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COGNOR

Cognor Holding S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2018

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2018	31.12.2017	31.12.2016
Assets				
Property, plant and equipment	*15*	284 617	285 862	300 250
Intangible assets	*16*	17 965	13 005	11 938
Investment property	*17*	123	125	-
Investment in associates		2 589	3 251	3 250
Other investments	*18*	55	55	4 805
Other receivables	*22*	324	223	126
Prepaid perpetual usufruct of land	*19*	23 013	25 771	20 220
Deferred tax assets	*20*	50 610	70 178	93 376
Total non-current assets		**379 296**	**398 470**	**433 965**
Inventories	*21*	376 969	277 494	303 938
Other investments	*18*	12	12	138
Current income tax receivables	*14*	660	778	1 908
Trade and other receivables	*22*	167 982	171 889	137 394
Cash and cash equivalents	*23*	76 459	102 046	25 054
Non-current assets classified as held for sale	*24*	-	-	6 012
Total current assets		**622 082**	**552 219**	**474 444**
Total assets		**1 001 378**	**950 689**	**908 409**

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

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2018	31.12.2017	31.12.2016
Equity				
Issued share capital	*25*	180 626	177 923	150 532
Reserves		86 717	221 018	184 617
Foreign currency translation reserves		40	8	43
Accumulated losses from previous years and net result of the current year		10 781	(173 600)	(188 667)
Total equity attributable to owners of the Parent Company		**278 164**	**225 349**	**146 525**
Non-controlling interests		17 721	16 485	13 775
Total equity		**295 885**	**241 834**	**160 300**
Liabilities				
Interest-bearing loans and borrowings	*27*	229 188	358 003	378 383
Employee benefits obligation	*28*	10 677	11 282	9 202
Other liabilities	*30*	18 558	19 515	25 202
Deferred tax liabilities	*20*	1 162	-	6 150
Total non-current liabilities		**259 585**	**388 800**	**418 937**
Bank overdraft	*27*	-	24 607	25 274
Interest-bearing loans and borrowings	*27*	56 692	44 523	74 656
Employee benefits obligation	*28*	7 258	5 122	4 939
Current income tax liabilities	*14*	-	-	-
Provisions for liabilities	*29*	4 394	3 362	3 135
Trade and other liabilities	*30*	371 911	242 324	221 051
Government grants and other deferred income	*34*	5 653	117	117
Total current liabilities		**445 908**	**320 055**	**329 172**
Total liabilites		**705 493**	**708 855**	**748 109**
Total equity and liabilities		**1 001 378**	**950 689**	**908 409**

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

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	*Note*	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Continuing operations				
Sales revenue	*7*	2 081 841	1 789 280	1 377 352
Costs of products, goods and materials sold	*8*	(1 805 528)	(1 573 044)	(1 228 812)
Gross profit		**276 313**	**216 236**	**148 540**
Other income	*9*	10 542	10 126	5 558
Distribution expenses	*8*	(76 700)	(65 792)	(51 231)
Administrative expenses	*8*	(46 041)	(50 528)	(39 343)
Other gains - net	*10*	1 977	(2 644)	2 822
Other expenses	*11*	(9 883)	(8 188)	(6 951)
Operating profit		**156 208**	**99 210**	**59 395**
Financial income	*12*	4 460	22 131	5 216
Financial expenses	*12*	(67 230)	(53 339)	(68 412)
Net financing costs		**(62 770)**	**(31 208)**	**(63 196)**
Share of (loss)/profit of associates		(662)	51	103
Gain on bargain purchase		-	-	-
(Loss)/profit before tax		**92 776**	**68 053**	**(3 698)**
Income tax expense	*13*	(20 730)	(18 148)	7 770
(Loss)/profit for the period from continuing operations		**72 046**	**49 905**	**4 072**
Discontinued operations				
Loss for the period from discontinued operations, net of tax		-	-	-
(Loss)/profit for the period		**72 046**	**49 905**	**4 072**
(Loss)/profit for the period attributable to:				
Owners of the Parent Company		68 539	47 604	4 013
Non-controlling interests		3 507	2 301	59
(Loss)/profit for the period		**72 046**	**49 905**	**4 072**

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

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

in PLN thousand	*Note*	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		32	(35)	11
Other comprehensive income for the year, net of tax		**32**	**(35)**	**11**
Total comprehensive income for the period		**72 078**	**49 870**	**4 083**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		68 571	47 569	4 024
Non-controlling interests		3 507	2 301	59
Total comprehensive income for the period		**72 078**	**49 870**	**4 083**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*26*	**0,58**	**0,60**	**0,06**
- from continuing operations		0,58	0,60	0,06
- from discontinued operations		-	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*26*	**0,45**	**0,44**	**0,04**
- from continuing operations		0,45	0,44	0,04
- from discontinued operations		-	-	-

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Cash flows from operating activities				
Continuing operations				
(Loss)/profit before tax from continuing operations		92 776	68 053	(3 698)
Adjustments				
Depreciation	*15, 19*	42 882	40 917	38 763
Amortization	*16*	979	411	259
Impairment losses and valuation allowances of property, plant and equipment, intangible assets and assets classified as held for sale		(317)	(3 605)	-
Foreign exchange (gains)/losses		(297)	(22 352)	18 208
Net gain on purchase of own bonds	*12*	-	-	(5 216)
Net gain on investment operations		-	-	(1 004)
Net (gains)/losses on disposal of property, plant and equipment, intangible assets and assets classified as held for sale		(405)	772	(398)
Interest, transaction costs (related to loans and borrowings) and dividends, net		48 240	47 087	46 252
Change in receivables and prepayments		14 145	(45 934)	(11 688)
Change in inventories		(94 620)	26 444	(34 203)
Change in trade and other payables		124 057	30 276	51 218
Change in provisions		1 032	227	(2 608)
Change in employee benefits obligation		1 531	2 263	27
Change in government grants and other deferred income		2 100	-	-
Share of profit/ (loss) of associates		662	(51)	(103)
Other adjustments		(688)	-	-
Cash generated from continuing operations		**232 077**	**144 508**	**95 809**
Cash generated from operating activities		**232 077**	**144 508**	**95 809**
Income tax (paid)/returned, incl.		118	932	(1 712)
- continuing operations		*118*	*932*	*(1 712)*
- discontinued operations		-	-	-
Net cash from operating activities		**232 195**	**145 440**	**94 097**

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

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		3 008	1 362	2 772
Proceeds from sale of intangible assets		37	288	14
Proceeds from sale of investment properties		-	-	-
Proceeds from sale of prepaid perpetual usufruct of land		2 378	-	465
Proceeds from sale of assets held for sale		-	-	-
Acquisition of subsidiaries, net of cash transferred		(618)	-	(363)
Proceeds from sale of other investments		-	-	1 014
Interest received		188	294	129
Dividends received		50	50	2
Repayment of loans granted		-	126	-
Other inflows from investing activities		-	-	-
Acquisition of property, plant and equipment		(36 707)	(15 471)	(34 828)
Acquisition of intangible assets		(5 939)	(1 925)	(1 884)
Acquisition of investment properties		-	(125)	-
Prepaid perpetual usufruct of land		-	(1)	-
Acquisition of assets held for sale		-	-	-
Acquisition of shares in other companies		-	-	-
Loans granted		-	-	-
Cash generated on investing activities from continuing operations		**(37 603)**	**(15 402)**	**(32 679)**
Cash generated on investing activities from discontinued operations		-	-	-
Net cash from investing activities		**(37 603)**	**(15 402)**	**(32 679)**
Cash flows from financing activities				
Net cash receipts from share issue		-	39 792	-
Emission costs paid		(1 060)	-	-
Proceeds from interest-bearing loans and borrowings		314 007	1 438	22 677
Proceeds from factoring		(1 254)	(503)	2 514
Repayment of interest-bearing loans and borrowings		(414 792)	(18 851)	(33 848)
Payment of finance lease liabilities		(12 400)	(13 761)	(15 956)
Dividends paid and interests on exchangeable notes in the period		(16 007)	(4 280)	(5 278)
Interest and transaction costs (related to loans and borrowings) paid		(68 190)	(46 902)	(39 693)
Other transactions with the Owner		-	(9 312)	(10 590)
Received grants for investing activities		3 436	-	-
Other received grants		688	-	-
Cash outflows on financing activities from continuing operations		**(195 572)**	**(52 379)**	**(80 174)**
Cash outflows from discontinued operations		-	-	-
Net cash from financing activities		**(195 572)**	**(52 379)**	**(80 174)**
Net change in cash and cash equivalents		**(980)**	**77 659**	**(18 756)**
Cash and cash equivalents net of bank overdraft, at 1 January	*23*	77 439	(220)	18 536
- effect of exchange rate fluctuations on cash held		-	-	-
Cash and cash equivalents net of bank overdraft, at 31 December	*23*	**76 459**	**77 439**	**(220)**
- including cash restricted for use		*16 508*	*2 964*	*527*

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

Consolidated statement of changes in equity

in PLN thousand	Note	Attributable to owners of the Parent Company: Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	Total	Non-controlling interests	**Total equity**
Equity as at 1 January 2016		**139 702**	**194 935**	**32**	**(185 696)**	**148 973**	**21 569**	**170 542**
Total comprehensive income		-	-	11	4 013	**4 024**	59	**4 083**
- profit for the period		-	-	-	*4 013*	***4 013***	*59*	***4 072***
- foreign currency translation differences relating to foreign operations		-	-	*11*	-	***11***	-	***11***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		10 830	(10 830)	-	(13 521)	**(13 521)**	(249)	**(13 770)**
Dividends paid		-	-	-	-	-	(249)	**(249)**
Conversion of exchangeable notes into shares		*10 830*	*(10 830)*	-	-	-	-	-
Interests on exchangeable notes in the period		-	-	-	*(4 721)*	***(4 721)***	-	***(4 721)***
Other settlements with the Owner		-	-	-	*(8 800)*	***(8 800)***	-	***(8 800)***
Changes in ownership interests		-	-	-	7 241	**7 241**	(7 604)	**(363)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*7 241*	***7 241***	*(7 604)*	***(363)***
Transfer of profit		-	512	-	(512)	-	-	-
Other		-	-	-	(192)	**(192)**	-	**(192)**
Equity as at 31 December 2016		**150 532**	**184 617**	**43**	**(188 667)**	**146 525**	**13 775**	**160 300**
Equity as at 1 January 2017		**150 532**	**184 617**	**43**	**(188 667)**	**146 525**	**13 775**	**160 300**
Total comprehensive income		-	-	(35)	47 604	**47 569**	2 301	**49 870**
- (loss)/profit for the period		-	-	-	*47 604*	***47 604***	*2 301*	***49 905***
- foreign currency translation differences relating to foreign operations		-	-	*(35)*	-	***(35)***	-	***(35)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		27 391	36 401	-	(32 128)	**31 664**	-	**31 664**
Share increase		39 792	-	-	-	**39 792**	-	**39 792**
OMS' shares	25	24 000	-	-	(24 000)	-	-	-
Decrease of nominal value of shares		(38 044)	38 044	-	-	-	-	-
Conversion of exchangeable notes into shares		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)**
Changes in ownership interests		-	-	-	(409)	**(409)**	409	-
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	(409)	**(409)**	409	-
Equity as at 31 December 2017		**177 923**	**221 018**	**8**	**(173 600)**	**225 349**	**16 485**	**241 834**

