

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the nine months ended
30 September 2018**

Condensed consolidated statement of financial position

<i>in PLN thousand</i>	<i>Note</i>	30.09.2018	30.06.2018	31.12.2017	30.09.2017 <i>*restated</i>
Assets					
Property, plant and equipment	8	280 631	280 947	285 862	288 196
Intangible assets		21 283	19 670	13 005	12 467
Investment property		124	124	125	-
Investment in associates		3 263	3 223	3 251	3 250
Other investments		55	55	55	55
Other receivables	9	297	272	223	194
Prepaid perpetual usufruct of land		23 117	23 218	25 771	25 926
Deferred tax assets		56 550	65 344	70 178	78 987
Total non-current assets		385 320	392 853	398 470	409 075
Inventories	10	275 898	334 527	277 494	229 903
Other investments		12	12	12	85
Current income tax receivables		737	748	778	737
Trade and other receivables	9	212 019	185 714	171 889	183 633
Cash and cash equivalents	17	40 659	101 443	102 046	86 726
Total current assets		529 325	622 444	552 219	501 084
Total assets		914 645	1 015 297	950 689	910 159

* 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

		30.09.2018	30.06.2018	31.12.2017	30.09.2017 *restated
Equity					
Issued share capital	12	178 066	177 923	177 923	152 175
Reserves		90 337	90 005	221 018	182 974
Foreign currency translation reserves		30	72	8	49
Retained earnings		14 496	(14 807)	(173 600)	(166 804)
Total equity attributable to owners of the Parent Company		282 929	253 193	225 349	168 394
Non-controlling interests		20 120	17 751	16 485	16 044
Total equity		303 049	270 944	241 834	184 438
Liabilities					
Interest-bearing loans and borrowings	14	275 431	375 286	358 003	369 819
Employee benefits obligation		11 206	11 273	11 282	9 196
Other payables	11	14 669	16 846	19 515	19 364
Deferred tax liabilities		1 194	1 212	-	1 282
Total non-current liabilities		302 500	404 617	388 800	399 661
Bank overdraft	14	-	2 048	24 607	26 386
Interest-bearing loans and borrowings	14	56 049	61 282	44 523	63 462
Employee benefits obligation		3 110	2 594	5 122	2 875
Current income tax payables		36	117	-	25
Provisions for payables		3 681	4 397	3 362	4 104
Trade and other payables	11	246 103	269 181	242 324	229 091
Government grants and other deferred income		117	117	117	117
Total current liabilities		309 096	339 736	320 055	326 060
Total liabilities		611 596	744 353	708 855	725 721
Total equity and liabilities		914 645	1 015 297	950 689	910 159

* see note no. 4

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Condensed consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017 <i>*restated</i>	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017 <i>*restated</i>
Revenue	550 666	495 137	1 610 599	1 345 078
Cost of sales	(474 323)	(448 452)	#####	#####
Gross profit	76 343	46 685	232 249	154 144
Other income	2 429	1 680	6 625	4 353
Distribution expenses	(21 646)	(18 580)	(55 860)	(50 127)
Administrative expenses	(9 336)	(11 284)	(33 438)	(31 636)
Other (losses)/gains - net	(986)	981	1 237	164
Other expenses	(1 495)	(2 532)	(7 641)	(4 726)
Operating profit before financing costs	45 309	16 950	143 172	72 172
Financial income	4 460	1	4 460	9 667
Financial expenses	(6 477)	(20 765)	(54 516)	(38 620)
Net financing costs	(2 017)	(20 764)	(50 056)	(28 953)
Share of profit of associates	40	47	12	25
Profit before tax	43 332	(3 767)	93 128	43 244
Income tax expense	(8 989)	(1 178)	(15 418)	(10 332)
Profit for the period	34 343	(4 945)	77 710	32 912
Profit for the period attributable to:				
Owners of the Parent Company	32 271	(4 934)	73 497	30 643
Non-controlling interests	2 072	(11)	4 213	2 269
Profit for the period	34 343	(4 945)	77 710	32 912
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences	(42)	40	22	6
Total comprehensive income for the period	34 301	(4 905)	77 732	32 918
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	32 229	(4 894)	73 519	30 649
Non-controlling interests	2 072	(11)	4 213	2 269
Total comprehensive income for the period	34 301	(4 905)	77 732	32 918
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,27	(0,06)	0,62	0,41
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,21	(0,05)	0,48	0,30

* 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

	01.10.2017 - 30.09.2018	01.10.2016 - 30.09.2017 <i>*restated</i>
Revenue	2 054 801	1 668 273
Cost of sales	(1 760 460)	(1 475 553)
Gross profit	294 341	192 720
Other income	12 398	5 735
Distribution expenses	(71 525)	(62 605)
Administrative expenses	(52 330)	(44 686)
Other (losses)/gains - net	(1 571)	2 124
Other expenses	(11 103)	(8 415)
Operating profit before financing costs	170 210	84 873
Financial income	16 924	12 718
Financial expenses	(69 235)	(61 283)
Net financing costs	(52 311)	(48 565)
Share of profit of associates	38	(6)
Gain on bargain purchase	-	-
Profit before tax	117 937	36 302
Income tax expense	(23 234)	(7 168)
Profit for the period	94 703	29 134
Profit for the period attributable to:		
Owners of the Parent Company	90 458	27 564
Non-controlling interests	4 245	1 570
Profit for the period	94 703	29 134

* 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

	01.10.2017 - 30.09.2018	01.10.2016 - 30.09.2017 <i>*restated</i>
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	(19)	22
Total comprehensive income for the period	94 684	29 156
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	90 439	27 586
Non-controlling interests	4 245	1 570
Total comprehensive income for the period	94 684	29 156
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,81	0,37
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,63	0,26

