 1, 2017 to June 30, 2017 and for the last twelve months ended June 30, 2017.

Condensed consolidated statement of financial position as at June 30, 2017

in PLN thousand

	Published data	OMS acquisition adjustments	Restated data
Assets			
Property, plant and equipment	287 575	7 184	294 759
Intangible assets	12 504	-	12 504
Investment in associates	3 228	-	3 228
Other investments	55	-	55
Other receivables	170	-	170
Prepaid perpetual usufruct of land	25 769	273	26 042
Deferred tax assets	82 803	1 013	83 816
Total non-current assets	412 104	8 470	420 574
Inventories	317 008	3 667	320 675
Other investments	1 194	(1 111)	83
Current income tax receivables	10	-	10
Trade and other receivables	158 780	1 914	160 694
Cash and cash equivalents	40 427	743	41 170
Non-current assets classified as held for sale	-	-	-
Total current assets	517 419	5 213	522 632
Total assets	929 523	13 683	943 206
Equity			
Issued share capital	151 902	-	151 902
Reserves	183 247	-	183 247
Foreign currency translation reserves	9	-	9

Accumulated losses from previous years and net result of the current year	(165 000)	5 471	(159 529)
Total equity attributable to owners of the Parent Company	170 158	5 471	175 629
Non-controlling interests	16 055	-	16 055
Total equity	186 213	5 471	191 684
Liabilities			
Interest-bearing loans and borrowings	362 206	1 764	363 970
Employee benefits obligation	9 058	144	9 202
Other liabilities	20 025	-	20 025
Deferred tax liabilities	4 497	-	4 497
Total non-current liabilities	395 786	1 908	397 694
Bank overdraft	23 580	2 532	26 112
Interest-bearing loans and borrowings	74 093	1 341	75 434
Employee benefits obligation	2 504	25	2 529
Current income tax liabilities	205	30	235
Provisions for liabilities	5 049	-	5 049
Trade and other liabilities	241 976	2 376	244 352
Government grants and other deferred income	117	-	117
Total current liabilities	347 524	6 304	353 828
Total liabilities	743 310	8 212	751 522
Total equity and liabilities	929 523	13 683	943 206

Consolidated statement of profit or loss and other comprehensive income for the period from January 1, 2017 till June 30, 2017 and for the last twelve months months ended June 30, 2017

in PLN thousand

	01.01.2017 - 30.06.2017			01.07.2016 - 30.06.2017		
	Published data	OMS acquisition adjustments	Restated data	Published data	OMS acquisition adjustments	Restated data
Continuing operations						
Sales revenue	833 841	16 100	849 941	1 461 055	33 983	1 495 038
Costs of products, goods and materials sold	(729 419)	(13 063)	(742 482)	(1 283 241)	(28 150)	(1 311 391)
Gross profit	104 422	3 037	107 459	177 814	5 833	183 647
Other income	2 366	307	2 673	5 740	180	5 920
Distribution expenses	(30 677)	(870)	(31 547)	(55 705)	(1 548)	(57 253)
Administrative expenses	(19 543)	(809)	(20 352)	(40 506)	(1 587)	(42 093)
Other gains - net	(700)	(117)	(817)	644	(164)	480
Other expenses	(2 167)	(27)	(2 194)	(6 877)	(95)	(6 972)
Operating profit	53 701	1 521	55 222	81 110	2 619	83 729
Financial income	17 692	2	17 694	20 743	2	20 745
Financial expenses	(25 768)	(115)	(25 883)	(50 409)	(232)	(50 641)
Net financing costs	(8 076)	(113)	(8 189)	(29 666)	(230)	(29 896)
Share of (loss)/profit of associates	(22)	-	(22)	(6)	-	(6)
(Loss)/profit before tax	45 603	1 408	47 011	51 438	2 389	53 827
Income tax expense	(8 820)	(334)	(9 154)	(7 118)	(443)	(7 561)
(Loss)/profit for the period from continuing operations	36 783	1 074	37 857	44 320	1 946	46 266

Consolidated statement of cash flows for the period from January 1, 2017 till June 30, 2017 and for the last twelve months ended June 30, 2017