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

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company						
in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
Equity as at 1 January 2018		**177 923**	**221 018**	**8**	**(173 600)**	**225 349**	**16 485**	**241 834**
Opening balance adjusment		**-**	**-**	**-**	*(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		-	-	*32*	*68 539*	***68 571***	*3 507*	***72 078***
- (loss)/profit for the period		-	-	-	*68 539*	***68 539***	*3 507*	***72 046***
- foreign currency translation differences relating to foreign operations		-	-	*32*	-	***32***	-	***32***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		2 703	(3 763)	-	(16 007)	**(17 067)**	-	**(17 067)**
Dividends paid		-	-	-	*(11 862)*	***(11 862)***	-	***(11 862)***
Emission costs		-	*(1 060)*	-	-	***(1 060)***	-	***(1 060)***
Conversion of exchangeable notes into shares	*25*	*2 703*	*(2 703)*	-	-	**-**	-	**-**
Interests on exchangeable notes in the period		-	-	-	*(4 145)*	***(4 145)***	-	***(4 145)***
Changes in ownership interests		-	-	-	1 653	**1 653**	(2 271)	**(618)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*1 653*	***1 653***	*(2 271)*	***(618)***
Transfer of profit		-	34 734	-	(34 734)	**-**	-	**-**
Cover of losses from previous years from reserves		-	(165 272)	-	165 272	**-**	-	**-**
Equity as at 31 December 2018		**180 626**	**86 717**	**40**	**10 781**	**278 164**	**17 721**	**295 885**

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

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

Cognor Holding S.A. - previously Cognor S.A. (“Cognor Holding”, “the Company”, “the Parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Until 29 August 2011, the Parent Company of the Group was Złomrex S.A. The Company was established in 1991. Since 1994 Cognor’s shares are quoted on Warsaw Stock Exchange. Till May 2011, the main activity of the Parent Company was distribution of steel products. After May 2011, Cognor S.A. became a holding company. On November 29, 2016 the Company has changed its name into Cognor Holding S.A.

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

The consolidated financial statements as at and for the year ended 31 December 2018 comprise the Parent Company and its subsidiaries and associates (“the Group”). Details of the subsidiaries and associates that comprise the Group as at 31 December 2018 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control
COGNOR S.A.	Poland	94.38%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (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	94.38%	2006-05-15*
COGNOR INTERNATIONAL FINANCE plc	Great Britain	94.38%	2013-10-24
4 GROUPS Sp. z o.o.	Poland	28.31% (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

On December 21, 2018 the Regional Court in Częstochowa has registered the merger between Cognor S.A. (as the acquiring entity) and Przedsiębiorstwo Transportu Samochodowego S.A. (as the acquired entity) and Odlewnia Metali Szopienice Sp. z o.o. (as the acquired entity). The merger involved three subsidiaries and therefore has no impact on this consolidated financial statements.

b) Basis of preparation of consolidated financial statements

(i) Going concern basis of accounting

The consolidated financial statements as of and for the year ended 31 December 2018 have been prepared on the going concern basis.

(ii) Statement of compliance

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

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

These consolidated financial statements were approved by the Board of Directors on 28 February 2019.

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

New standards and interpretations applied in these consolidated financial statements

In these consolidated financial statements, the following standards, which came into force on January 1, 2018, were applied for the first time:

a) IFRS 9 "Financial instruments"

IFRS 9 replaces IAS 39. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. Hedge accounting requirements were amended to align accounting more closely with risk management.

The impact of implementation of above mentioned standard has been disclosed in note no. 3.

b) IFRS 15 "Revenues from contracts with customers"

IFRS 15 "Revenues from contracts with customers" replaces IAS 18 and IAS 11 and relevant interpretations. The rules provided for in IFRS 15 apply to all contracts resulting in revenues. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

This standard has no impact on these consolidated financial statements

c) Amendments to IFRS 15 "Revenue from Contracts with Customers"

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The amendments to IFRS 15 have no impact on these consolidated financial statements.

d) Amendments to IFRS 2 "Share-based payment"

The amendments to IFRS 2 clarifies: measurement of liability at fair value from cash-settled share based payments, accounting for cash-settled share based payments that are modified to become equity-settled, treatment of employee's tax obligation from share based payments.
The amendments to IFRS 2 have no impact on these consolidated financial statements.

e) Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"

The amendments to IFRS 4 "Insurance contracts" address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard. These concerns include temporary volatility in reported results in insurance sector.
The amendments to IFRS 4 have no impact on these consolidated financial statements.

f) Annual Improvements to IFRSs 2014-2016

The annual improvements to IFRSs 2014-2016 change 3 standards: IFRS 12 "Disclosure of interests in other entities", IFRS 1 "First-time adoption of IFRSs" and IAS 28 "Investment in associates and joint-ventures". The amendments contain explanations and changes regarding the scope of standards, recognition and measurement, as well as terminology and editing changes. Amendments to IFRS 12 are effective for annual periods beginning on January 1, 2017. Other changes are obligatory from January 1, 2018.

g) Amendments to IAS 40 "Transfers of Investment Property"
The amendments clarify the requirements on transfers to, or from, investment property.

h) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 explains the accounting principles applicable to transactions in which an entity receives or transfers advances in a foreign currency.

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

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

- IFRS 16 "Leases"

IFRS 16 "Leasing" is effective for annual periods beginning on January 1, 2019 or after that date.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
The Group will implement the new standard on January 1, 2019. The impact of implementation of above mentioned standard has been disclosed in note no. 5.

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

In these consolidated financial statements, the Group has not decided to earlier apply the following published standards, interpretations or amendments to existing standards before their effective date. At the same time, the Group believes that the following standards and interpretations will not affect its financial statements:
a) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"
b) IFRS 17 "Insurance contracts"

c) Amendments to IAS 28 "Investment in associates and joint-ventures"
d) IFRIC 23 "Uncertainty over Income Tax Treatments"
e) Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
f) IAS 19 "Employee benefits"
g) Amendments to the Conceptual Framework for Financial Reporting
h) Amendments to IFRS 3 "Business combinations"

Standards and interpretations that will not be approved by the European Union or their implementation have been

a) Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in relation to new definition of "materiality" - as at the date of these financial statements, the amendments have not been approved by the EU
b) IFRS 14 "Regulatory Deferral Accounts" - standard will not be approved by decision of EU
c) Amendments to IFRS 10 and IAS28 concerning the sale or contribution of assets between the investor and its associates or joint ventures - the approval of these changes has been postponed

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS EU requires that the Management Board of the Parent Company makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses with respect to the Group. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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

Significant judgments and estimates made by the Management Board of the Parent Company while applying IFRS EU are discussed in the following notes:
- note 16 – impairment tests for cash-generating units containing goodwill
- note 20 – deferred tax assets and liabilities and utilization of tax losses
- note 21 – inventories
- note 25 – settlements with the owner
- note 28 – employee benefits obligations
- note 29 – provisions
- note 31 – financial instruments

d) Functional and presentation currency

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

e) Comparative data for 2016

In these consolidated financial statements data for the year ended December 31, 2016 as well as for this date were presented as in the consolidated report for 2017. The differences that arise in relation to the consolidated financial data published in the annual consolidated financial statements for 2016 result from the inclusion of Odlewnia Metali Szopienice Sp. z o.o. to the Capital Group and appropriate transformation of comparative data. All changes and the impact of adjustments resulting from the transformation have been described in the annual consolidated financial statements of the Capital Group for 2017.

2 Summary of significant accounting policies

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

a) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

b) Foreign currencies transactions

Foreign currency translation

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

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

Foreign operations

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

c) Property, plant and equipment

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

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

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

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

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

Depreciation

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

• Buildings	from 10 to 40 years
• Machinery and equipment	from 2 to 28 years
• Vehicles	from 5 to 22 years
• Fixtures and fittings	from 1 to 3 years

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

d) Leased assets

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

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

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

e) Intangible assets

Goodwill

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

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

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

Research and development

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

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

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

CO2 emission rights

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

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

Other intangible assets

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

Subsequent expenditures

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

Amortization

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

• ERP licenses	8 years
• Capitalized development costs	5 years
• Other	2 years

f) Investment property

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

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

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

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

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

h) Financial assets and liabilities

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting.

The Group derecognises a financial asset when, and only when: the contractual rights to the cash flows from the financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset. Each share in the transferred component of financial assets that is created or remains in the possession of the Group is treated as an asset or liability.

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

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group discloses in this category trade receivables (without factoring receivables), loan granted and cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income (FVOCI)

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.
The Group discloses in this category factoring receivables and shares in other entities.

Initial measurement
At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At initial recognition, the Group measures trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) at their transaction price (as defined in IFRS 15).

Impairment
An allowance for trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delays in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. In the case of trade receivables that do not have a significant element of financing, the Group applies the simplified approach required in IFRS 9 and measures impairment losses in the amount of credit losses expected over the entire life of the receivables from the moment of its initial recognition. The Group applies a write-off matrix in which write-offs are calculated for trade receivables classified to different age ranges or overdue periods.