* 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

	01.07.2018 - 30.09.2018	01.07.2017 - 30.09.2017 <i>*restated</i>	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017 <i>*restated</i>
Profit/(loss) before tax from continuing operations	43 332	(3 767)	93 128	43 244
Adjustments				
Depreciation	10 674	10 718	32 306	30 619
Amortization	173	44	550	131
Impairment losses and valuation allowances	-	-	-	-
Foreign exchange (gains)/losses	(17 147)	7 394	(471)	(9 956)
Net (gains)/losses on disposal of property, plant and equipment	(196)	148	(369)	78
Interest, transaction costs (related to loans and borrowings) and dividends, net	8 345	10 263	38 817	36 154
Change in receivables	(18 220)	(22 958)	(32 428)	(46 311)
Change in inventories	60 575	90 772	818	74 035
Change in trade and other payables	(31 101)	(12 481)	(7 120)	16 396
Change in provisions	(717)	(1 229)	318	685
Change in employee benefits obligation	449	340	(2 088)	(2 070)
Share of profit of associates	(40)	(47)	(12)	(25)
Other adjustments - grants	(459)	-	(459)	-
Other adjustments	(3 556)	-	(7 778)	-
Cash generated/(outflows) from operating activities	52 112	79 197	115 212	142 980
Income tax (paid)/returned, incl.	(282)	(459)	(518)	919
Net cash from operating activities	51 830	78 738	114 694	143 899
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	822	379	2 387	1 125
Proceeds from sale of intangibles	4	264	36	275
Proceeds from sale of perpetual usufruct	(392)	-	2 373	-
Acquisition of shares in consolidated companies (net of cash acquired)	(91)	-	(168)	-
Interest received	71	48	164	80
Dividends received	25	25	25	25
Repayment of loans granted	-	-	-	55
Acquisition of property, plant and equipment	(5 865)	(4 834)	(13 694)	(12 990)
Acquisition of intangible assets	(176)	(455)	(272)	(1 108)
Advances paid for acquisition of property, plant and equipment	(8 115)	-	(8 115)	-
Net cash from investing activities	(13 717)	(4 573)	(17 264)	(12 538)
Cash flows from financing activities				
Proceeds from interest-bearing loans and borrowings	298 225	454	313 394	3 495
Proceeds from factoring	(558)	2 044	185	575
Repayment of interest-bearing loans and borrowings	(363 055)	(3 197)	(364 648)	(5 210)
Payment of finance lease liabilities	(3 178)	(3 226)	(9 069)	(10 706)
Dividends and interests on exchangeable notes paid	(2 240)	(2 099)	(16 142)	(4 280)
Interest and transaction costs (related to loans and borrowings) paid	(28 629)	(22 859)	(60 516)	(45 363)
Other transactions with the Owner	-	-	-	(9 312)
Grants received for investing activities	2 127	-	2 127	-
Other grants received	459	-	459	-
Net cash from financing activities	(96 849)	(28 883)	(134 210)	(70 801)
Net increase / (decrease) in cash and cash equivalents	(58 736)	45 282	(36 780)	60 560
Cash and cash equivalents net of bank overdraft, at 1 January/1 July	99 395	15 058	77 439	(220)
- effect of exchange rate fluctuations on cash held	-	-	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	40 659	60 340	40 659	60 340
- including cash restricted for use	1 184	1 247	1 184	1 247

* 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

	01.10.2017 - 30.09.2018	01.10.2016 - 30.09.2017 <i>*restated</i>
(Loss)/profit before tax	117 937	36 302
Adjustments		
Depreciation	42 604	41 128
Amortization	830	258
Impairment losses and valuation allowances	(3 605)	-
Foreign exchange (gains)/losses	(12 867)	2 390
Net (gains)/losses on investment activities	-	(4 055)
Net (gains)/losses on disposal of property, plant and equipment	325	120
Interest, transaction costs (related to loans and borrowings) and dividends, net	49 750	43 901
Change in receivables	(32 051)	(28 500)
Change in inventories	(46 773)	15 516
Change in trade and other payables	6 760	58 245
Change in provisions	(140)	(1 085)
Change in employee benefits obligation	2 245	18
Share of profit of associates	(38)	6
Other adjustments - grants	(459)	-
Other adjustments	(7 778)	-
Cash generated/(outflows) from operating activities	116 740	164 244
Cash generated from operating activities	116 740	164 244
Income tax (paid)/returned, incl.	(505)	(152)
Net cash from operating activities	116 235	164 092

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

<i>in PLN thousand</i>	01.10.2017 - 30.09.2018	01.10.2016 - 30.09.2017 <i>*restated</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2 624	1 431
Proceeds from sale of intangibles	49	277
Proceeds from sale of perpetual usufruct	2 373	-
Interest received	378	27
Dividends received	50	27
Repayment of loans granted	71	55
Other inflows/(outflows) from investing activities	-	1 014
Acquisition of property, plant and equipment	(16 175)	(26 744)
Acquisition of intangible assets	(1 089)	(1 647)
Acquisition of investment properties	(125)	-
Prepaid perpetual usufruct of land	(1)	-
Advances paid for acquisition of property, plant and equipment	(8 115)	-
Acquisition of shares in consolidated companies	(168)	(297)
Net cash from investing activities	(20 128)	(25 857)
Cash flows from financing activities		
Net cash receipts from share issue	39 792	-
Proceeds from interest-bearing loans and borrowings	311 337	5 874
Proceeds from factoring	(893)	10 447
Repayment of interest-bearing loans and borrowings	(378 289)	(15 459)
Payment of finance lease liabilities	(12 124)	(14 603)
Dividends and interests on exchangeable notes paid	(16 007)	(4 186)
Interest and transaction costs (related to loans and borrowings) paid	(62 190)	(46 373)
Other transactions with the Owner	-	(14 371)
Grants received for investing activities	2 127	-
Other grants received	459	-
Net cash from financing activities	(115 788)	(78 671)
Net increase / (decrease) in cash and cash equivalents	(19 681)	59 564
Cash and cash equivalents net of bank overdraft, at 1 October	60 340	776
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	40 659	60 340
- including cash restricted for use	1 231	1 247