in PLN thousand

	01.01.2017 - 30.06.2017			01.07.2016 - 30.06.2017		
	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	45 603	1 408	47 011	51 438	2 389	53 827
Adjustments						
Depreciation	19 472	429	19 901	39 420	868	40 288
Amortization	87	-	87	251	-	251
Foreign exchange (gains)/losses	(17 350)	-	(17 350)	(17 801)	-	(17 801)
Net gain on purchase of own bonds	-	-	-	(4 055)	1 004	(3 051)
Net gain on investment operations	-	-	-	-	(1 004)	(1 004)
Net (gains)/losses on disposal of property, plant and equipment, intangible assets	(70)	-	(70)	(357)	19	(338)
Interest, transaction costs (related to loans and borrowings) and dividends, net	25 840	51	25 891	47 786	147	47 933
Change in receivables and prepayments	(21 836)	(1 517)	(23 353)	12 768	(979)	11 789
Change in inventories	(19 267)	2 530	(16 737)	(68 909)	2 141	(66 768)
Change in trade and other payables	28 728	149	28 877	38 652	(972)	37 680
Change in provisions	1 919	(5)	1 914	716	-	716
Change in employee benefits obligation	(2 410)	-	(2 410)	(130)	35	(95)
Share of profit/ (loss) of associates	22	-	22	6	-	6
Other adjustments	-	-	-	-	-	-
Cash generated from continuing operations	60 738	3 045	63 783	99 785	3 648	103 433
Income tax (paid)/returned, incl.	1 377	1	1 378	(333)	1	(332)
Net cash from operating activities	62 115	3 046	65 161	99 452	3 649	103 101
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	746	-	746	2 128	(116)	2 012
Proceeds from sale of intangible assets	11	-	11	-	18	18
Proceeds from sale of prepaid perpetual usufruct of land	-	-	-	-	133	133
Acquisition of subsidiaries, net of cash	-	-	-	(300)	-	(300)
Interest received	81	(49)	32	429	(324)	105
Dividends received	-	-	-	2	-	2
Repayment of loans granted	1 529	(1 474)	55	3 029	(2 974)	55
Other inflows from investing activities	-	-	-	1 014	-	1 014
Acquisition of property, plant and equipment	(7 975)	(181)	(8 156)	(23 202)	(4 108)	(27 310)
Acquisition of intangible assets	(653)	-	(653)	(1 705)	-	(1 705)
Cash generated on investing activities from continuing operations	(6 261)	(1 704)	(7 965)	(18 605)	(7 371)	(25 976)
Cash flows from financing activities						
Proceeds from interest-bearing loans and borrowings	3 260	(219)	3 041	23 158	(220)	22 938

Proceeds from factoring	(608)	(861)	(1 469)	(2 799)	896	(1 903)
Repayment of interest-bearing loans and borrowings	(2 013)	-	(2 013)	(12 017)	(684)	(12 701)
Payment of finance lease liabilities	(7 475)	(5)	(7 480)	(17 052)	3 486	(13 566)
Dividends paid and interests on exchangeable notes in the period	(2 584)	403	(2 181)	(4 562)	-	(4 562)
Interest and transaction costs (related to loans and borrowings) paid	(22 101)	(403)	(22 504)	(44 799)	-	(44 799)
Other transactions with the Owner	(9 312)	-	(9 312)	(18 565)	-	(18 565)
Cash outflows on financing activities from continuing operations	(40 833)	(1 085)	(41 918)	(76 636)	3 478	(73 158)
Net change in cash and cash equivalents	15 021	257	15 278	4 211	(244)	3 967
Cash and cash equivalents net of bank overdraft, at 1 January/1 July	1 826	(2 046)	(220)	12 636	(1 545)	11 091
- effect of exchange rate fluctuations on cash held	-	-	-	-	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	16 847	(1 789)	15 058	16 847	(1 789)	15 058
- including cash restricted for use	1 603	19	1 622	1 603	19	1 622

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

The Group has implemented the standard starting from January 1, 2018 without adjusting the comparative data, which means that the data for 2017 and 2018 are not comparable, while the adjustments related to the adaptation to IFRS are introduced on January 1, 2018.

From January 1, 2018, the Group classifies financial assets into the following valuation categories:

- measured at amortized cost,
- measured at fair value through profit or loss (FVPL)
- measured at fair value through other comprehensive income (FVOCI)

The classification depends on the financial asset management model adopted by the Group and the contractual terms of cash flows. The Group reclassifies investments in debt instruments if, and only if, the management model for those assets changes.

Financial assets classification

<i>in PLN thousand</i>	Note	IFRS 9 30.06.2018	IFRS 9 01.01.2018	IAS 39 31.12.2017
Financial assets measured at amortized cost				
-trade receivables	5b)	106 454	111 472	126 559
-loans granted	5c)	12	12	12
-cash and cash equivalents	5d)	-	102 046	102 046
Financial assets measured at fair value through profit or loss (FVPL)				
-factoring receivables	5a)	24 509	14 745	-
-shares in other companies	5e)	55	55	55
		131 030	228 330	228 672

Financial liabilities classification

Financial liabilities measured at amortized cost				
-trade liabilities	5f)	234 045	200 141	200 141
-interest-bearing loans and borrowings	5g)	401 117	372 060	372 060
-lease liabilities	5g)	35 451	30 466	-
		635 162	572 201	572 201

Revenues, costs, profits and losses from financial instruments

<i>in PLN thousand</i>	IFRS 9 30.06.2018	IAS 39 30.06.2017
Revenues from interests		
- revenues from interests on assets measured at amortised cost	1 709	71
- revenues from interests on assets measured at fair value thorough profit and loss	-	-
Impairment		
- (write-off)/ reversal of write-off relating to trade receivables	766	(524)
- write-off relating to instruments measured at amortized cost	-	-

Fair value of instruments measured earlier at amortized cost

	IFRS 9 30.06.2018	IFRS 9 01.01.2018
Hierarchy of fair value valuation	Level 2	Level 2
Factoring receivables	24 509	14 745

a) factoring 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 changed therefore the method of measurement of these receivables from amortized cost at fair value. The effects of fair value measurement is recognized in the financial result. As at June 30, 2018 the Group discloses PLN 24,509 thousand PLN of factoring receivables (as at December 31, 2017: PLN 14,745 thousand). The fair value of factoring receivables has been estimated based on provisions of factoring and insurance agreements.