At each reporting date, The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The Group measures expected credit losses of a financial instrument in a way that reflects:
a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
The Group discloses IRS as the financial liability measured at fair value through profit or loss. Due to the fact that this instrument is designed to limit the risk related to the volatility of interest rates on the loan received, the impact of changes in the valuation of the Group is included in financial expenses / revenues.

i) Inventories

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

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

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

j) Cash and cash equivalents

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

k) Impairment of non financial assets

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

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

l) Equity

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

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

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

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

m) Interest bearing loans and borrowings

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

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

n) Employee benefits

Defined benefits plan – retirement awards

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

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

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

Short-term employee benefits

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

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

o) Provisions

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

p) Trade and other liabilities

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

q) Deferred government grants and other deferred income

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

r) Revenue

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

The Group accounts for a contract with a customer only when all of the following criteria are met:
(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
(b) the Group can identify each party's rights regarding the goods or services to be transferred;
(c) the Group can identify the payment terms for the goods or services to be transferred;
(d) the contract has commercial substance (ie the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
(e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession

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.

s) Leases

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

Finance lease payments

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

t) Other income and expenses

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

u) Current and deferred income tax

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

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

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

3 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

in PLN thousand	Note	**IFRS 9 31.12.2018**	**IFRS 9 01.01.2018**	**IAS 39 31.12.2017**
Financial assets measured at amortized cost				
-trade receivables	5b)	101 544	111 472	126 559
-loans granted	5c)	12	12	12
-cash and cash equivalents	5d)	76 459	102 046	102 046
Financial assets measured at fair value through profit or loss (FVPL)				
-factoring receivables	5a)	20 995	14 745	-
-shares in other companies	5e)	55	55	55
		199 065	**228 330**	**228 672**
Financial liabilities classification				
Financial liabilities measured at amortized cost				
-trade liabilities	5f)	357 513	221 705	221 705
-interest-bearing loans and borrowings	5g)	247 058	372 060	372 060
-lease liabilities	5g)	36 291	30 466	-
		640 862	**624 231**	**593 765**
Financial liabilities measured at fair value through profit or loss				
-liability resulting from derivative instruments (IRS)		2 531	-	-
		2 531	**-**	**-**

Revenues, costs, profits and losses from financial instruments

in PLN thousand	**IFRS 9 01.01.2018 - 31.12.2018**	**IAS 39 01.01.2017 - 31.12.2017**
Revenues from interests		
- revenues from interests on assets measured at amortised cost	2 068	1 846
- revenues from interests on assets measured at fair value thorugh profit and loss	-	-
Interests expense		
- interests expense on liabilities measured at amortised cost	(39 191)	(48 418)
Impairement		
- (write-off)/ reversal of write-off relating to trade recevables	(819)	(594)
- write-off relating to instruments measured at amortized cost	-	-

(in PLN thousand, unless stated otherwise)

Fair value of instruments measured earlier at amortized cost

	IFRS 9 31.12.2018	IFRS 9 01.01.2018
Hierarchy of fair value valuation	Level 2	Level 2
Factoring receivables	20 995	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 December 31, 2018 the Group discloses PLN 20,995 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 December 31, 2018 PLN 254 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 December 31, 2018 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 31 December 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.

4 Impact of the IFRS 15 "Revenues from contracts with customers" on the Group consolidated financial statements

In 2018 the Group has earned revenues into the following categories:
-revenue from goods or services transferred to customers at a point in time: PLN 2 045 696 thousand
-revenue from goods or services transferred to customers over time: PLN 36 145 thousand

The implementation of IFRS 15 did not significantly affect the presented consolidated financial statements.

5 Impact of the IFRS 16 standard on the Group consolidated financial statements

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Group has decided to implement IFRS 16 from January 1, 2019 using a simplified approach, i.e. retrospectively with the combined effect of the first application of this standard recognized on the first application date. The Group will not transform comparative data, but will take the effect of applying this standard as an adjustment to the opening balance of retained earnings on the date of first application.

At the commencement date, the Group (a lessee) recognises a right-of-use asset and a lease liability. At the commencement date, the Group (a lessee) measures the right-of-use asset at cost. At the commencement date, the Group (a lessee) measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The Group has decided to disclose the right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

The Group has decided to disclose the lease liability resulting from the right-of-use assets within Interest-bearing loans and borrowings in separate item.

As a result of the analysis, the Group will recognize the following rights-of-use assets as of January 1, 2019, by distribution into the underlying asset component:

	in PLN thousand 01.01.2019
-property, plant and equipment	43 452
-prepaid perpetual usufruct of land	12 007
	55 459

In connection with the above, the lease liability will be recognized divided into non-current and current liabilities:

	in PLN thousand 01.01.2019
- non-current lease liability resulting from the right-of-use assets	43 027
- current lease liability resulting from the right-of-use assets	12 432
	55 459

The recognition will have no impact on the result from previous years.

6 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 folowing types of segments:

-scrap metal: comprising purchasing, sorting, processing, refining and subsequent shipment and sale of 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 shipement and sale to
-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.

6 Segment reporting - continued

Business segments

in PLN thousand

31.12.2018	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	186 000	117 369	215 431	682 160	683 191	65 591	67 804	64 232	63		
Inter-segment revenue	192 878	40 500	-	188	58 406	26 207	11 787	21 235	19 494		
Total revenue	**378 878**	**157 869**	**215 431**	**682 348**	**741 597**	**91 798**	**79 591**	**85 467**	**19 557**	**(370 695)**	**2 081 841**
Cost of sales to external customers	(170 682)	(104 853)	(188 978)	(579 231)	(606 920)	(62 205)	(62 208)	(53 790)	375		
Inter-segment cost of sales	(185 476)	(35 756)	-	(136)	(52 849)	(25 052)	(10 151)	(19 421)	(1 253)		
Total cost of sales	**(356 158)**	**(140 609)**	**(188 978)**	**(579 367)**	**(659 769)**	**(87 257)**	**(72 359)**	**(73 211)**	**(878)**	**353 058**	**(1 805 528)**
Segment result	**22 720**	**17 260**	**26 453**	**102 981**	**81 828**	**4 541**	**7 232**	**12 256**	**18 679**	**(17 637)**	**276 313**
Other income	689	383	831	2 360	3 418	183	779	978	1 211	(290)	10 542
Distribution and administrative expenses	(16 353)	(9 582)	(3 194)	(31 583)	(28 911)	(4 002)	(5 007)	(8 638)	(34 238)	18 767	(122 741)
Other gain/(losses) net	1 094	31	124	194	511	266	236	214	352	(1 045)	1 977
Other expenses	(333)	(393)	(720)	(2 420)	(2 958)	(82)	(98)	(832)	(88)	(1 959)	(9 883)
Operating profit/(loss)	**7 817**	**7 699**	**23 494**	**71 532**	**53 888**	**906**	**3 142**	**3 978**	**(14 084)**	**(2 164)**	**156 208**
Net financing costs									(69 768)	6 998	(62 770)
Share of profit of associates, net of tax											(662)
Income tax expense											(20 730)
Profit for the period											**72 046**

in PLN thousand

31.12.2017	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	136 902	99 304	267 325	491 944	610 519	61 299	67 157	54 791	39		
Inter-segment revenue	201 664	48 544	-	8	20 095	28 385	5 090	4 397	37 952		
Total revenue	**338 566**	**147 848**	**267 325**	**491 952**	**630 614**	**89 684**	**72 247**	**59 188**	**37 991**	**(346 135)**	**1 789 280**
Cost of sales to external customers	(130 313)	(90 888)	(235 927)	(436 076)	(549 771)	(57 466)	(62 182)	(38 002)	(6)		
Inter-segment cost of sales	(188 377)	(42 890)	-	(7)	(18 387)	(25 724)	(5 826)	(3 147)	(334)		
Total cost of sales	**(318 690)**	**(133 778)**	**(235 927)**	**(436 083)**	**(568 158)**	**(83 190)**	**(68 008)**	**(41 149)**	**(340)**	**312 279**	**(1 573 044)**
Segment result	**19 876**	**14 070**	**31 398**	**55 869**	**62 456**	**6 494**	**4 239**	**18 039**	**37 651**	**(33 856)**	**216 236**
Other income	1 792	221	1 013	734	2 870	491	511	1 109	606	779	10 126
Distribution and administrative expenses	(16 624)	(8 603)	(4 648)	(27 773)	(25 646)	(3 838)	(3 927)	(7 892)	(54 954)	37 585	(116 320)
Other gain/(losses) net	(164)	(153)	(24)	(510)	(69)	(49)	(151)	66	2 691	(4 281)	(2 644)
Other expenses	(244)	(995)	(1 284)	(3 311)	(3 639)	(68)	(76)	(1 072)	(400)	2 901	(8 188)
Operating profit	**4 636**	**4 540**	**26 455**	**25 009**	**35 972**	**3 030**	**596**	**10 250**	**(14 406)**	**3 128**	**99 210**
Net financing costs									(30 647)	(561)	(31 208)
Share of profit of associates, net of tax											51
Income tax expense											(18 148)
Profit for the period											**49 905**

in PLN thousand 31.12.2016	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	70 334	53 526	127 238	397 374	545 296	57 585	73 636	52 124	239		
Inter-segment revenue	165 230	18 026	-	340	1 557	25 928	10 368	6 367	20 936		
Total revenue	**235 564**	**71 552**	**127 238**	**397 714**	**546 853**	**83 513**	**84 004**	**58 491**	**21 175**	**(248 752)**	**1 377 352**
Cost of sales to external customers	(61 042)	(52 485)	(113 047)	(354 964)	(490 353)	(52 966)	(68 560)	(49 091)	(185)		
Inter-segment cost of sales	(150 047)	(17 337)	-	(257)	(1 582)	(25 112)	(9 529)	(2 760)	(5 258)		
Total cost of sales	**(211 089)**	**(69 822)**	**(113 047)**	**(355 221)**	**(491 935)**	**(78 078)**	**(78 089)**	**(51 851)**	**(5 443)**	**225 763**	**(1 228 812)**
Segment result	**24 475**	**1 730**	**14 191**	**42 493**	**54 918**	**5 435**	**5 915**	**6 640**	**15 732**	**(22 989)**	**148 540**
Other income	1 592	220	461	1 219	2 306	556	318	1 293	144	(2 551)	5 558
Distribution and administrative expenses	(16 724)	(4 830)	(4 592)	(29 961)	(22 958)	(4 488)	(3 773)	(12 981)	(11 742)	21 475	(90 574)
Other gain/(losses) net	641	319	7	1 767	37	226	193	181	13 163	(13 712)	2 822
Other expenses	(201)	(617)	(710)	(3 417)	(3 550)	(77)	(248)	(1 126)	(55)	3 050	(6 951)
Operating profit/(loss)	**9 783**	**(3 178)**	**9 357**	**12 101**	**30 753**	**1 652**	**2 405**	**(5 993)**	**17 242**	**(14 727)**	**59 395**
Net financing costs									(71 632)	8 436	(63 196)
Share of profit of associates, net of tax											103
Income tax expense											7 770
Profit for the period											**4 072**

in PLN thousand

31.12.2018	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	79 721	48 060	56 506	272 089	302 238	19 606	28 424	59 308	194 944	(59 518)	**1 001 378**
Segment liabilities	27 128	22 909	34 548	129 688	149 797	6 658	8 273	23 235	350 766	(47 509)	**705 493**

in PLN thousand

31.12.2017	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	48 366	73 459	79 480	213 090	236 618	10 422	22 815	68 448	236 060	(38 069)	**950 689**
Segment liabilities	19 720	21 257	22 618	70 755	67 132	4 118	4 522	15 425	487 411	(4 103)	**708 855**

in PLN thousand

31.12.2016	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	102 062	50 587	55 610	237 000	287 930	35 827	31 898	39 580	191 339	(121 674)	**910 159**
Segment liabilities	24 328	20 158	15 772	111 542	78 931	8 608	8 334	12 533	567 416	(121 901)	**725 721**