* 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
<i>in PLN thousand</i>							
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
<i>Total comprehensive income</i>	-	-	6	30 643	30 649	2 269	32 918
- (loss)/profit	-	-	-	30 643	30 643	2 269	32 912
- foreign currency translation differences relating to foreign operations	-	-	6	-	6	-	6
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	1 643	(1 643)	-	(8 780)	(8 780)	-	(8 780)
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	-	-	-	(4 500)	(4 500)	-	(4 500)
Equity as at 30 September 2017	152 175	182 974	49	(166 804)	168 394	16 044	184 438
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				Total	Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings			
<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	-	-	22	73 497	73 519	4 213	77 732
- profit	-	-	-	73 497	73 497	4 213	77 710
- foreign currency translation differences relating to foreign operations	-	-	22	-	22	-	22
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	143	(143)	-	(16 007)	(16 007)	-	(16 007)
Dividends	-	-	-	(11 862)	(11 862)	-	(11 862)
Conversion of exchangeable notes	143	(143)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(4 145)	(4 145)	-	(4 145)
Change in ownership interests	-	-	-	410	410	(578)	(168)
Changes in minority after acquisition	-	-	-	410	410	(578)	(168)
Creation of other reserves from profit	-	34 734	-	(34 734)	-	-	-
Cover of losses from previous periods from other reserves	-	(165 272)	-	165 272	-	-	-
Equity as at 30 September 2018	178 066	90 337	30	14 496	282 929	20 120	303 049
Equity as at 1 July 2018	177 923	90 005	72	(14 807)	253 193	17 751	270 944
Total comprehensive income	-	-	(42)	32 271	32 229	2 072	34 301
- profit	-	-	-	32 271	32 271	2 072	34 343
- foreign currency translation differences relating to foreign operations	-	-	(42)	-	(42)	-	(42)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	143	(143)	-	(2 105)	(2 105)	-	(2 105)
Conversion of exchangeable notes	143	(143)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 105)	(2 105)	-	(2 105)
Change in ownership interests	-	-	-	(388)	(388)	297	(91)
Changes in minority after acquisition	-	-	-	(388)	(388)	297	(91)
Creation of other reserves from profit	-	475	-	(475)	-	-	-
Equity as at 30 September 2018	178 066	90 337	30	14 496	282 929	20 120	303 049

* 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 nine months ended 30 September 2018 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 September 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	94.38%	2014-04-11
ODLEWNIA METALI SZOPIENICE Sp. z o.o.	Poland	94.38%	2017-11-22
4 GROUPS Sp. z o.o.	Poland	30.0% (associate)	2013-01-21
MADROHUT Sp. z o.o.	Poland	23.6% (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 nine 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 nine months of 2018, Cognor S.A. acquired Przedsiębiorstwo Transportu Samochodowego S.A. shares worth 162 thousand PLN and become an owner of 100% shares in PTS S.A. . This transaction has changed the participation of Cognor Group from 93.52% to 94.38%.

Acquisitions in 2018

On September 25, 2018, Cognor Holding S.A. sold 100% of shares in Odlewnia Metali Szopienice Sp. z o.o. to Cognor S.A. thus, the share of GK Cognor in Odlewnia Metali Szopienice Sp. z o.o. dropped from 100% to 94.38%. The purpose of this sale is merger of Cognor S.A. with Odlewnia Metali Szopienice Sp. z o.o.

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 31 October 2018.

b) Ongoing basis

The condensed consolidated financial statements as of and for the period ended 30 September 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").

At the beginning 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.

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 September 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 September 2017. Any notes as at 30 September 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 September 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 September 30, 2017 and for the last twelve months ended September 30, 2017.

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

in PLN thousand

	Published data	OMS acquisition adjustments	Restated data
Assets			
Property, plant and equipment	281 147	7 049	288 196
Intangible assets	12 467	-	12 467
Investment in associates	3 250	-	3 250
Other investments	55	-	55
Other receivables	194	-	194
Prepaid perpetual usufruct of land	25 655	271	25 926
Deferred tax assets	79 722	(735)	78 987
Total non-current assets	402 490	6 585	409 075
Inventories	226 300	3 603	229 903
Other investments	1 196	(1 111)	85
Current income tax receivables	737	-	737
Trade and other receivables	181 489	2 144	183 633
Cash and cash equivalents	86 233	493	86 726
Non-current assets classified as held for sale	-	-	-
Total current assets	495 955	5 129	501 084
Total assets	898 445	11 714	910 159
Equity			
Issued share capital	152 175	-	152 175
Reserves	182 974	-	182 974
Foreign currency translation reserves	49	-	49
Accumulated losses from previous years and net result of the current year	(171 951)	5 147	(166 804)
Total equity attributable to owners of the Parent Company	163 247	5 147	168 394
Non-controlling interests	16 044	-	16 044
Total equity	179 291	5 147	184 438

Liabilities

Interest-bearing loans and borrowings	368 165	1 654	369 819
Employee benefits obligation	9 052	144	9 196
Other liabilities	19 364	-	19 364
Deferred tax liabilities	3 021	(1 739)	1 282
Total non-current liabilities	399 602	59	399 661
Bank overdraft	24 064	2 322	26 386
Interest-bearing loans and borrowings	61 538	1 924	63 462
Employee benefits obligation	2 850	25	2 875
Current income tax liabilities	25	-	25
Provisions for liabilities	4 104	-	4 104
Trade and other liabilities	226 854	2 237	229 091
Government grants and other deferred income	117	-	117
Total current liabilities	319 552	6 508	326 060
Total liabilities	719 154	6 567	725 721
Total equity and liabilities	898 445	11 714	910 159

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

in PLN thousand

	01.01.2017 - 30.09.2017			01.10.2016 - 30.09.2017		
	Published data	OMS acquisition adjustments	Restated data	Published data	OMS acquisition adjustments	Restated data
Continuing operations						
Sales revenue	1 323 885	21 193	1 345 078	1 641 354	26 919	1 668 273
Costs of products, goods and materials sold	(1 173 311)	(17 623)	#####	(1 453 653)	(21 900)	(1 475 553)
Gross profit	150 574	3 570	154 144	187 701	5 019	192 720
Other income	4 018	335	4 353	5 453	282	5 735
Distribution expenses	(48 925)	(1 202)	(50 127)	(61 060)	(1 545)	(62 605)
Administrative expenses	(30 425)	(1 211)	(31 636)	(43 066)	(1 620)	(44 686)
Other gains - net	230	(66)	164	2 151	(27)	2 124
Other expenses	(4 578)	(148)	(4 726)	(8 218)	(197)	(8 415)
Operating profit	70 894	1 278	72 172	82 961	1 912	84 873
Financial income	9 667	-	9 667	12 385	333	12 718
Financial expenses	(38 436)	(184)	(38 620)	(60 701)	(582)	(61 283)
Net financing costs	(28 769)	(184)	(28 953)	(48 316)	(249)	(48 565)
Share of (loss)/profit of associates	25	-	25	(6)	-	(6)
(Loss)/profit before tax	42 150	1 094	43 244	34 639	1 663	36 302
Income tax expense	(9 988)	(344)	(10 332)	(6 711)	(457)	(7 168)
(Loss)/profit for the period from continuing operations	32 162	750	32 912	27 928	1 206	29 134