b) trade receivables

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 has affected 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 is 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 do not significantly affect the consolidated financial statements and amounted as at June 30, 2018 PLN 324 thousand (as at December 31, 2017: PLN 342 thousand).

c) 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 are therefore 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 June 30, 2017 amounted to PLN 12 thousand (December 31, 2017 PLN 12 thousand).

d) cash and cash equivalents

Cash on bank accounts meets the SPPI test and business model test "hold to collect". Therefore, cash is still measured at amortized cost. The application of IFRS 9 has changed 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 has no impact on the reported cash.

e) shares in other units

The Group has classified shares at fair value through profit or loss. 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 30 June 2018 amounted to PLN 55 thousand (31 December 2017: PLN 55 thousand).

f) interest-bearing loans and borrowings and lease liabilities

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

g) trade payables

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

6 IFRS 15 "Revenues from contracts with customers"

The Group has implemented IFRS 15 starting from January 1, 2018.

This standard introduces the following rules:

Requirements to identify the contract with the client

The contract with the client meets its definition when all of the following criteria are met: the parties to the contract have concluded a contract and are required to perform their duties; the Group is able to identify the rights of each party regarding the goods or services to be transferred; the group is able to identify the payment terms for goods or services to be transferred; the contract has economic content and it is probable that the Group will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the client.

Identification of obligations to perform the service

At the time of concluding the contract, the Group evaluates the goods or services promised in the contract with the client and identifies as a commitment to perform any promise to transfer to the client: good or service (or a package of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the client is of the same nature.

Determining the transaction price

In order to determine the transaction price, the Group takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Group's expectations, will be due in exchange for the transfer of promised goods or services to the client, excluding amounts collected on behalf of third parties (for example, some sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

Some contracts with counterparties the Group includes entries about qualitative adjustments that are the basis for calculating the final sale price or certain forms of customer bonus, however, the probability that there will be no reversal of a significant part of accumulated revenues in the future is low. In such cases, in accordance with IFRS 15, the amount of variable remuneration in the transaction price is not taken into account. A reassessment of variable remuneration should be made at the end of each reporting period.

Allocation of the transaction price to individual obligations to perform the service

The Group assigns a transaction price to each obligation to provide the service (or a separate good or separate service) in an amount that reflects the amount of remuneration which, according to the Group's expectations, is due in exchange for the transfer of promised goods or services to the client.

Recognition of revenue when the obligations to perform the service are fulfilled

The Group recognizes revenues when the obligation to perform the performance is met (or when fulfilling) by transferring the promised good or service (i.e. an asset) to the client (the client gains control over this asset). Revenues are recognized as amounts equal to the transaction price that has been assigned to a given obligation to perform the service.

The implementation of the above standard did not significantly affect the presented condensed consolidated financial statements

7 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Management Board of the Parent Company

Starting from January 1, 2018 in order to unify segment analysis and following the acquisition of new entity - Odlewnia Metali Szopienice Sp. z o.o. - The Group decided to modify the note of operating segments in such a way that the following main activities have been distinguished, due to the type of metal (steel and non-ferrous). The Group has also decided to disclose separately segments for Ferrostal and HSJ plants due to the different type of steel, a different price range of products provided by both rolling mills and different range of customers. In connection with the above, the Group has identified the following types of segments:

- scrap metal: comprising purchasing, sorting, processing, refining and subsequent shipment and sale of scrap metal to external customers,
- billets HSJ: comprising production and purchase of steel billets (crude steel) and their subsequent sale to external customers, carried out by our melting shop HSJ in Stalowa Wola,
- billets Ferrostal (FER): comprising production and purchase of steel billets (crude steel) and their subsequent sale to external customers, carried out by our melting shop Ferrostal in Gliwice,
- finished products HSJ: comprising production and purchase of finished steel products and their subsequent sale to external customers, carried out by our rolling mill HSJ in Stalowa Wola,
- finished products FER: comprising production and purchase of finished steel products and their subsequent sale to external customers, carried out by our rolling mill Ferrostal in Gliwice,
- non-ferrous scrap metal: comprising purchasing, sorting, processing, refining and subsequent shipment and sale to external customers of non-ferrous scrap metal,
- non-ferrous finished products: comprising production (from own or from customer's material) and purchase of non-ferrous products, such as bronze shafts and sleeves as well as aluminum alloys in the form of ingots, and then their subsequent shipment and sale to external customers,
- other: including transportation services, property development and other activities.