Unallocated assets
in PLN thousand

	31.12.2018	31.12.2017	31.12.2016
Long-term and short-term investments	2 656	3 318	8 193
Deferred tax assets	50 610	70 178	93 376
Investment property	123	125	-
Income tax receivable	660	778	1 908
Cash and cash equivalents	76 459	102 046	25 054
Assets held for sale	-	-	6 012
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	51 321	45 822	47 850
Assets of central office	13 115	13 793	8 946
	194 944	**236 060**	**191 339**

Unallocated liabilities
in PLN thousand

	31.12.2018	31.12.2017	31.12.2016
Interest-bearing loans and borrowings	285 880	402 526	453 039
Bank overdraft	-	24 607	25 274
Deferred tax liabilities	1 162	-	6 150
Provisions	4 394	3 362	3 135
Government grants and other deferred income	5 653	117	117
Current income tax payables	-	-	-
Other liabilities	43 089	55 547	66 998
Liabilities of central office	10 588	1 252	12 703
	350 766	**487 411**	**567 416**

6 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Revenue from external customers	1 475 009	1 325 774	986 910	297 984	247 007	174 153	308 848	216 499	216 289	2 081 841	1 789 280	1 377 352
		-	-		-	-		-	-			
Capital expenditures	54 372	26 363	60 578	-	-	-	-	-	-	54 372	26 363	60 578

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

Major customer

In 2018, none of the Group’s customers exceeded 10% of consolidated revenues (in 2017 and 2016 none of the Group's customers exceeded 10% of consolidated revenues).

7 Revenues from sale

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Revenues from sale of products	1 766 010	1 512 408	1 193 097
Revenues form sale of services	36 145	29 610	23 358
Revenues from sale of goods	256 519	222 466	147 050
Revenues from sale of raw materials	23 167	24 796	13 847
	2 081 841	**1 789 280**	**1 377 352**

8 Expenses by type

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Depreciation and amortisation (note 14 and 15)	(43 447)	(40 866)	(38 566)
Energy and materials consumption	(1 364 485)	(1 129 927)	(880 953)
External services	(170 583)	(152 491)	(152 989)
Taxes and charges	(11 869)	(10 809)	(9 427)
Wages and salaries	(148 736)	(130 654)	(112 264)
Social security contributions and other benefits	(34 857)	(30 621)	(28 232)
Other expenses	(6 153)	(4 734)	(3 891)
Amortisation of prepaid perpetual usufruct of land	(414)	(462)	(456)
Total expenses by type	**(1 780 544)**	**(1 500 564)**	**(1 226 778)**
Cost of goods for resale and materials	(227 195)	(201 824)	(107 433)
Changes in inventories, prepayments, accruals and costs settled	79 470	13 024	14 825
Costs of products, goods and materials sold, administrative and distribution expenses	**(1 928 269)**	**(1 689 364)**	**(1 319 386)**

9 Other income

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Compensations and penalties received	915	1 507	1 242
Insurance compensations	264	739	184
Forgiven liabilities	373	557	513
Reimbursed costs of court proceedings	211	140	98
Reversal of impairment for non financial non-current assets	-	3 605	99
Donations and grants	1 631	708	44
Interest income relating to trade receivables	2 068	1 846	1 037
Fees and commissions	-	3	12
Reversal of allowance for interest and other receivables	1 105	210	1 109
Other	3 975	811	1 220
	10 542	**10 126**	**5 558**

10 Other gains/(losses) - net

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Net gain/ (loss) on disposal of property, plant and equipment	651	(613)	875
Net gain/(loss) on disposal of intangible assets	37	(159)	(507)
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	34	-	30
Net gain/(loss) on disposal of assets held for sale	-	-	-
Net loss on sales of other investments	-	-	1 004
(Recognition)/reversal of impairment loss on other investments	-	-	-
Net foreign exchange gain relating to operating activities	1 084	(1 640)	1 005
Net foreign exchange (loss)/gain relating to financial assets	171	(232)	415
	1 977	**(2 644)**	**2 822**

11 Other expenses

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Interest expenses relating to non-financial liabilities	(879)	(1 247)	(1 100)
Uncollectible receivables	(3 593)	(2 061)	(599)
Impairment of tangible and intangible assets	-	-	-
Costs of court proceedings	(143)	(475)	(283)
Contractual penalties	(1 211)	(969)	(1 946)
Receivables written off	(1 382)	(1 023)	(729)
Donations	(6)	(3)	(19)
Unused production capacities	-	-	-
Other	(2 669)	(2 410)	(2 275)
	(9 883)	**(8 188)**	**(6 951)**

12 Net financing costs

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Financial income			
Net gain on the purchase of own bonds	4 460	-	5 216
Net foreign exchange gain	-	22 131	-
Financial income, total	**4 460**	**22 131**	**5 216**
Financial costs			
Interest expense relating to financial liabilities	(38 312)	(47 171)	(46 055)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(13 114)	(4 836)	(5 668)
Net foreign exchange loss	(12 030)	-	(15 712)
Other	(3 774)	(1 332)	(977)
Financial expenses, total	**(67 230)**	**(53 339)**	**(68 412)**
Net financing costs	**(62 770)**	**(31 208)**	**(63 196)**

13 Income tax expense

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

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Current tax expense			
Current year			
- continuing operations	-	(198)	(89)
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	(20 730)	(17 950)	7 859
- discontinued operations	-	-	-
	(20 730)	**(17 950)**	**7 859**
Total income tax expense in the profit or loss and other comprehensive income	**(20 730)**	**(18 148)**	**7 770**

Reconciliation of effective tax rate

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2016 - 31.12.2016
(Loss)/profit before tax	**100,0%**	**92 776**	**100,0%**	**68 053**	**100,0%**	**(3 698)**
Income tax using the domestic corporation tax rate	(19,0%)	(17 627)	(19,0%)	(12 930)	(19,0%)	703
Effect of tax rates in foreign jurisdictions	-	-	0,1%	38	(1,2%)	44
Non-deductible costs	(1,7%)	(1 610)	(3,1%)	(2 106)	29,2%	(1 078)
Tax exempt income	2,6%	2 419	2,1%	1 425	(53,5%)	1 980
Utilisation of tax losses not recognised in previous years	-	-	-	-	(14,9%)	550
Temporary differences for which no deferred tax asset was recognised	-	-	-	-	-	-
Tax losses for which no deferred tax asset was recognised	(6,0%)	(5 592)	-	-	-	-
Permanent tax differences arised on business combination in capital group	-	-	-	-	(146,2%)	5 405,0
Adjustment to prior years' income tax	1,6%	1 475	0,1%	88	0,3%	(10)
Recognition of deferred tax assets previously not recognised	(0,2%)	(145)	(2,0%)	(1 348)	-	-
Other	0,4%	350	(4,9%)	(3 315)	(4,8%)	176
	(22,3%)	**(20 730)**	**(26,7%)**	**(18 148)**	**(210,1%)**	**7 770**

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

14 Current tax assets and liabilities

The current tax receivables as at 31.12.2018 amounted to PLN 660 thousand (31.12.2017: PLN 778 thousand, 31.12.2016: PLN 1 908 thousand).

As at 31.12.2018 the current tax liabilities amounted to PLN 0 thousand (31.12.2017: PLN 0 thousand, 31.12.2016: PLN 0 thousand).

15 Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2016	1 001	174 902	447 263	36 955	8 729	14 357	683 207
Additions	-	572	14 665	6 828	-	36 629	**58 694**
Transfer to assets held for sale	-	-	-	-	-	(506)	**(506)**
Transfer from fixed assets under construction	-	1 146	38 959	309	343	(40 757)	**-**
Disposals	-	(3 112)	(3 414)	(4 291)	(154)	(462)	**(11 433)**
Balance at 31.12.2016	**1 001**	**173 508**	**497 473**	**39 801**	**8 918**	**9 261**	**729 962**
Balance at 01.01.2017	1 001	173 508	497 473	39 801	8 918	9 261	**729 962**
Additions	-	-	9 947	3 228	338	10 924	**24 437**
Transfer from fixed assets under construction	-	2 780	7 405	306	948	(11 439)	**-**
Disposals	-	(604)	(6 009)	(1 886)	(73)	(94)	**(8 666)**
Balance at 31.12.2017	**1 001**	**175 684**	**508 816**	**41 449**	**10 131**	**8 652**	**745 733**
Balance at 01.01.2018	1 001	175 684	508 816	41 449	10 131	8 652	**745 733**
Additions	-	993	5 539	11 153	155	30 593	**48 433**
Reclassification	-	-	-	6	(6)	-	**-**
Transfer to investment properties	-	-	-	-	-	-	**-**
Transfer to discontinued operations	-	-	-	-	-	(4 855)	**(4 855)**
Transfer to non-current assets held for sale	-	-	-	-	-	-	**-**
Transfer from fixed assets under construction	-	399	8 442	697	583	(10 121)	**-**
Disposals	-	(292)	(4 562)	(10 086)	(318)	-	**(15 258)**
Balance at 31.12.2018	**1 001**	**176 784**	**518 235**	**43 219**	**10 545**	**24 269**	**774 053**
Depreciation and impairment losses							
Balance at 01.01.2016	(11)	(72 608)	(293 887)	(28 193)	(6 319)	77	**(400 941)**
Depreciation charge for the year	-	(5 393)	(28 834)	(3 564)	(516)	-	**(38 307)**
Impairment loss	-	-	99	-	-	-	**99**
Disposals	-	2 302	2 742	4 282	111	-	**9 437**
Balance at 31.12.2016	**(11)**	**(75 699)**	**(319 880)**	**(27 475)**	**(6 724)**	**77**	**(429 712)**
Balance at 01.01.2017	(11)	(75 699)	(319 880)	(27 475)	(6 724)	77	**(429 712)**
Depreciation charge for the year	-	(5 425)	(31 327)	(3 241)	(462)	-	**(40 455)**
Reversal of impairment loss	-	2 751	854	-	-	-	**3 605**
Disposals	-	604	4 237	1 777	73	-	**6 691**
Balance at 31.12.2017	**(11)**	**(77 769)**	**(346 116)**	**(28 939)**	**(7 113)**	**77**	**(459 871)**
Balance at 01.01.2018	(11)	(77 769)	(346 116)	(28 939)	(7 113)	77	**(459 871)**
Depreciation charge for the year	-	(5 847)	(32 194)	(3 700)	(727)	-	**(42 468)**
Reversal of impairment loss	-	-	317	-	-	-	**317**
Disposals	-	123	2 866	9 449	148	-	**12 586**
Balance at 31.12.2018	**(11)**	**(83 493)**	**(375 127)**	**(23 190)**	**(7 692)**	**77**	**(489 436)**