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

in PLN thousand

	01.01.2017 - 30.09.2017			01.10.2016 - 30.09.2017		
	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	42 150	1 094	43 244	34 639	1 663	36 302
Adjustments						
Depreciation	29 972	647	30 619	40 313	815	41 128
Amortization	131	-	131	258	-	258
Foreign exchange (gains)/losses	(9 956)	-	(9 956)	2 390	-	2 390
Net gain on investment operations	-	-	-	(4 055)	-	(4 055)
Net (gains)/losses on disposal of property, plant and equipment, intangible assets	(110)	188	78	(69)	189	120
Interest, transaction costs (related to loans and borrowings) and dividends, net	36 103	51	36 154	43 834	67	43 901
Change in receivables and prepayments	(44 564)	(1 747)	(46 311)	(28 544)	44	(28 500)
Change in inventories	71 441	2 594	74 035	14 658	858	15 516
Change in trade and other payables	16 386	10	16 396	59 001	(756)	58 245
Change in provisions	690	(5)	685	(1 085)	-	(1 085)
Change in employee benefits obligation	(2 070)	-	(2 070)	(17)	35	18
Share of profit/ (loss) of associates	(25)	-	(25)	6	-	6
Other adjustments	-	-	-	-	-	-
Cash generated from continuing operations	140 148	2 832	142 980	161 329	2 915	164 244
Income tax (paid)/returned, incl.	949	(30)	919	(122)	122	-
Net cash from operating activities	141 097	2 802	143 899	161 207	3 037	164 244
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	1 125	-	1 125	1 758	(327)	1 431
Proceeds from sale of intangible assets	463	(188)	275	-	-	-
Proceeds from sale of prepaid perpetual usufruct of land	-	-	-	-	-	-
Acquisition of subsidiaries, net of cash	-	-	-	(297)	-	(297)
Interest received	129	(49)	80	351	(324)	27
Dividends received	25	-	25	27	-	27
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	(12 728)	(262)	(12 990)	(22 658)	(4 086)	(26 744)
Acquisition of intangible assets	(1 108)	-	(1 108)	(1 647)	-	(1 647)
Cash generated on investing activities from continuing operations	(10 565)	(1 973)	(12 538)	(18 423)	(7 711)	(26 134)

Cash flows from financing activities

Proceeds from interest-bearing loans and borrowings	1 611	1 884	3 495	3 990	1 884	5 874
Proceeds from factoring	851	(276)	575	8 966	1 481	10 447
Repayment of interest-bearing loans and borrowings	(2 997)	(2 213)	(5 210)	(12 562)	(2 897)	(15 459)
Payment of finance lease liabilities	(10 699)	(7)	(10 706)	(18 201)	3 598	(14 603)
Dividends paid and interests on exchangeable notes in the period	(4 280)	-	(4 280)	(4 186)	-	(4 186)
Interest and transaction costs (related to loans and borrowings) paid	(45 363)	-	(45 363)	(46 373)	-	(46 373)
Other transactions with the Owner	(9 312)	-	(9 312)	(14 371)	-	(14 371)
Cash outflows on financing activities from continuing operations	(70 189)	(612)	(70 801)	(82 737)	4 066	(78 671)
Net change in cash and cash equivalents	60 343	217	60 560	60 047	(608)	59 439
Cash and cash equivalents net of bank overdraft, at 1 January/1 October	1 826	(2 046)	(220)	2 122	(1 346)	776
- effect of exchange rate fluctuations on cash held	-	-	-	-	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	62 169	(1 829)	60 340	62 169	(1 954)	60 215
- including cash restricted for use	1 184	63	1 247	1 184	63	1 247

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 30.09.2018	IFRS 9 01.01.2018	IAS 39 31.12.2017
Financial assets measured at amortized cost				
-trade receivables	5b)	119 725	111 472	126 559
-loans granted	5c)	12	12	12
-cash and cash equivalents	5d)	40 659	102 046	102 046
Financial assets measured at fair value through profit or loss (FVPL)				
-factoring receivables	5a)	23 833	14 745	-
-shares in other companies	5e)	55	55	55
		184 284	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 30.09.2018	IAS 39 30.09.2017
Revenues from interests		
- revenues from interests on assets measured at amortised cost	1 973	986
- revenues from interests on assets measured at fair value thorough profit and loss	-	-
Impairment		
- (write-off)/ reversal of write-off relating to trade recevables	739	(434)
- write-off relating to instruments measured at amortized cost	-	-

Fair value of instruments measured earlier at amortized cost

	IFRS 9 30.09.2018	IFRS 9 01.01.2018
Hierarchy of fair value valuation	Level 2	Level 2
Factoring receivables	23 833	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 September 30, 2018 the Group discloses PLN 23 833 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 September 30, 2018 PLN 263 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 September 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 September 2018 amounted to PLN 55 thousand (31 December 2017: PLN 55 thousand).

f) interest-bearing loans and borrowings and lease liabilities

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 September)