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

7 Segment reporting - continued

Business segments (for the three months ended 30 June)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non- ferrous scrap metal	Non- ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.06.2018											
Revenue from external customers	51 931	34 242	43 718	188 360	161 561	22 077	19 924	13 875	14		
Inter-segment revenue	44 583	4 116	-	-	13 468	8 060	3 567	4 014	3 072		
Total revenue	96 514	38 358	43 718	188 360	175 029	30 137	23 491	17 889	3 086	(80 880)	535 702
Cost of sales to external customers	(47 833)	(30 069)	(37 241)	(154 755)	(143 428)	(21 015)	(18 219)	(11 084)	(2)		
Inter-segment cost of sales	(42 784)	(3 485)	-	-	(12 161)	(7 833)	(3 417)	(3 290)	(745)		
Total cost of sales	(90 617)	(33 554)	(37 241)	(154 755)	(155 589)	(28 848)	(21 636)	(14 374)	(747)	83 601	(453 760)
Segment result	5 897	4 804	6 477	33 605	19 440	1 289	1 855	3 515	2 339	2 721	81 942
Other income	75	301	1 082	1 325	3 833	27	47	545	1 118	(4 817)	3 536
Distribution and administrative expenses	(3 789)	(1 912)	(775)	(7 413)	(7 272)	(1 274)	(1 350)	(1 867)	(6 208)	1 181	(30 679)
Other gain/(losses) net	80	164	168	746	550	63	108	50	45	(815)	1 159
Other expenses	(69)	(424)	(134)	(1 945)	(494)	(19)	(18)	(170)	(2)	(1 725)	(5 000)
Operating profit/(loss)	2 194	2 933	6 818	26 318	16 057	86	642	2 073	(2 708)	(3 455)	50 958
Net financing costs									(37 144)	4 427	(32 717)
Share of profit of associates, net of tax											(32)
Income tax expense											(1 480)
Profit for the period											16 729

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non- ferrous scrap metal	Non- ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.06.2017											
Revenue from external customers	28 557	24 081	61 911	122 221	129 264	15 122	14 713	15 332	14		
Inter-segment revenue	45 474	15 222	-	3	2 173	4 554	927	993	2 962		
Total revenue	74 031	39 303	61 911	122 224	131 437	19 676	15 640	16 325	2 976	(72 308)	411 215
Cost of sales to external customers	(29 154)	(21 578)	(55 018)	(108 539)	(117 425)	(15 162)	(13 192)	(8 763)	(1)		
Inter-segment cost of sales	(42 351)	(13 727)	-	(3)	(1 961)	(4 358)	(883)	(654)	(269)		
Total cost of sales	(71 505)	(35 305)	(55 018)	(108 542)	(119 386)	(19 520)	(14 075)	(9 417)	(270)	69 357	(363 681)
Segment result	2 526	3 998	6 893	13 682	12 051	156	1 565	6 908	2 706	(2 951)	47 534
Other income	536	11	347	34	771	140	63	415	(854)	68	1 531
Distribution and administrative expenses	(3 340)	1 767	(471)	(9 923)	(5 285)	(1 130)	(1 127)	(980)	(8 220)	2 629	(26 080)
Other gain/(losses) net	93	52	125	189	222	26	(4)	69	18	(46)	744
Other expenses	(46)	(240)	(128)	(749)	(324)	(12)	(4)	(313)	822	(106)	(1 100)
Operating profit	(231)	5 588	6 766	3 233	7 435	(820)	493	6 099	(5 528)	(406)	22 629
Net financing costs									(15 101)	1 376	(13 725)
Share of profit of associates, net of tax											29
Income tax expense											(2 329)
Profit for the period											6 604

Business segments (for the six months ended 30 June)

in PLN thousand

30.06.2018	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	94 990	63 363	119 593	356 433	322 923	36 079	37 739	28 785	28		
Inter-segment revenue	103 520	18 106	-	-	32 561	15 045	7 601	5 506	4 609		
Total revenue	198 510	81 469	119 593	356 433	355 484	51 124	45 340	34 291	4 637	(186 948)	1 059 933
Cost of sales to external customers	(87 151)	(55 886)	(102 558)	(300 349)	(283 398)	(34 395)	(34 685)	(23 293)	(3)		
Inter-segment cost of sales	(99 201)	(15 715)	-	-	(29 025)	(14 421)	(7 247)	(3 986)	(747)		
Total cost of sales	(186 352)	(71 601)	(102 558)	(300 349)	(312 423)	(48 816)	(41 932)	(27 279)	(750)	188 033	(904 027)
Segment result	12 158	9 868	17 035	56 084	43 061	2 308	3 408	7 012	3 887	1 085	155 906
Other income	224	321	1 154	1 403	4 042	58	81	662	1 128	(4 877)	4 196
Distribution and administrative expenses	(7 986)	(4 134)	(1 642)	(14 198)	(13 434)	(2 065)	(2 361)	(3 732)	(11 525)	2 761	(58 316)
Other gain/(losses) net	872	219	105	959	367	225	214	135	317	(1 190)	2 223
Other expenses	(89)	(616)	(176)	(2 694)	(615)	(23)	(32)	(206)	(2)	(1 693)	(6 146)
Operating profit/(loss)	5 179	5 658	16 476	41 554	33 421	503	1 310	3 871	(6 195)	(3 914)	97 863
Net financing costs									(54 396)	6 357	(48 039)
Share of profit of associates, net of tax											(28)
Income tax expense											(6 429)
Profit for the period											43 367