(in PLN thousand, unless stated otherwise)

Carrying amounts

Balance at 01.01.2016	990	102 294	153 376	8 762	2 410	14 434	282 266
Balance at 31.12.2016	**990**	**97 809**	**177 593**	**12 326**	**2 194**	**9 338**	**300 250**
Balance at 01.01.2017	990	97 809	177 593	12 326	2 194	9 338	300 250
Balance at 31.12.2017	**990**	**97 915**	**162 700**	**12 510**	**3 018**	**8 729**	**285 862**
Balance at 01.01.2018	990	97 915	162 700	12 510	3 018	8 729	285 862
Balance at 31.12.2018	**990**	**93 291**	**143 108**	**20 029**	**2 853**	**24 346**	**284 617**

Property, plant and equipment

	31.12.2018	31.12.2017	31.12.2016
Land	990	990	990
Buildings	93 291	97 915	97 809
Plant and equipment	143 108	162 700	177 593
Vehicles	20 029	12 510	12 326
Fixtures and fittings	2 853	3 018	2 194
Under construction	24 346	8 729	9 338
Total	**284 617**	**285 862**	**300 250**

	31.12.2018	31.12.2017	31.12.2016
Property, plant and equipment pledged as security for liabilities	158 032	88 134	118 419

Leased property, plant and equipment

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

As at 31.12.2018 the net carrying amount of leased property, plant and equipment was PLN 37 567 thousand (31.12.2017: PLN 35 823 thousand, 31.12.2016: PLN 42 822 thousand).

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

Collateral

As at 31.12.2018 property, plant and equipment with a carrying amount of PLN 158 032 thousand (31.12.2017: PLN 88 134 thousand, 31.12.2016: PLN 118 419 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 27).

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

Impairment loss

	31.12.2018	31.12.2017	31.12.2016
Buildings	(242)	(242)	(2 993)
Plant and equipment	(1 898)	(2 215)	(3 069)
Under construction	-	-	(859)
Total	**(2 140)**	**(2 457)**	**(6 921)**

As at 31.12.2018, the Group recognized an impairment losses of PLN 2 140 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2017: PLN 2 457 thousand and 31.12.2016: PLN 6 921 thousand).

16 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2016	15 159	13 898	1 445	23 260	**53 762**
Additions	-	662	131	1 091	**1 884**
Disposals	-	-	(521)	(4)	**(525)**
Balance at 31.12.2016	**15 159**	**14 560**	**1 055**	**24 347**	**55 121**
Balance at 01.01.2017	15 159	14 560	1 055	24 347	**55 121**
Additions	-	487	240	1 198	**1 925**
Disposals	-	-	(448)	(3)	**(451)**
Balance at 31.12.2017	**15 159**	**15 047**	**847**	**25 542**	**56 595**
Balance at 01.01.2018	15 159	15 047	847	25 542	**56 595**
Additions	-	5 348	269	322	**5 939**
Disposals	-	-	-	-	**-**
Balance at 31.12.2018	**15 159**	**20 395**	**1 116**	**25 864**	**62 534**
Amortisation and impairment losses					
Balance at 01.01.2016	(6 230)	(13 492)	(475)	(22 731)	**(42 928)**
Amortisation for the year	-	(72)	(114)	(73)	**(259)**
Disposals	-	-	-	4	**4**
Balance at 31.12.2016	**(6 230)**	**(13 564)**	**(589)**	**(22 800)**	**(43 183)**
Balance at 01.01.2017	(6 230)	(13 564)	(589)	(22 800)	**(43 183)**
Amortisation for the year	-	(76)	(252)	(83)	**(411)**
Disposals	-	-	-	4	**4**
Balance at 31.12.2017	**(6 230)**	**(13 640)**	**(841)**	**(22 879)**	**(43 590)**
Balance at 01.01.2018	(6 230)	(13 640)	(841)	(22 879)	**(43 590)**
Amortisation for the year	-	(302)	(275)	(402)	**(979)**
Disposals	-	-	-	-	**-**
Balance at 31.12.2018	**(6 230)**	**(13 942)**	**(1 116)**	**(23 281)**	**(44 569)**
Carrying amounts					
Balance at 01.01.2016	8 929	406	970	529	10 834
Balance at 31.12.2016	**8 929**	**996**	**466**	**1 547**	**11 938**
Balance at 01.01.2017	8 929	996	466	1 547	11 938
Balance at 31.12.2017	**8 929**	**1 407**	**6**	**2 663**	**13 005**
Balance at 01.01.2018	8 929	1 407	6	2 663	13 005
Balance at 31.12.2018	**8 929**	**6 453**	**-**	**2 583**	**17 965**

Intangible assets

	31.12.2018	31.12.2017	31.12.2016
Goodwill	8 929	8 929	8 929
Development costs	6 453	1 407	996
CO2 emission rights	-	6	466
Software and other	2 583	2 663	1 547
Total	**17 965**	**13 005**	**11 938**

Impairment losses

As at 31.12.2018, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 1 040 thousand (31.12.2017: PLN 1 040 thousand; 31.12.2016: PLN 1 040 thousand). Recognized impairment losses are related to software.

Amortisation and impairment loss charge

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

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Cost of sales	(556)	-	-
Administration expenses	(3)	(352)	(237)
Other expenses	(420)	(62)	(22)
	(979)	**(414)**	**(259)**

Impairment tests for cash-generating units containing goodwill

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

	31.12.2018	31.12.2017	31.12.2016
Scrap metal and non-ferrous scrap metal division	5 029	5 029	5 029
Billets and finished products FER division	3 900	3 900	3 900
	8 929	**8 929**	**8 929**

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

The key assumptions used for value-in-use calculations in 2018 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	8.5%	8.5%
Growth rate	2.0%	2.0%

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

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	9.4%	9.4%
Growth rate	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2016 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	8.9%	8.9%
Growth rate	2.0%	2.0%

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

As the result of the impairment test as at 31.12.2018, 31.12.2017 and 31.12.2016 there was no need to recognize an additional impairment write down on goodwill relating to the scrap metal and non-ferrous scrap metal division and the billets and finished products FER division

17 Investment property

in PLN thousand	2018	2017	2016
Balance at 1 January	125	-	-
Acquisition	-	125	-
Amortization for the period	(2)	-	-
Balance at 31 December	**123**	**125**	**-**

Management's assessed that the carrying value of investment property approximates its fair value.

18 Other investments

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Non-current investments			
Options for own equity instruments*	-	-	4 750
Shares in unconsolidated entities	55	55	55
	55	**55**	**4 805**
Current investments			
Loans granted	12	12	138
Other	-	-	-
	12	**12**	**138**

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

19 Perpetual usufruct of land

in PLN thousand	2018	2017	2016
Balance at 1 January	25 771	20 220	21 111
Acquisition	-	1	-
Transfer to non-current assets held for sale	-	6 012	-
Disposals	(2 344)	-	(435)
Amortization for the period	(414)	(462)	(456)
Balance at 31 December	**23 013**	**25 771**	**20 220**

20 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in PLN thousand	Assets			Liabilities			Net		
	31.12.2018	31.12.2017	31.12.2016	31.12.2018	31.12.2017	31.12.2016	31.12.2018	31.12.2017	31.12.2016
Property, plant and equipment	17 621	18 261	18 780	(7 600)	(6 555)	(13 303)	10 021	11 706	5 477
Intangible assets	7 945	4 325	4 654	(1)	(1)	-	7 944	4 324	4 654
Other investments	779	779	779	(286)	(1 343)	(1 263)	493	(564)	(484)
Prepaid perpetual usufruct of land	310	184	212	(1 128)	27	(91)	(818)	211	121
Inventories	2 094	1 500	1 998	-	-	-	2 094	1 500	1 998
Trade and other receivables	1 574	1 500	1 680	(277)	(8)	(1 467)	1 297	1 492	213
Interest bearing loans and borrowings	9 308	17 030	19 755	-	(1 209)	(103)	9 308	15 821	19 652
Employee benefits	3 934	3 824	3 070	-	-	-	3 934	3 824	3 070
Provisions	835	647	1 948	(461)	-	-	374	647	1 948
Trade and other payables	2 241	4 262	5 790	(91)	(154)	(377)	2 150	4 108	5 413
Other items	3 210	277	421	693	(5)	(6)	3 903	272	415
Tax value of loss carry-forward expected to be utilised	9 006	26 837	44 749	(258)	-	-	8 748	26 837	44 749
Tax assets/(liabilities)	**58 857**	**79 426**	**103 836**	**(9 409)**	**(9 248)**	**(16 610)**	**49 448**	**70 178**	**87 226**
Set off of tax assets/ liabilities	(8 247)	(9 248)	(10 460)	8 247	9 248	10 460			
Net deferred tax assets/ liabilities	**50 610**	**70 178**	**93 376**	**(1 162)**	**-**	**(6 150)**			

Movement in temporary differences during the year

in PLN thousand	01.01.2018	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2018
Property, plant and equipment	11 706	(1 685)	-	10 021
Intangible assets	4 324	3 620	-	7 944
Investment property	-	-	-	-
Other investments	(564)	1 057	-	493
Prepaid perpetual usufruct of land	211	(1 029)	-	(818)
Inventories	1 500	594	-	2 094
Trade and other receivables	1 492	(195)	-	1 297
Interest bearing loans and borrowings	15 821	(6 513)	-	9 308
Employee benefits	3 824	110	-	3 934
Provisions	647	(273)	-	374
Trade and other payables	4 108	(1 958)	-	2 150
Other items	272	3 631	-	3 903
Tax value of loss carry-forwards expected to be utilised	26 837	(18 089)	-	8 748
	70 178	**(20 730)**	**-**	**49 448**