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
30.09.2018											
Revenue from external customers	46 473	25 182	48 588	179 882	199 344	15 053	16 484	19 640	20		
Inter-segment revenue	41 203	7 335	-	-	11 397	6 114	1 863	9 463	1 929		
Total revenue	87 676	32 517	48 588	179 882	210 741	21 167	18 347	29 103	1 949	(79 304)	550 666
Cost of sales to external customers	(43 441)	(22 780)	(42 230)	(150 301)	(175 042)	(14 159)	(15 032)	(11 640)	(2)		
Inter-segment cost of sales	(39 408)	(6 553)	-	-	(10 443)	(5 798)	(1 775)	(9 313)	(400)		
Total cost of sales	(82 849)	(29 333)	(42 230)	(150 301)	(185 485)	(19 957)	(16 807)	(20 953)	(402)	73 994	(474 323)
Segment result	4 827	3 184	6 358	29 581	25 256	1 210	1 540	8 150	1 547	(5 310)	76 343
Other income	228	(52)	(648)	(138)	(2 037)	60	290	43	6	4 677	2 429
Distribution and administrative expenses	(3 961)	(2 130)	(604)	(8 947)	(7 658)	(969)	(1 243)	(2 998)	(4 545)	2 073	(30 982)
Other gain/(losses) net	156	(153)	(73)	(651)	(241)	34	(21)	(21)	(1 415)	1 399	(986)
Other expenses	(180)	(20)	(49)	(300)	(275)	(44)	(18)	(62)	(2)	(545)	(1 495)
Operating profit/(loss)	1 070	829	4 984	19 545	15 045	291	548	5 112	(4 409)	2 294	45 309
Net financing costs									(1 126)	(891)	(2 017)
Share of profit of associates, net of tax											40
Income tax expense											(8 989)
Profit for the period											34 343

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
30.09.2017											
Revenue from external customers	36 047	27 982	61 738	127 059	198 000	11 704	14 089	18 504	14		
Inter-segment revenue	50 101	8 383	-	5	7 185	6 118	575	1 218	2 564		
Total revenue	86 148	36 365	61 738	127 064	205 185	17 822	14 664	19 722	2 578	(76 149)	495 137
Cost of sales to external customers	(33 519)	(26 268)	(55 771)	(112 366)	(188 962)	(11 298)	(13 461)	(12 852)	-		
Inter-segment cost of sales	(46 912)	(7 352)	-	(4)	(7 060)	(5 785)	(557)	(933)	(15)		
Total cost of sales	(80 431)	(33 620)	(55 771)	(112 370)	(196 022)	(17 083)	(14 018)	(13 785)	(15)	74 663	(448 452)
Segment result	5 717	2 745	5 967	14 694	9 163	739	646	5 937	2 563	(1 486)	46 685
Other income	353	105	273	350	924	66	45	(170)	4	(270)	1 680
Distribution and administrative expenses	(4 284)	(2 108)	(1 274)	(6 111)	(8 385)	(906)	(959)	(2 524)	(5 902)	2 589	(29 864)
Other gain/(losses) net	(141)	40	253	128	684	(34)	39	95	3 006	(3 089)	981
Other expenses	(109)	(342)	(386)	(1 176)	(1 168)	(24)	(29)	19	(3)	686	(2 532)
Operating profit	1 536	440	4 833	7 885	1 218	(159)	(258)	3 357	(332)	(1 570)	16 950
Net financing costs									(23 297)	2 533	(20 764)
Share of profit of associates, net of tax											47
Income tax expense											(1 178)
Profit/(loss) for the period											(4 945)

Business segments (for the nine months ended 30 September)

in PLN thousand

	30.09.2018	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers		141 463	88 545	168 181	536 315	522 267	51 132	54 223	48 425		48	
Inter-segment revenue		144 723	25 441	-	-	43 958	21 159	9 464	14 969		6 538	
Total revenue		286 186	113 986	168 181	536 315	566 225	72 291	63 687	63 394	6 586	(266 252)	1 610 599
Cost of sales to external customers		(130 592)	(78 666)	(144 788)	(450 650)	(458 440)	(48 554)	(49 717)	(34 933)		(5)	
Inter-segment cost of sales		(138 609)	(22 268)	-	-	(39 468)	(20 219)	(9 022)	(13 299)		(1 147)	
Total cost of sales		(269 201)	(100 934)	(144 788)	(450 650)	(497 908)	(68 773)	(58 739)	(48 232)	(1 152)	262 027	(1 378 350)
Segment result		16 985	13 052	23 393	85 665	68 317	3 518	4 948	15 162	5 434	(4 225)	232 249
Other income		452	269	506	1 265	2 005	118	371	705	1 134	(200)	6 625
Distribution and administrative expenses		(11 947)	(6 264)	(2 246)	(23 145)	(21 092)	(3 034)	(3 604)	(6 730)	(16 070)	4 834	(89 298)
Other gain/(losses) net		1 028	66	32	308	126	259	193	114	(1 098)	209	1 237
Other expenses		(269)	(636)	(225)	(2 994)	(890)	(67)	(50)	(268)	(4)	(2 238)	(7 641)
Operating profit/(loss)		6 249	6 487	21 460	61 099	48 466	794	1 858	8 983	(10 604)	(1 620)	143 172
Net financing costs										(55 522)	5 466	(50 056)
Share of profit of associates, net of tax												12
Income tax expense												(15 418)
Profit for the period												77 710

Explanatory notes
to the consolidated financial statements
(in PLN thousand, unless stated otherwise)

Together reach more



<i>in PLN thousand</i>		Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
	30.09.2017											
Revenue from external customers		91 744	78 694	206 317	369 576	459 358	43 108	49 648	46 591	42		
Inter-segment revenue		154 854	31 878	-	8	11 998	18 234	3 022	3 407	7 976		
Total revenue		246 598	110 572	206 317	369 584	471 356	61 342	52 670	49 998	8 018	(231 377)	1 345 078
Cost of sales to external customers		(85 946)	(72 602)	(183 999)	(325 224)	(421 672)	(41 078)	(45 981)	(34 179)	(6)		
Inter-segment cost of sales		(144 132)	(28 582)	-	(7)	(11 454)	(17 431)	(2 824)	(2 463)	(287)		
Total cost of sales		(230 078)	(101 184)	(183 999)	(325 231)	(433 126)	(58 509)	(48 805)	(36 642)	(293)	226 933	(1 190 934)
Segment result		16 520	9 388	22 318	44 353	38 230	2 833	3 865	13 356	7 725	(4 444)	154 144
Other income		1 389	133	640	443	1 731	352	457	546	615	(1 953)	4 353
Distribution and administrative expenses		(11 833)	(6 144)	(3 871)	(19 334)	(19 271)	(2 963)	(3 091)	(5 533)	(17 286)	7 563	(81 763)
Other gain/(losses) net		(118)	(25)	248	(85)	671	(31)	(71)	145	2 935	(3 505)	164
Other expenses		(209)	(770)	(629)	(2 575)	(1 702)	(52)	(59)	(411)	(389)	2 070	(4 726)
Operating profit		5 749	2 582	18 706	22 802	19 659	139	1 101	8 103	(6 400)	(269)	72 172
Net financing costs										(30 007)	1 054	(28 953)
Share of profit of associates, net of tax												25
Income tax expense												(10 332)
Profit for the period												32 912