<i>in PLN thousand</i>		Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non- ferrous	Non- ferrous	Other	Unallocated	Eliminations	Consolidated
	30.06.2017											
Revenue from external customers		55 697	50 712	144 579	242 517	261 358	31 404	35 559	28 087	28		
Inter-segment revenue		104 753	23 495	-	3	4 813	12 116	2 447	2 189	5 412		
Total revenue		160 450	74 207	144 579	242 520	266 171	43 520	38 006	30 276	5 440	(155 228)	849 941
Cost of sales to external customers		(52 427)	(46 334)	(128 228)	(212 858)	(232 710)	(29 780)	(32 520)	(21 327)	(6)		
Inter-segment cost of sales		(97 220)	(21 230)	-	(3)	(4 394)	(11 646)	(2 267)	(1 530)	(272)		
Total cost of sales		(149 647)	(67 564)	(128 228)	(212 861)	(237 104)	(41 426)	(34 787)	(22 857)	(278)	152 270	(742 482)
Segment result		10 803	6 643	16 351	29 659	29 067	2 094	3 219	7 419	5 162	(2 958)	107 459
Other income		1 036	28	367	93	807	286	412	716	611	(1 683)	2 673
Distribution and administrative expenses		(7 549)	(4 036)	(2 597)	(13 223)	(10 886)	(2 057)	(2 132)	(3 009)	(11 384)	4 974	(51 899)
Other gain/(losses) net		23	(65)	(5)	(213)	(13)	3	(110)	50	(71)	(416)	(817)
Other expenses		(100)	(428)	(243)	(1 399)	(534)	(28)	(30)	(430)	(386)	1 384	(2 194)
Operating profit		4 213	2 142	13 873	14 917	18 441	298	1 359	4 746	(6 068)	1 301	55 222
Net financing costs										(6 710)	(1 479)	(8 189)
Share of profit of associates, net of tax												(22)
Income tax expense												(9 154)
Profit for the period												37 857

Business segments (for the twelve months ended 30 June)

in PLN thousand

30.06.2018	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	176 195	111 955	242 339	605 860	672 084	65 974	69 337	55 489	39		
Inter-segment revenue	200 431	43 155	-	5	47 843	31 314	10 244	7 714	37 149		
Total revenue	376 626	155 110	242 339	605 865	719 927	97 288	79 581	63 203	37 188	(377 855)	1 999 272
Cost of sales to external customers	(165 037)	(100 440)	(210 257)	(523 567)	(600 459)	(62 081)	(64 347)	(39 968)	(3)		
Inter-segment cost of sales	(190 358)	(37 375)	-	(4)	(43 018)	(28 499)	(10 806)	(5 603)	(809)		
Total cost of sales	(355 395)	(137 815)	(210 257)	(523 571)	(643 477)	(90 580)	(75 153)	(45 571)	(812)	348 042	(1 734 589)
Segment result	21 231	17 295	32 082	82 294	76 450	6 708	4 428	17 632	36 376	(29 813)	264 683
Other income	980	514	1 800	2 044	6 105	263	180	1 055	1 123	(2 415)	11 649
Distribution and administrative expenses	(17 061)	(8 701)	(3 693)	(28 748)	(28 194)	(3 846)	(4 156)	(8 615)	(55 095)	35 372	(122 737)
Other gain/(losses) net	685	131	86	662	311	173	173	151	3 079	(5 055)	396
Other expenses	(233)	(1 183)	(1 217)	(4 606)	(3 720)	(63)	(78)	(848)	(16)	(176)	(12 140)
Operating profit/(loss)	5 602	8 056	29 058	51 646	50 952	3 235	547	9 375	(14 533)	(2 087)	141 851
Net financing costs									(78 333)	7 275	(71 058)
Share of profit of associates, net of tax											45
Income tax expense											(15 423)
Profit for the period											55 415

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non- ferrous scrap metal	Non- ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.06.2017											
Revenue from external customers	90 693	79 645	197 785	412 710	524 668	61 511	74 069	53 716	241		
Inter-segment revenue	189 965	36 340	-	147	6 370	24 181	4 856	6 259	18 177		
Total revenue	280 658	115 985	197 785	412 857	531 038	85 692	78 925	59 975	18 418	(286 295)	1 495 038
Cost of sales to external customers	(79 185)	(73 980)	(174 882)	(366 293)	(466 019)	(56 450)	(68 255)	(48 218)	(185)		
Inter-segment cost of sales	(174 263)	(33 882)	-	(101)	(5 976)	(23 285)	(4 453)	(2 389)	(1 676)		
Total cost of sales	(253 448)	(107 862)	(174 882)	(366 394)	(471 995)	(79 735)	(72 708)	(50 607)	(1 861)	268 101	(1 311 391)
Segment result	27 210	8 123	22 903	46 463	59 043	5 957	6 217	9 368	16 557	(18 194)	183 647
Other income	1 916	197	626	921	2 285	590	528	1 365	724	(3 232)	5 920
Distribution and administrative expenses	(17 481)	(7 176)	(4 459)	(27 143)	(22 662)	(4 136)	(3 835)	(13 007)	(17 568)	18 121	(99 346)
Other gain/(losses) net	496	128	(35)	592	(127)	162	(102)	100	11 928	(12 662)	480
Other expenses	(249)	(919)	(648)	(3 850)	(2 836)	(79)	(127)	(1 188)	(425)	3 349	(6 972)
Operating profit	11 892	353	18 387	16 983	35 703	2 494	2 681	(3 362)	11 216	(12 618)	83 729
Net financing costs									(29 415)	(481)	(29 896)
Share of profit of associates, net of tax											(6)
Income tax expense											(7 561)
Profit for the period											46 266