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

in PLN thousand	01.01.2016	Recognised in profit or loss	Recognised in equity, including business combinations	31.12.2016
Property, plant and equipment	3 077	2 400	-	5 477
Intangible assets	4 515	139	-	4 654
Other investments	384	(868)	-	(484)
Prepaid perpetual usufruct of land	178	(57)	-	121
Inventories	1 643	355	-	1 998
Trade and other receivables	(2 480)	2 693	-	213
Interest bearing loans and borrowings	50 384	(31 070)	338	19 652
Employee benefits	3 083	(13)	-	3 070
Provisions	158	1 790	-	1 948
Trade and other payables	9 446	(6 003)	1 970	5 413
Other items	661	(246)	-	415
Tax value of loss carry-forward expected to be utilised	6 009	38 740	-	44 749
	77 058	**7 860**	**2 308**	**87 226**
Recognised in the profit or loss		**7 860**		
	77 058	**7 860**	**2 308**	**87 226**

Unrecognised deferred tax assets

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

in PLN thousand	2018	2017	2016
Intangible assets	6 398	13 348	13 348
Tax losses	5 592	-	-
Total	**11 990**	**13 348**	**13 348**

21 Inventories

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Raw materials	102 797	70 088	92 681
Semi-finished goods and work in progress	140 900	65 434	114 961
Finished products	113 258	119 504	79 659
Goods for resale	20 014	22 468	16 637
	376 969	**277 494**	**303 938**

Movements in allowances for inventories

in PLN thousand	2018	2017	2016
Balance at 1 January	(11 199)	(11 169)	(11 224)
Recognition	(4 261)	(97)	-
Utilization	27	15	31
Reversal	1	52	24
Balance at 31 December	**(15 432)**	**(11 199)**	**(11 169)**

As at 31.12.2018, inventories are presented net of allowances of PLN 15 432 thousand (31.12.2017: PLN 11 199 thousand; 31.12.2016: PLN 11 169 thousand). Allowances relate mainly to goods for resale and finished goods with a net realisable value below cost. Recognition and reversal of inventory allowance are recognized as costs of sales.

As at 31.12.2018, inventories with a carrying value of PLN 20 709 thousand (31.12.2017: PLN 20 709 thousand; 31.12.2016: PLN 9 905 thousand) were subject to pledges as collateral for bank loans and overdrafts.

22 Trade and other receivables

Short-term receivables

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Trade receivables	101 544	111 814	83 294
Bills of exchange	-	-	-
Statutory receivables excluding income tax	27 034	28 313	23 372
Prepayments for services and inventories	12 458	2 191	3 823
Factoring receivables	20 995	14 745	21 675
Other receivables	5 951	14 826	5 230
	167 982	**171 889**	**137 394**

Long-term receivables

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Other receivables	324	223	126
	324	**223**	**126**

As at 31.12.2018, receivables with a carrying value of PLN 0 thousand (31.12.2017: 0 PLN thousand; 31.12.2016: PLN 0 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secure factoring liabilities (see note 27).

(in PLN thousand, unless stated otherwise)

Factoring receivables

As at 31 December 2018 subsidiaries Cognor S.A. and Cognor Blachy Dachowe S.A. were parties to factoring agreements. Existing agreements concern non-recourse and recourse factoring of trade receivables financed up to set limits.

Types of factoring and limits as at 31 December 2018 were as follows:

Factoree	Effective date	Factor:	Limit:	Type of factoring
Cognor S.A. (branch HSJ)	indefinite	mFaktoring S.A.	PLN 23 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 25 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Bank Zachodni WBK S.A.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	mFaktoring S.A.	PLN 29 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 15 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	KUKE S.A.	PLN 42 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	mFaktoring S.A.	PLN 24 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	KUKE S.A.	PLN 3 000 thousand	non-recourse
Cognor S.A. (branch OM)	indefinite	mFaktoring S.A.	PLN 3 000 thousand	non-recourse
Cognor Blachy Dachowe S.A.	indefinite	mFaktoring S.A.	PLN 1 000 thousand	non-recourse

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

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2018 PLN 20 995 thousand). The remaining receivables (90%) were derecognised from the statement of financial position.

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

	31.12.2018	31.12.2017	31.12.2016
Trade receivables in total	261 585	248 420	215 632
Factoring receivables derecognised from statement of financial position	(139 046)	(121 861)	(110 663)
Factoring receivables	(20 995)	(14 745)	(21 675)
Trade receivables net	**101 544**	**111 814**	**83 294**

23 Cash and cash equivalents

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Cash in bank	58 446	98 414	22 803
Cash in bank restricted in use	16 508	2 964	527
Cash in hand	235	244	248
Short-term bank deposits	500	-	1 169
Other	770	424	307
Cash and cash equivalents in statement of financial position	**76 459**	**102 046**	**25 054**
Bank overdrafts	-	(24 607)	(25 274)
Cash and cash equivalents in the statement of cash flows	**76 459**	**77 439**	**(220)**

As at 31.12.2018, 31.12.2017 and 31.12.2016, cash and cash equivalents were not pledged as security for liabilities.

Detailed information regarding bank overdrafts is presented in note 27.

24 Assets classified as held for sale

in PLN thousand	2018	2017	2016
Balance at 1 January	-	6 012	5 506
Transfer from property, plant and equipment	-	-	506
Transfer from/to perpetual usufruct of land	-	(6 012)	-
Disposals	-	-	-
Balance at 31 December	**-**	**-**	**6 012**

As at 31.12.2016 the assets held for sale include perpetual usufruct of land, that represent the rest of distribution division not sold to ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. Due to the lack of offers regarding the above mentioned perpetual usufruct of land in 2017 the Management of the Parent Company made a decision to reclasify this item to perpetual usufruct of land.

25 Equity

Issued share capital

	31.12.2018	31.12.2017	31.12.2016
Registered shares number at reporting date	120 417 142	118 615 660	75 265 868
Number of issued warrants	54 553 721	56 355 003	57 176 380
Nominal value of 1 share	1,5 PLN	1,5 PLN	2 PLN

On 31 December 2018 the Parent Company's share capital comprised of 120 417 142 ordinary shares (2017: 118 615 660; 2016: 75 265 868).

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

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

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

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

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

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand (the value as at 31.12.2018: PLN 18 558 thousand).

In connection with the request of the holders of Exchangeable Notes (EN) to Cognor International Finance plc (the subsidiary) for a conversion of Notes held by them into shares of Cognor S.A., there have been series of conversions of Exchangeable Notes into shares. The National Securities Depositary admitted to trading following number of shares Cognor S.A .:
- 50 000 shares were admitted to trading on 9 July 2015,
- 41 489 shares were admitted to trading on 3 August 2015,
- 457 446 shares were admitted to trading on 7 September 2015,
- 3 080 304 shares were admitted to trading on 17 November 2015,
- 868 456 shares were admitted to trading on 10 August 2016,
- 4 545 925 shares were admitted to trading on 7 November 2016,
- 685 155 shares were admitted to trading on 23 June 2017,
- 136 222 shares were admitted to trading on 14 July 2017,
- 95 271 shares were admitted to trading on 31 August 2018,
- 1 706 211 shares were admitted to trading on 7 November 2018,

(in PLN thousand, unless stated otherwise)

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

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

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

Altogether 1 801 482 shares of Cognor Holding S.A. were admitted to trading in 2018 as a result of conversions of 804 384 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 Shareholders' structure as at 31 December 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.*	92 430 239	76.76%	92 430 239	76.76%
Other shareholders	27 986 903	23.24%	27 986 903	23.24%
Total	**120 417 142**	**100.00%**	**120 417 142**	**100.00%**

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

Treasury shares

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

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 68 539 thousand (2017: profit of PLN 47 604 thousand; 2016: profit of PLN 4 013 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2018 of 118 940 thousand (2017: 79 278 thousand, 2016: 70 971 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2018 was 152 372 thousand (2017: 107 219 thousand, 2016: 108 573 thousand).

The calculation of diluted earnings per share at 31 December 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 2018 excluding interest paid in this period.

As at 31 December 2018, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Company’s shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share warrants was based on quoted average market prices for the period during which the warrants were outstanding.

27 Interest-bearing loans and borrowings and bank overdrafts

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

in PLN thousand

	31.12.2018	31.12.2017	31.12.2016
Non-current liabilities			
Secured bank loans	205 602	-	178
Secured fixed interest rate debt	-	333 590	350 453
Finance lease liabilities	21 770	19 918	20 851
Other borrowings	1 816	4 495	6 901
	229 188	**358 003**	**378 383**
Current liabilities			
Current portion of secured bank loans	36 933	238	773
Current portion of secured fixed interest rate debt	-	29 495	33 759
Current portion of finance lease liabilities	14 521	10 548	10 509
Factoring with recourse	-	1 254	12 266
Scrap pre-financing	-	-	12 323
Other borrowings	2 707	2 988	5 026
Liability resulting from derivative instruments (IRS)	2 531	-	-
	56 692	**44 523**	**74 656**
Bank overdrafts	-	24 607	25 274
	56 692	**69 130**	**99 930**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2018 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Secured bank loans	242 535	36 933	81 185	124 417	-
Other borrowings	4 523	2 707	1 637	130	49
	247 058	**39 640**	**82 822**	**124 547**	**49**

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

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5	Over 5 years
Secured bank loans	238	238	-	-	-
Secured fixed interest rate debt	363 085	29 495	333 590	-	-
Factoring with recourse	1 254	1 254	-	-	-
Other borrowings	7 483	2 988	4 182	313	-
	372 060	**33 975**	**337 772**	**313**	**-**

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

in PLN thousand

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

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2018			**31.12.2017**			**31.12.2016**	
Less than one year	15 612	1 091	14 521	11 470	922	10 548	11 113	604	10 509
Between 1 and 5 years	23 616	1 846	21 770	20 838	920	19 918	21 249	398	20 851
	39 228	**2 937**	**36 291**	**32 308**	**1 842**	**30 466**	**32 362**	**1 002**	**31 360**

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

Changes in debt

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

	Total	Secured fixed interest rate debt	Secured bank loans	Finance lease liabilities	Factoring with recourse	Other borrowings
Balance as at 1 January 2018	402 526	363 085	238	30 466	1 254	7 483
Liability paid	(427 192)	(346 905)	(64 781)	(12 400)	-	(3 106)
Increase of liability	330 942	-	312 936	17 836	-	170
Interests paid	(52 220)	(47 644)	(4 369)	-	-	(207)
Interests accrued	29 286	24 125	4 978	-	-	183
Change of recourse factoring into non-recourse	(1 254)	-	-	-	(1 254)	-
Settlement of emission/provision costs	(4 489)	2 159	(6 648)	-	-	-
Foreign currency differences	1 290	720	181	389	-	-
Net gain on the purchase of own bonds	4 460	4 460	-	-	-	-
Balance as at 31 December 2018	**283 349**	**-**	**242 535**	**36 291**	**-**	**4 523**