Business segments (for the twelve months ended 30 September)

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
30.09.2018											
Revenue from external customers	186 621	109 155	229 189	658 683	673 428	69 323	71 732	56 625	45		
Inter-segment revenue	191 533	42 107	-	-	52 055	31 310	11 532	15 959	36 514		
Total revenue	378 154	151 262	229 189	658 683	725 483	100 633	83 264	72 584	36 559	(381 010)	2 054 801
Cost of sales to external customers	(174 959)	(96 952)	(196 716)	(561 502)	(586 539)	(64 942)	(65 918)	(38 756)	(5)		
Inter-segment cost of sales	(182 854)	(36 576)	-	-	(46 401)	(28 512)	(12 024)	(13 983)	(1 194)		
Total cost of sales	(357 813)	(133 528)	(196 716)	(561 502)	(632 940)	(93 454)	(77 942)	(52 739)	(1 199)	347 373	(1 760 460)
Segment result	20 341	17 734	32 473	97 181	92 543	7 179	5 322	19 845	35 360	(33 637)	294 341
Other income	855	357	879	1 556	3 144	257	425	1 268	1 125	2 532	12 398
Distribution and administrative expenses	(16 738)	(8 723)	(3 023)	(31 584)	(27 467)	(3 909)	(4 440)	(9 089)	(53 738)	34 856	(123 855)
Other gain/(losses) net	982	(62)	(240)	(117)	(614)	241	113	35	(1 342)	(567)	(1 571)
Other expenses	(304)	(861)	(880)	(3 730)	(2 827)	(83)	(67)	(929)	(15)	(1 407)	(11 103)
Operating profit/(loss)	5 136	8 445	29 209	63 306	64 779	3 685	1 353	11 130	(18 610)	1 777	170 210
Net financing costs									(56 162)	3 851	(52 311)
Share of profit of associates, net of tax											38
Income tax expense											(23 234)
Profit for the period											94 703

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
30.09.2017											
Revenue from external customers	112 049	95 452	227 232	452 651	594 498	59 058	67 315	59 777	241		
Inter-segment revenue	205 582	38 502	-	8	13 473	26 015	4 834	6 423	17 470		
Total revenue	317 631	133 954	227 232	452 659	607 971	85 073	72 149	66 200	17 711	(312 307)	1 668 273
Cost of sales to external customers	(97 649)	(88 210)	(202 885)	(400 065)	(542 526)	(54 248)	(62 267)	(52 270)	(188)		
Inter-segment cost of sales	(190 023)	(35 040)	-	(7)	(12 954)	(24 911)	(4 441)	(2 786)	(1 004)		
Total cost of sales	(287 672)	(123 250)	(202 885)	(400 072)	(555 480)	(79 159)	(66 708)	(55 056)	(1 192)	295 921	(1 475 553)
Segment result	29 959	10 704	24 347	52 587	52 491	5 914	5 441	11 144	16 519	(16 386)	192 720
Other income	1 899	131	843	214	2 920	522	526	827	700	(2 847)	5 735
Distribution and administrative expenses	(18 491)	(8 197)	(5 532)	(26 445)	(24 595)	(3 831)	(3 763)	(13 270)	(20 491)	17 324	(107 291)
Other gain/(losses) net	15	211	308	1 142	935	13	(24)	249	14 916	(15 641)	2 124
Other expenses	(322)	(1 114)	(889)	(4 206)	(3 307)	(91)	(130)	(1 061)	(406)	3 111	(8 415)
Operating profit	13 060	1 735	19 077	23 292	28 444	2 527	2 050	(2 111)	11 238	(14 439)	84 873
Net financing costs									(51 596)	3 031	(48 565)
Share of profit of associates, net of tax											(6)
Income tax expense											(7 168)
Profit for the period											29 134

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
30.09.2018											
Segment assets	53 554	54 678	71 536	257 267	240 884	13 746	24 890	53 829	154 755	(10 494)	914 645
Segment liabilities	21 847	16 685	23 186	78 507	78 060	5 521	5 021	9 425	372 977	367	611 596

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
30.09.2017											
Segment assets	73 664	65 493	87 145	218 908	199 093	18 584	23 328	48 743	206 232	(31 031)	910 159
Segment liabilities	28 087	19 188	25 009	64 136	57 136	6 904	3 570	11 719	511 022	(1 050)	725 721

Unallocated assets

in PLN thousand

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

30.09.2018	31.12.2017	30.09.2017
3 330	3 318	3 390
56 550	70 178	78 987
124	125	-
737	778	737
40 659	102 046	86 726
45 401	45 822	24 583
7 954	13 793	11 809
154 755	236 060	206 232

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	

30.09.2018	31.12.2017	30.09.2017
331 480	402 526	433 281
-	24 607	26 386
1 194	-	1 282
117	117	117
36	-	25
38 860	55 547	49 499
1 290	1 252	432
372 977	484 049	511 022

8 Property, plant and equipment

During the three months ended 30 September 2018, the Group acquired property, plant and equipment at a cost of PLN 10 495 thousand (three months ended 30 September 2017: PLN 4 382 thousand). Assets with a net book value of PLN 240 thousand were disposed during the three months of 2018 (three months ended 30 September 2017: PLN 343 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 583 thousand (three months ended 30 September 2017: a net gain on disposal of PLN 36 thousand).

During the nine months ended 30 September 2018, the Group acquired property, plant and equipment at a cost of PLN 28 847 thousand (nine months ended 30 September 2017: PLN 19 289 thousand). Assets with a net book value of PLN 2 089 thousand were disposed during the nine months of 2018 (nine months ended 30 September 2017: PLN 1 354 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 299 thousand (nine months ended 30 September 2017: a net gain on disposal of PLN 95 thousand).