in PLN thousand

		Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
	30.06.2018											
Segment assets		56 696	58 182	87 594	254 390	257 645	14 802	25 598	51 015	220 673	(11 298)	1 015 297
Segment liabilities		26 281	18 659	28 706	81 582	82 604	6 757	5 249	8 836	485 679	-	744 353

in PLN thousand

		Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
	31.12.2017											
Segment assets		48 366	73 459	75 967	213 090	226 159	10 422	22 815	53 929	236 060	(9 578)	950 689
Segment liabilities		19 720	21 257	22 618	70 755	67 133	4 118	4 522	14 172	484 049	511	708 855

in PLN thousand

		Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
	30.06.2017											
Segment assets		66 479	66 690	127 185	217 954	234 148	18 253	22 052	39 527	175 034	(24 116)	943 206
Segment liabilities		16 293	22 888	35 680	74 800	65 687	4 399	3 064	9 453	518 362	896	751 522

Unallocated assets

in PLN thousand

Long-term and short-term investments
Deferred tax assets
Investment property
Income tax receivable
Cash and cash equivalents
Assets held for sale
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)
Assets of central office

30.06.2018	31.12.2017	30.06.2017
3 290	3 318	3 366
65 344	70 178	83 816
124	125	-
748	778	10
101 443	102 046	41 170
-	-	-
41 910	45 822	37 576
7 814	13 793	9 096
220 673	236 060	175 034

Unallocated liabilities

in PLN thousand

Interest-bearing loans and borrowings
Bank overdraft
Deferred tax liabilities
Government grants and other deferred income
Current income tax payables
Other liabilities
Liabilities of central office

30.06.2018	31.12.2017	30.06.2017
436 568	402 526	439 404
2 048	24 607	26 112
1 212	-	4 497
117	117	117
117	-	235
44 444	55 547	47 520
1 173	1 252	477
485 679	484 049	518 362

8 Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired property, plant and equipment at a cost of PLN 18 352 thousand (six months ended 30 June 2017: PLN 14 907 thousand). Assets with a net book value of PLN 1 849 thousand were disposed during the six months of 2018 (six months ended 30 June 2017: PLN 1 354 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 284 thousand (six months ended 30 June 2017: a net gain on disposal of PLN 59 thousand).

During the twelve months ended 30 June 2018, the Group acquired property, plant and equipment at a cost of PLN 27 882 thousand (twelve months ended 30 June 2017: PLN 39 716 thousand). Assets with a net book value of PLN 2 470 thousand were disposed of during the twelve months ended 30 June 2018 (twelve months ended 30 June 2017: PLN 1 546 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 956 thousand (twelve months ended 30 June 2017: a net gain on disposal of PLN 320 thousand).

Capital commitments

As at 30 June 2018 the Group had capital commitments in the amount of PLN 2 249 thousand (30 June 2017: PLN 4 193 thousand).

9 Trade and other receivables

Short-term receivables

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017
Trade receivables	106 454	111 814	113 916
Bills of exchange	-	-	-
Statutory receivables excluding income tax	17 220	28 313	10 731
Prepayments for services and inventories	27 235	2 191	2 816
Factoring receivables	24 509	14 745	23 741
Other receivables	10 296	14 826	9 490
	185 714	171 889	160 694

Long-term receivables

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017
Other receivables	272	223	170
	272	223	170

10 Inventories

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017
Raw materials	89 462	70 088	93 654
Semi-finished goods and work in progress	62 696	65 434	88 846
Finished products	158 912	119 504	120 049
Goods for resale	23 457	22 468	18 126
	334 527	277 494	320 675

11 Trade and other payables

Short term

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017
Trade payables	234 045	200 141	207 928
Statutory payables	12 969	25 293	10 707
Bills of exchange payables	-	-	-
Investment payables	2 249	2 049	4 193
Prepayments for services and deliveries of goods	1 549	1 908	3 799
Liabilities due to Shareholder	3 707	-	5 388
Payroll liabilities	7 808	9 533	6 155
Accrued expenses	3 740	2 194	937
Other payables	3 114	1 206	5 245
	269 181	242 324	244 352

Long term

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017
Liabilities due to Shareholder	16 846	19 515	20 025
Other payables	-	-	-
	16 846	19 515	20 025

12 Equity

Issued share capital

	30.06.2018	31.12.2017	30.06.2017
Registered shares number at reporting date	118 615 660	118 615 660	75 951 023
Number of issued warrants	56 355 003	56 355 003	56 491 225
Nominal value of 1 share	1,5 PLN	1,5 PLN	2 PLN

At 30 June 2018, the parent Company's share capital comprised 118 615 660 ordinary shares with a nominal value of PLN 1,5 each (31 December 2017: 118 615 660 ordinary shares with a nominal value of PLN 1,5 each; 30 June 2017: 75 951 023 with a nominal value of PLN 2 each).