(in PLN thousand, unless stated otherwise)

As at 31 December 2018
Analysis of loan agreements and other loans:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mBank S.A., European Bank for Reconstruction and Development, Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego	205 602	36 933	dual currency term and revolving facilities	2018-07-12	2022-12-31	WIBOR 3M+margin, EURIBOR 3M + margin	- a combined contractual mortgage on real estate with a value of EUR 111 285 423, - registered pledge on shares in Cognor S.A., Cognor International Finance plc and Business Support Services Sp. z o.o., - financial and registered pledge on bank accounts, - registered pledge on fixed assets.
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	1 816	2 707	loan	2014-07-31	2024-09-15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum / 0.48 rediscount rate at least 3.5 per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company, - bank guarantee
Total	**207 418**	**39 640**					

(in PLN thousand, unless stated otherwise)

Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mLeasing S.A.	11 018	5 368	lease	2013-12-19	2023-11-30	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	3 064	2 135	lease	2014-10-17	2022-06-03	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Europejski Fundusz Leasingowy Sp. z o.o.	964	682	lease	2014-03-10	2022-06-30	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Millenium Leasing Sp. z o.o.	485	1 126	lease	2014-02-25	2022-06-05	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment, - mortgage on the property.
Pekao Leasing Sp. z o.o.	730	449	lease	2015-01-25	2022-02-13	WIBOR 1M+margin	- blank bill of exchange, - guarantee of the related company - leased equipment,
SG Equipment Polska Sp. z o.o.	406	2 819	lease	2015-12-31	2021-04-15	WIBOR 1M+margin EURIBOR 3M+margin	- blank bill of exchange, - leased equipment.
Alior Leasing Sp. z o.o.	2 836	888	lease	2017-03-22	2025-02-28	WIBOR 1M+margin, WIBOR 3M+margin, EURIBOR 3M+margin	- blank bill of exchange, - leased equipment.
Santander Leasing S.A.	1 227	317	lease	2017-12-14	2024-01-31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Raiffeisen-Leasing Polska S.A.	744	606	lease	2015-04-27	2021-04-15	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Other lessors	296	131	lease	2016-05-05	2022-07-26	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Total	**21 770**	**14 521**					

Interest-bearing loans and borrowings

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

- WIBOR 3M – margin between 2.3% and 3.7%,
- EURIBOR 3M – margin between 2.8% and 4.2%,
- WIBOR 1M – margin between 1.8% and 4.0%,
- EURIBOR 1M – margin between 3.2% and 4.0%,

Dual currency term and revolving facilities

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 commited 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 was due on June 30, 2020. The interest rate for this loan is variable and amounted to margin + WIBOR1M. Till December 31, 2018 Groupa has paid this revolving facility before its maturity. As at December 31, 2018 the liability resulting from revolving facility amounted to PLN 0 thousand.

Secured fixed interest debt

On 4 February 2014, Cognor International Finance plc, established in the United Kingdom (a subsidiary of Huta Stali Jakościowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Zlomrex International Finance S.A. with the maturity date of February 2014. The new issue was allocated to the holders in proportion to bonds that they owned. The Senior Secured Notes had an aggregate principal amount of EUR 100 348 109, mature on 1 February 2020,

On 6 August 2018 the Group has redeemed of 20 887 290 EUR Senior Secured Notes from own cash.

On 23 August 2018 the Group launched a dual currency term facility and redeemed of 60 000 000 EUR Senior Secured Notes from funds acquired from the credit.

As at 31 December 2018 the Group has no liability resulting from Senior Secured Notes and due to earlier repayment has recognised a gain of 4 460 PLN thousand.

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

(i) deliver (or procure the issue or transfer and delivery of) Cognor Holding S.A. shares,
(ii) pay a cash settlement amount, or
(iii) a combination thereof.

Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

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

In connection with the payment of dividend, the the Management Board of Cognor Holding S.A. adopted resolution on 12 July 2018 which reduced the convertion 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 804 384 Eur nominal value of notes into 1 801 482 shares of Cognor Holding S.A. worth PLN 2 703 thousand. The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 31 December 2018 was 18 891 279 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.

28 Employee benefits obligations

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Long-term provisions for retirement and jubilee awards	10 677	11 282	9 202
Short-term provisions for retirement and jubilee awards	7 258	5 122	4 939
	17 935	**16 404**	**14 141**

Employee benefits

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

	31.12.2018	31.12.2017	31.12.2016
Discount rate	3.0%	3.25%	3.5%
Future Salary Increase	2.5%-3.5%	2.5%-3.5%	2.0%

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

in PLN thousand	Provisions for employee benefits	Jubilee awards	Other	Total
At January 2016	372	7 642	6 100	**14 114**
Current service cost	360	14	364	**738**
Interest cost	87	178	33	**298**
Actuarial (gain)/loss due to changes in assumptions	343	371	97	**811**
Actual benefits paid	(79)	(856)	(885)	**(1 820)**
The share of program participants	-	-	-	**-**
Other actuarial (gain)/loss	-	-	-	**-**
At 31 December 2016	**1 083**	**7 349**	**5 709**	**14 141**
At January 2017	1 083	7 349	5 709	**14 141**
Current service cost	1 206	807	2 199	**4 212**
Interest cost	35	215	25	**275**
Actuarial (gain)/loss due to changes in assumptions	263	1 461	18	**1 742**
Actual benefits paid	(27)	(807)	(3 121)	**(3 955)**
The share of program participants	-	-	-	**-**
Other actuarial (gain)/loss	3	(14)	-	**(11)**
At 31 December 2017	**2 563**	**9 011**	**4 830**	**16 404**

At January 2018	2 563	9 011	4 830	**16 404**
Current service cost	889	324	1 890	**3 103**
Interest cost	96	63	-	**159**
Actuarial (gain)/loss due to changes in assumptions	148	(106)	-	**42**
Actual benefits paid	(249)	(1 524)	-	**(1 773)**
The share of program	-	-	-	-
Other actuarial (gain)/loss	-	-	-	-
At 31 December 2018	**3 447**	**7 768**	**6 720**	**17 935**

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2018	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.25%	0.25%	1.4%	(1.4%)
Future Salary Increase	0.25%	0.25%	(1.4%)	1.4%
Probability of resignation	0.25%	0.25%	1.6%	(1.5%)

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

29 Short-term provisions

in PLN thousand	**2018**	**2017**	**2016**
Balance at 1 January	3 362	3 135	3 772
Recognised through business combinations	-		-
Provisions raised during the year	4 338	3 217	14
Provisions utilised during the year	(3 179)	(2 908)	(304)
Provisions released during the year	(127)	(82)	(347)
Balance at 31 December	**4 394**	**3 362**	**3 135**

In the short-term provisions as at 31 December 2018 are included among the other: the provisions for purchase of energy certificates of PLN 4,1 million and other provisions.

30 Trade and other payables

Short term

in PLN thousand	**31.12.2018**	**31.12.2017**	**31.12.2016**
Trade payables	332 339	200 141	167 628
Statutory payables	15 468	25 293	18 192
Bills of exchange payables	-	-	-
Investment payables	6 616	2 049	6 596
Prepayments for services and deliveries of goods	4 916	1 908	1 580
Liabilities due to Shareholder*	-	-	8 017
Payroll liabilities	8 154	9 533	6 410
Accrued expenses	3 509	2 194	3 451
Other payables	909	1 206	9 177
	371 911	**242 324**	**221 051**

Long term

in PLN thousand	**31.12.2018**	**31.12.2017**	**31.12.2016**
Liabilities due to Shareholder*	18 558	19 515	25 202
Other payables	-	-	-
	18 558	**19 515**	**25 202**

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

31 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2018 — *Classification according to IFRS 9*

in PLN thousand	Financial assets at amortised cost	Financial assets at fair value through profit or loss		Total
Assets according to statement of financial position				
a) Non-current assets				
Other investments (shares)	-	55		**55**
b) Current assets				
Receivables excluding prepayments and tax receivables	101 544	-		**101 544**
Factoring receivables	-	20 995		**20 995**
Other investments	12	-		**12**
Cash and cash equivalents	76 459	-		**76 459**
Total	**178 015**	**21 050**	**-**	**199 065**

As at 31.12.2017 — *Classification according to IAS 39*

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

As at 31.12.2016 — *Classification according to IAS 39*

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

* excluding options for own equity instruments described in note 25

Liabilities

As at 31.12.2018 — *Classification according to IFRS 9*

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	207 418	-	**207 418**
Finance lease liabilities	21 770	-	**21 770**
Other liabilities	18 558	-	**18 558**
b) Short-term liabilities	-	-	
Interest-bearing loans and borrowings (excluding finance lease liabilities)	39 640	-	**39 640**
Finance lease liabilities	14 521	-	**14 521**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	338 955	-	**338 955**
Liability resulting from derivative instruments (IRS)	-	2 531	**2 531**
Total	**640 862**	**2 531**	**643 393**

As at 31.12.2017 — *Classification according to IAS 39*

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	338 085	-	**338 085**
Finance lease liabilities	19 918	-	**19 918**
Trade and other payables	19 515	-	**19 515**
b) Short-term liabilities	-		
Interest-bearing loans and borrowings (excluding finance lease liabilities)	33 975	-	**33 975**
Finance lease liabilities	10 548	-	**10 548**
Bank overdraft	24 607	-	**24 607**
Trade and other payables excluding tax payables	217 031	-	**217 031**
Total	**663 679**	**-**	**663 679**

As at 31.12.2016 — *Classification according to IAS 39*

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	357 532	-	**357 532**
Finance lease liabilities	20 851	-	**20 851**
Trade and other payables	25 202		**25 202**
b) Short-term liabilities	-		
Interest-bearing loans and borrowings (excluding finance lease liabilities)	64 147	-	**64 147**
Finance lease liabilities	10 509	-	**10 509**
Bank overdraft	25 274	-	**25 274**
Trade and other payables excluding tax payables	202 859	-	**202 859**
Total	**706 374**	**-**	**706 374**

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

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

Financial instruments at fair value through profit or loss

As at 31 December 2018 the Group has recognised liability at fair value through profit or loss relating to IRS in amount PLN 2 531 thousand. As at 31 December 2017, 31 December 2016 there were no financial instruments at fair value through profit or loss.