During the twelve months ended 30 September 2018, the Group acquired property, plant and equipment at a cost of PLN 33 995 thousand (twelve months ended 30 September 2017: PLN 38 469 thousand). Assets with a net book value of PLN 2 367 thousand were disposed of during the twelve months ended 30 September 2018 (twelve months ended 30 September 2017: PLN 2 035 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 409 thousand (twelve months ended 30 September 2017: a net gain on disposal of PLN 60 thousand).

Capital commitments

As at 30 September 2018 the Group had capital commitments in the amount of PLN 5 971 thousand (30 June 2018: PLN 2 249 thousand, 31 December 2017: PLN 2 049 thousand, 30 September 2017: PLN 1 717 thousand).

9 Trade and other receivables

Short-term receivables

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade receivables	119 725	106 454	111 814	129 112
Statutory receivables excluding income tax	19 698	17 220	28 313	14 817
Prepayments for services and inventories	41 301	27 235	2 191	4 497
Factoring receivables	23 833	24 509	14 745	23 124
Other receivables	7 462	10 296	14 826	12 083
	212 019	185 714	171 889	183 633

Long-term receivables

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Other receivables	297	272	223	194
	297	272	223	194

10 Inventories

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Raw materials	81 456	89 462	70 088	74 465
Semi-finished goods and work in progress	83 226	62 696	65 434	72 168
Finished products	89 651	158 912	119 504	62 238
Goods for resale	21 565	23 457	22 468	21 032
	275 898	334 527	277 494	229 903

11 Trade and other payables

Short term

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade payables	210 174	234 045	200 141	191 112
Statutory payables	11 823	12 969	25 293	11 928
Investment payables	5 971	2 249	2 049	1 717
Prepayments for services and deliveries of goods	1 673	1 549	1 908	4 862
Liabilities due to Shareholder	2 120	3 707	-	6 651
Payroll liabilities	8 105	7 808	9 533	6 831
Accrued expenses	4 094	3 740	2 194	1 265
Other payables	2 143	3 114	1 206	4 725
	246 103	269 181	242 324	229 091

Long term

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Liabilities due to Shareholder	14 669	16 846	19 515	19 364
	14 669	16 846	19 515	19 364

12 Equity

Issued share capital

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Registered shares number at reporting date	118 710 931	118 615 660	118 615 660	76 087 245
Number of issued warrants	56 259 732	56 355 003	56 355 003	56 355 003
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN	2 PLN

At 30 September 2018, the parent Company's share capital comprised 118 710 931 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 September 2017: 76 087 245 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,
- 95 271 shares were admitted to trading on 31 August 2018.

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.

Altogether 95 271 shares of Cognor Holding S.A. were admitted to trading in 2018 as a result of conversions of 42 540 EUR of Exchangeable Notes. The abovementioned Notes were converted at the rate of 1.92 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 September 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	77,64%	92 162 739	77,64%
Other shareholders	26 548 192	22,36%	26 548 192	22,36%
Total	118 710 931	100,00%	118 710 931	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 (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.

The ownership structure as at the date of current report's publication (October 31, 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	77,64%	92 162 739	77,64%
Other shareholders	26 548 192	22,36%	26 548 192	22,36%
Total	118 710 931	100,00%	118 710 931	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:

Due to conversion of Exchangeable Notes into Cognor Holding S.A. shares, shares in equity of PS HoldCo Sp. z o.o. has decreased from 77.70% to 77.64%.

PS HoldCo Sp. z o.o. as at September 30, 2018 is the owner of Exchangeable Notes with a nominal value of EUR 5 438 906, which in the future as a result of conversion will allow for the acquisition of 12 180 882 shares of Cognor Holding S.A.

13 Earnings per share

The calculation of basic earnings per share for the three-month period ended 30 September 2018 was based on the profit attributable to ordinary shareholders of PLN 32 271 thousand (the three-month period ended 30 September 2017: loss PLN 4 934 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 September 2018 of 118 679 thousand (the three-month period ended 30 September 2017: 76 087 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 3 months period ended September 30, 2018 was 153 899 thousand (30 September 2017: 76 087 thousand).

The calculation of basic earnings per share for the nine-month period ended 30 September 2018 was based on the profit attributable to ordinary shareholders of PLN 73 497 thousand (the nine-month period ended 30 September 2017: profit PLN 30 643 thousand) and a weighted average number of ordinary shares outstanding during the nine-month period ended 30 September 2018 of 118 637 thousand (the nine-month period ended 30 September 2017: 75 616 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 9 months period ended September 30, 2018 was 152 145 thousand (30 September 2017: 103 746 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 September 2018 was based on the profit attributable to ordinary shareholders of PLN 90 458 thousand (the twelve-month period ended 30 September 2017: profit PLN 27 586 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 September 2018 of 111 543 thousand (the twelve-month period ended 30 September 2017: 75 149 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 September 2018 was 143 518 thousand (30 September 2017: 104 276 thousand).

As at 30 September 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 September 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 September 2018 excluding interest paid in this period.

14 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Bank overdraft	-	2 048	24 607	26 386
Non-current liabilities				
Secured bank loans	253 017	-	-	-
Secured fixed interest rate debt	-	350 622	333 590	343 789
Finance lease liabilities	19 691	21 341	19 918	20 934
Other borrowings	2 723	3 323	4 495	5 096
	275 431	375 286	358 003	369 819
Current liabilities				
Current portion of secured bank loans	38 959	-	238	416
Current portion of secured fixed interest rate debt	-	27 177	29 495	21 281
Current portion of finance lease liabilities	13 246	14 110	10 548	10 700
Factoring liabilities	1 439	1 997	1 254	12 841
Scrap pre-financing	-	14 999	-	13 099
Other borrowings	2 405	2 999	2 988	5 125
	56 049	61 282	44 523	63 462

As at 30 September 2018, Group has no liability from bank overdrafts.

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.

The long-term facility was disbursed in 2 currencies: EUR 30 million, PLN 129,1 million. Part of the loan will be repaid on the loan maturity date as a balloon installment (EUR 10 million, PLN 43 million), the remaining part will be repaid in quarterly installments (EUR 20 million - quarterly installment EUR 1.1 million, PLN 86.1 million - quarterly installment PLN 4.8 million). The final repayment of the loan will take place on December 31, 2022. The above loan was granted on a variable rate (margin + EURIBOR3M, WIBOR3M), however the Group concluded an IRS agreement, which allowed to guarantee a fixed interest rate of the above-mentioned rate loan.