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)

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 in

- 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 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 conversion price of Exchangeable Notes was reduced to PLN 1.92 per share according to resolution of the Management Board of Cognor Holding S.A. of 12 July 2018 in connection with the payment of dividend.

The ownership structure as at 30 June 2018 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 Sztuczowski owns 100% of shares in the PS Holdco Sp. z o.o. (indirectly) and therefore the shares owned by PS HoldCo Sp. z o.o. represent the indirect participation of Przemysław Sztuczowski in Cognor Holding S.A.

The ownership structure as at the date of previous corrected report's publication (April 30, 2018) 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 Sztuczowski owns 100% of shares in the PS Holdco Sp. z o.o. (indirectly) and therefore the shares owned by PS HoldCo Sp. z o.o. represent the indirect participation of Przemysław Sztuczowski in Cognor Holding S.A.

The ownership structure as at the date of current report's publication (August 14, 2018) 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 Sztuczowski owns 100% of shares in the PS Holdco Sp. z o.o. (indirectly) and therefore the shares owned by PS HoldCo Sp. z o.o. represent the indirect participation of Przemysław Sztuczowski in Cognor Holding S.A.

Changes in the period:

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

13 Earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2018 was based on the profit attributable to ordinary shareholders of PLN 41 226 thousand (the six-month period ended 30 June 2017: profit PLN 35 577 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2018 of 118 616 thousand (the six-month period ended 30 June 2017: 75 380 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 6 months period ended June 30, 2018 was 145 840 thousand (30 June 2017: 104 038 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2018 was based on the profit attributable to ordinary shareholders of PLN 53 253 thousand (the twelve-month period ended 30 June 2017: profit PLN 43 954 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2018 of 100 895 thousand (the twelve-month period ended 30 June 2017: 73 735 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2018 was 128 120 thousand (30 June 2017: 105 727 thousand).

As at 30 June 2018, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the warrants were outstanding.

The calculation of diluted earnings per share at 30 June 2018 was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in the period from January to June 2018 excluding interest paid in this period.

14 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

Bank overdraft

Non-current liabilities

Secured fixed interest rate debt

Finance lease liabilities

Other borrowings

Current liabilities

Current portion of secured bank loans

Current portion of secured fixed interest rate debt

Current portion of finance lease liabilities

Factoring liabilities

Scrap pre-financing

Other borrowings

	30.06.2018	31.12.2017	30.06.2017
Bank overdraft	2 048	24 607	26 112
Non-current liabilities			
Secured fixed interest rate debt	350 622	333 590	336 387
Finance lease liabilities	21 341	19 918	21 884
Other borrowings	3 323	4 495	5 699
	375 286	358 003	363 970
Current liabilities			
Current portion of secured bank loans	-	238	550
Current portion of secured fixed interest rate debt	27 177	29 495	33 270
Current portion of finance lease liabilities	14 110	10 548	10 662
Factoring liabilities	1 997	1 254	10 797
Scrap pre-financing	14 999	-	14 967
Other borrowings	2 999	2 988	5 188
	61 282	44 523	75 434

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 June 30, 2018 there were no liabilities resulting from above mentioned agreement.

As at 30 June 2018, the liability from bank overdrafts amounted to PLN 2 048 thousand (Odlewnia Metali Szopienice Sp. z o.o.).

On July 12, 2018 the facility agreement has been signed between subsidiary Cognor S.A. and consortium of four banks (mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego and European Bank for Reconstruction and Development) under which banks committed to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The loan term facility is intended for the repayment of Senior Secured Notes, which outstanding nominal value at June 30, 2018 is EUR 80,9 million. The companies from the capital group i.e.: Cognor Holding S.A., Cognor International Finance plc, Odlewnia Metali Szopienice Sp. z o.o., Cognor Blachy Dachowe S.A., Business Support Services Sp. z o.o., Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A. joined the facility agreement as guarantors.

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 Złomrex 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 377 779 thousand on 30 June 2018 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 S.A.);
 - governed by English law a lien on the shares of the issuer Cognor International Finance plc;
 - statements of execution notarially confirmed by Cognor International Finance plc and all companies which guarantee issuance of Senior Secured Notes.

On 31 December 2015 the Group has redeemed of 14 460 819 EUR Senior Secured Notes purchased earlier by the Group's companies, generating a gain of PLN 26 213 thousand. 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 March 2018 the principal amount of Senior Secured Notes outstanding was 80 887 290 EUR.

On 6 August 2018, the Group redeemed 20 887 290 EUR of the nominal value of the Senior Secured Notes on its own funds. As of the date of publication of these financial statements, the total outstanding nominal value of SSN is EUR 60,000,000.

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 conversion price of Exchangeable Notes to PLN 2,05 per share.

In connection with the payment of dividend, the the Management Board of Cognor Holding S.A. adopted resolution on 12 July 2018 which reduced the conversion price of Exchangeable Notes to PLN 1,92 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 30 June 2018 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 of the Exchangeable Notes of Cognor Holding S.A.

15 Contingencies, guarantees and other commitments

The Group has not the contingent liabilities nor capital commitments.

16 Transactions with related parties

Identity of related parties

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

Controlling entities

- PS Holdco Sp. z o.o.
- 4 Workers Przemysław Sztuczowski (previous name Wiedza i Praca Sp. z o.o.)
- FER Holding Sp. z o.o. (sold on October 3rd, 2016 to PS Holdco Sp. z o.o.)

Associates are as follows;

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

Related companies to the controlling entities:

- 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.)
- HSJ Holding Sp. z o.o. (sold on October 3rd, 2016 to PS Holdco Sp. z o.o.)

in PLN thousand

Short-term receivables:

	30.06.2018	31.12.2017	30.06.2017
- associates	18	-	6
- controlling entities	13	-	561
- related companies to the controlling entities	1	18	-

Liabilities

- controlling entities	20 064	19 972	25 848
- associates	96	-	69

Loans granted

- controlling entities	-	-	71
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Loans received

- controlling entities	589	539	2 702
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in PLN thousand

Revenues from sale of services

	01.04.2018- 30.06.2018	01.04.2017- 30.06.2017	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017
- associates	7	7	14	14	29	29
- controlling entities	12	5	20	10	51	520
- related companies to the controlling entities	-	0	1	-	1	-

Revenues from sale of raw materials and commodities

- related companies to the controlling entities	-	0	-	-	1	1
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Purchase of commodities and raw materials

- controlling entities	385	409	738	722	1 174	1 256
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Purchase of services

- associates	178	171	417	332	776	516
- related companies to the controlling entities	1 260	1265	2 520	2 495	5 040	4 955
- controlling entities	683	526	1 362	1 200	2 919	2 221

Other income

- controlling entities	-	2	-	5	2	26
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Financial costs

- controlling entities	(550)	35	-141	(1 681)	(4 015)	(2 700)
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17 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	30.06.2018	31.12.2017	30.06.2017
Cash in bank	98 570	98 414	39 250
Cash in bank restricted in use	2 215	2 964	1 622
Cash in hand	324	244	287
Short-term bank deposit	97	-	-
Other	237	424	11
Cash and cash equivalents	101 443	102 046	41 170
Bank overdrafts	(2 048)	(24 607)	(26 112)
Cash and cash equivalents in the statement of cash flows	99 395	77 439	15 058

18 Financial instruments

Financial instruments measured at fair values

As at 30 June 2018, 31 December 2017 and 30 June 2017 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 (which are not measured at fair value), 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 30 June 2018 amounted to PLN 371 173 thousand (31 December 2017: PLN 335 823 thousand) - which was calculated on the basis of the value at which the bonds will be redeemed i.e. nominal value plus accrued interests as at 30 June 2018.

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.

19 Seasonability

Trading activity on the steel product market is characterized by seasonability of revenue from sales, resulting from the variability of weather conditions in the annual weather cycle. Seasonability is reflected by lower demand for steel products in the winter as a result of restrictions on investment and infrastructure construction during this period.

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

The Group is party to a range of court proceedings, the majority of which it participates in as the plaintiff. Group has not been charged in any singular or group proceedings which together could significantly affect their financial results or level of obligations.

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

The company Złomrex Metal Sp. z o.o. (currently branch of Cognor S.A.) filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015 - on November 17, 2017 a hearing was held, ending with a valid judgement for setting aside the judgment under appeal: annulment of the decision of the Director of Tax Chamber in Katowice of September 19, 2014 and reconsideration of the case. As a result, on April 19, 2018, the Director of the Tax Chamber in Katowice quashed the decision of the first instance and remitted the case for reconsideration by this institution. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The dispute concerns the assessment of whether Złomrex Metal Sp. z o.o. exercised due diligence in verifying the legality of the activities of his suppliers. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by Złomrex Metal Sp. z o.o. in 2014.

21 Information on the Parent Company or its subsidiary guarantees for credit or loans or warranties

Shares in consolidated companies are treated as a security for liabilities for the issue of Senior Secured Notes listed on the Stock Exchange in Luxembourg (Euro MTF) issued by the Cognor International Finance plc. For details, see note 14.

22 Subsequent events

On July 12, 2018 the facility agreement has been signed between subsidiary Cognor S.A. and consortium of four banks (mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego and European Bank for Reconstruction and Development) under which banks committed to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The loan term facility is intended for the repayment of Senior Secured Notes, which outstanding nominal value at June 30, 2018 is EUR 80,9 million. The companies from the capital group i.e.: Cognor Holding S.A., Cognor International Finance plc, Odlewnia Metali Szopienice Sp. z o.o., Cognor Blachy Dachowe S.A., Business Support Services Sp. z o.o., Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A. joined the facility agreement as guarantors.

On 6 August 2018, the Group redeemed 20 887 290 EUR of the nominal value of the Senior Secured Notes on its own funds. As of the date of publication of these financial statements, the total outstanding nominal value of SSN is EUR 60,000,000.

Poraj, 14 August 2018

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board