The revolving facility in the amount of PLN 40 million is due on June 30, 2020. The interest rate for this loan is variable and amounted to margin + WIBOR1M.

Secured fixed interest debt

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.

On August 23, 2018, the Group launched a loan, and the funds obtained from the loan redeem 60,000,000 EUR of the nominal amount of the Secured Senior Notes.

As at September 30, 2018, the Group did not have any liabilities in respect of Senior Secured Notes.

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. In 2018 bondholders of Exchangeable Notes converted 42 540 EUR nominal value of notes into 95 271 shares of Cognor Holding S.A. worth PLN 143 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 September 2018 was 19 653 123 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 Sztuczkowski (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.)
- czystyefekt.pl Sp. z o.o.

in PLN thousand

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
<i>Short-term receivables:</i>				
- associates	27	18	-	6
- controlling entities	6	13	-	289
- related companies to the controlling entities	1	1	18	1
<i>Liabilities</i>				
- controlling entities	16 299	20 064	19 972	26 388
- associates	97	96	-	69
- related companies to the controlling entities	517	-	-	-
<i>Loans granted</i>				
- controlling entities	-	-	-	73
<i>Loans received</i>				
- controlling entities	-	589	539	2 670

<i>in PLN thousand</i>	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017	01.10.2017- 30.09.2018	01.10.2016- 30.09.2017
<i>Revenues from sale of services</i>						
- associates	8	8	22	22	29	29
- controlling entities	8	5	28	15	54	472
- related companies to the controlling entities	1	-	2	-	2	-
<i>Revenues from sale of raw materials and commodities</i>						
- related companies to the controlling entities	-	-	-	-	1	1
<i>Purchase of commodities and raw materials</i>						
- controlling entities	375	85	1 113	807	1 464	969
<i>Purchase of services</i>						
- associates	186	161	603	493	801	658
- related companies to the controlling entities	3 910	1 260	6 430	3 755	7 690	4 985
- controlling entities	699	866	2 061	2 066	2 752	2 625
<i>Other income</i>						
- controlling entities	-	1	-	6	1	27
<i>Financial costs</i>						
- controlling entities	(578)	(659)	(1 647)	(2 340)	(3 934)	(2 876)

17 Cash and cash equivalents presented in cash flow statements

<i>in PLN thousand</i>	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Cash in bank	39 035	98 570	98 414	84 216
Cash in bank restricted in use	1 231	2 215	2 964	1 247
Cash in hand	281	324	244	700
Short-term bank deposit	-	97	-	-
Other	112	237	424	563
Cash and cash equivalents	40 659	101 443	102 046	86 726
Bank overdrafts	-	(2 048)	(24 607)	(26 386)
Cash and cash equivalents in the statement of cash flows	40 659	99 395	77 439	60 340

18 Financial instruments

Financial instruments measured at fair values

As at 30 September 2018, 30 June 2018, 31 December 2017 and 30 September 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 September 2018 amounted to PLN 0 thousand (30 June 2018: PLN 371 173 thousand, 31 December 2017: PLN 335 823 thousand).

The carrying amount of secured bank loans and 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 Management Board's position on the possibility of implementing previously published forecasts for the year, in light of the results presented in the quarterly report

Management Board didn't publish forecasts.

21 Ownership of the Parent Company shares or rights held by Management Board or by Supervisory Board at the date of this quarterly report, along with an indication of changes in ownership during the period from the previous report, separately for each person

	As at the date of the current report		As at the date of the previous report	
	quantity	% in share capital	quantity	% in share capital
Management Board				
- Przemysław Sztuczkowski *	-	-	-	-
- Przemysław Grzesiak	-	-	-	-
- Krzysztof Zoła	70 000	0,06%	-	-
- Dominik Barszcz	-	-	-	-
Supervisory Board				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew Łapiński	-	-	-	-

* Przemysław Sztuczkowski 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. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor Holding S.A. As at August 14, 2018 PS Holdco Sp. z o.o. was the owner of 77.70% shares of Cognor Holding S.A, and as at October 31, 2018 PS Holdco Sp. z o.o. was the owner of 77.64%. Detailed information in note 12.

22 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.

In connection with the failure to meet the statutory deadline for reconsideration of the case at first instance, on 25 July 2018 Cognor S.A. received a refund of the previously paid amount of PLN 2 478 thousand. However, the matter has not been substantively settled by the balance sheet date.

23 Information on the Parent Company or its subsidiary of one or more transactions with related parties if individually or in the aggregate are material and have been included under conditions other than market.

Not applicable.

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

Warranties and guarantees granted to subsidiaries by the Parent Company:

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	200	without deadline
Cognor S.A.	Trade liability	bill of exchange up to the amount of debt	without deadline
Cognor S.A.	Trade liability	1 709	without deadline
Cognor S.A.	Factoring	70 000	without deadline
Cognor S.A.	Loan	2 403	till 31.12.2019
Cognor S.A.	co-financing from the National Center for Research and Development	13 861	till 30.11.2020

Warranties and guarantees granted to the Parent Company by subsidiaries:

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Cognor S.A.	Lease liability	10	till 01.2019

Warranties and guarantees provided by Cognor S.A. (subsidiary) to the Group:

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Przedsiębiorstwo Transportu Samochodowego S.A.	Loan	407	till 11.2024
Cognor Blachy Dachowe S.A.	Trade liability	500	without deadline

Shares in consolidated companies and mortgages on Group properties are treated as a security for liabilities for the bank loan facilities. For details, see note 14.

25 Other information that the Parent Company is relevant to the assessment of its personnel, assets, financial position, financial

Lack of information requiring disclosure.

26 Factors which in the opinion of the Parent Company will have an impact on its financial performance for at least next quarter.

The consolidated financial results of the Cognor Capital Group in the the prespective of the fourth quarter of 2018 will depend mainly

- the formation of relation of product prices to material prices, including especially steel scrap,
- the formation of the relations of the PLN to EUR and USD.

27 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 31 October 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