Fair values

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

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

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

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

• Fixed rate debt securities. The fair value of bonds at 31 December 2017 amounted to PLN 0 thousand (2017: PLN 355 823 thousand, 2016: PLN 312 172 thousand) - which was calculated on the basis of the market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date (level 1 in fair value hierarchy) as at 31.12.2017, 31.12.2016.

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

The fair value of IRS has been estimated on the base of valuation model taking into consideration the future cash flows in fixed and variable interest rate. As at 31 December 2018 the fair value relating to IRS amounted PLN 2 531 thousand.

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

Market risk

Foreign currency risk

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

Exposure to foreign currency risk

The Group exposure to foreign currency risk was as follows:

Information on balances denominated in foreign currencies

As at 31.12.2018 *in PLN thousand*	in EUR	in USD	in other currencies	Total
Trade and other receivables	48 964	10	-	**48 974**
Interest-bearing loans and borrowings	(122 050)	-	-	**(122 050)**
Trade and other payables	(30 298)	(3 061)	-	**(33 359)**
Exposure to currency risk on balances denominated in foreign currencies	**(103 384)**	**(3 051)**	**-**	**(106 435)**

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

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

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

A 15 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2018 would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2017 and 2016 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**(Loss) / profit**		**Equity**	
	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%
31.12.2018	(15 965)	15 965	(15 965)	15 965
31.12.2017	(55 505)	55 505	(55 505)	55 505
31.12.2016	(58 329)	58 329	(58 329)	58 329

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

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

The Group has entered into a loan agreement based on the variable interest rate WIBOR 3M and EURIBOR 3M. The main element of limiting the risk of interest rate changes related to loans are interest rate swaps concluded by the Group. They limit the interest rate volatility risk in terms of cash flows related to a loan in PLN and EUR received from a consortium of banks.

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

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Fixed rate instruments			
Financial assets	12	12	2 721
Financial liabilities	-	(363 085)	(386 787)
	12	**(363 073)**	**(384 066)**

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Floating rate instruments			
Financial assets	-	-	-
Financial liabilities	(285 880)	(64 048)	(91 526)
	(285 880)	**(64 048)**	**(91 526)**

Impact of interest rate risk on cash flows and fair values

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

Cash flow sensitivity analysis for floating rate financial instruments

Increase/decrease of 150 basis points in interest rates at the reporting date would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017 and 2016.

Influence of interest rate change for the period ended:

in PLN thousand	**Financial result**		**Equity**	
	increase of interest rates by 1.5%	decrease of interest rates by 1.5%	increase of interest rates by 1.5%	decrease of interest rates by 1.5%
31.12.2018	(4 288)	4 288	(4 288)	4 288
31.12.2017	(961)	961	(961)	961
31.12.2016	(1 373)	1 373	(1 373)	1 373

Credit risk

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

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group places its cash and cash equivalents in financial institutions with high credit ratings. The Group uses receivables insurance to limit credit risk. The majority of trade receivables are insured, and due to the wide range of the Group's recipients, the concentration of credit risk is not significant.

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

Maximum exposure to credit risk

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Financial assets designated at fair value through profit or loss	21 050	-	-
Receivables at amortised cost (IFRS 9) / Loans and receivables (IAS 39)	101 556	141 620	110 463
Cash and cash equivalents (excluding cash in hand)	76 224	101 802	24 806
	198 830	**243 422**	**135 269**

As at 31 December 2018, loans in the amount of PLN 12 thousand (2017: PLN 12 thousand, 2016: PLN 138 thousand) were not overdue and were not impaired.

Insured trade receivables

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
from other entities	59 109	54 685	11 875

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Not past due	74 532	78 706	42 296
Past due	**43 003**	**49 757**	**55 374**
1-30 days	18 677	22 795	21 544
31-90 days	2 148	2 873	5 222
91-180 days	361	907	3 312
181-365 days	1 020	858	3 500
more than one year	20 797	22 324	21 796
	117 535	**128 463**	**97 670**

Impairment loss

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Not past due	(339)	(453)	(45)
Past due	**(15 652)**	**(16 196)**	**(14 331)**
1-30 days	(22)	-	(15)
31-90 days	(36)	(475)	(149)
91-180 days	(184)	(253)	(8)
181-365 days	(265)	(101)	(60)
more than one year	(15 145)	(15 367)	(14 099)
	(15 991)	**(16 649)**	**(14 376)**

Net carrying value

in PLN thousand	31.12.2018	31.12.2017	31.12.2016
Not past due	74 193	78 253	42 251
Past due	**27 351**	**33 561**	**41 043**
1-30 days	18 655	22 795	21 529
31-90 days	2 112	2 398	5 073
91-180 days	177	654	3 304
181-365 days	755	757	3 440
more than one year	5 652	6 957	7 697
	101 544	**111 814**	**83 294**

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

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016**
Balance at 1 January	(16 649)	(14 376)	(26 079)
Recognition	(1 728)	(2 996)	(445)
Utilization	1 638	391	7 236
Release	748	332	4 912
Balance at 31 December	**(15 991)**	**(16 649)**	**(14 376)**

As at 31 December 2018, trade receivables of PLN 74 193 thousand were not overdue and were not impaired (2017: PLN 78 253 thousand; 2016: PLN 42 251 thousand). As at 31 December 2018, trade receivables of PLN 27 351 thousand (2017: PLN 33 561 thousand; 2016: 41 043 PLN thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with a long history of cooperation, with whom the Group had no problems in the past or are secured with the clients assets.

As at 31 December 2018, trade receivables of PLN 15 652 thousand (2017: PLN 16 196 thousand; 2016: PLN 14 331 thousand) were overdue and impaired. As a result, in 2018 they were provided for in the amount of PLN 15 652 thousand, and in 2017 for PLN 16 196 thousand, and in 2016 for PLN 14 331 thousand. As at 31 December 2018 receivables of PLN 339 thousand were not overdue but impaired due to the financial situation of customers (2017: PLN 453 thousand, 2016: PLN 45 thousand).

Liquidity risk

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

Contractual maturities of financial liabilities including interest payments

As at 31.12.2018

in PLN thousand	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities						
Finance lease liabilities	36 291	36 292	14 523	18 452	3 317	-
Bank overdraft	-	-	-	-	-	-
Bank loans	249 589	272 502	50 014	92 811	129 628	49
Trade and other payables (excluding current income tax payables)	375 001	364 512	338 955	25 557	-	-
	660 881	**673 306**	**403 492**	**136 820**	**132 945**	**49**

As at 31.12.2017

in PLN thousand	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities						
Finance lease liabilities	30 466	26 082	8 664	14 158	3 260	-
Bank overdraft	24 607	24 607	24 607	-	-	-
Other interest-bearing liabilities	372 060	464 898	49 502	413 031	2 365	-
Trade and other payables (excluding current income tax payables)	236 546	246 929	217 031	-	29 898	-
	663 679	**762 516**	**299 804**	**427 189**	**35 523**	**-**

As at 31.12.2016

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	31 360	32 362	11 112	19 809	1 441	-
Bank overdraft	25 274	25 274	25 274	-	-	-
Other interest-bearing liabilities	421 679	566 125	73 271	104 380	388 241	233
Trade and other payables (excluding current income tax payables)	228 061	246 069	202 859	-	43 210	-
	706 374	**869 830**	**312 516**	**124 189**	**432 892**	**233**

Capital management

The basic assumption of the Group's policy in terms of capital management is to maintain strong equity base which determine the confidence of investors, creditors and the market and ensure future development of the business. The Group monitors return on equity and debt ratios.
The Group's objective is to achieve the return on capital that is satisfactory for shareholders.
The Parent Company is subject to the regulation resulting from Article 396 § 1 of the Code of Commercial Companies, which states that the joint stock companies are obliged to transfer at least 8% of the profit for a given financial year recognized in the separate financial statements of the entity to share premium, until it reaches at least one third of the share capital of the entity.
The capital management principles of the Group have been applied consistently during financial year.

32 Capital commitments, future contractual obligations and contingencies

a) future contractual obligations

The Group has future liabilities resulting from agreements concluded by the Group not included in the balance sheet as at the balance sheet date.
Due to the perpetual usufruct rights held, future liabilities are as at December 31, 2018: PLN 47 004 thousand.
The future contractual obligations under the noncancellable lease as at December 31, 2018 amount to PLN 2 610 thousand.

b) capital commitments

The Group has the capital commitments relating to the following investment projects:

Investment project	Capital commitment (in thousand PLN)
Drives of the initial group of rollers	1 479
Modernization of rolling mills - new rolling stands, shears, automation of the end section	41 035
Closed water circuit	4 600
Modernization of the EAF furnace	18 757
Modernization of the steelworks - reactive power compensation	6 416
Electromagnets	202
Construction of a new rotary kiln	16 889
Modernization of the D-5 arc furnace	6 450
Exhaust from the new rotary kiln	1 533
Closing dirty cycle	1 466
Saw modernization	3 287
	102 114

c) contingencies

The Group has no contingent liabilities.

33 Research projects and grants awarded

The Group has concluded a number of agreements with the National Center for Research and Development for co-financing under the Smart Growth Operational Program, co-financed from the European Regional Development Fund.

Project's name	Date of agreement	The total costs of the project (PLN thousand)	Grant amount awarded PLN thousand)
a) Development of economically and ecologically justified technology of steel production in an electric arc furnace (EAF) based on the recycling of iron-bearing waste (including scale)	30.03.2017	17 446	7 433
b) Innovative technology for the production of new-generation sections for the needs of residential and industrial construction	11.04.2017	8 655	4 056
c) Development of an innovative technology for recycling low-quality post-production waste from copper and its alloys	21.12.2017	9 344	4 024
d) Innovative steel production technology with very high metallurgical purity for the most responsible applications in the automotive industry	22.06.2018	12 783	5 351
e) Development and implementation of innovative technology for the production of rolled products for the purpose of precise forging of forgings for the automotive industry	28.06.2018	20 799	8 510

The above projects are co-financed from the European Regional Development Fund. In the event of failure to meet the contractual terms, the financing may be withheld or withdrawn.

34 Government grants and other deferred income

	31.12.2018	31.12.2017	31.12.2016
Grant from NCRD relaing to project from note 33a	4 705	-	-
Grant from NCRD relaing to project from note 33c	578	-	-
Umorzenie zobowiązań z tyt. pożyczki WFOŚiGW	159	-	-
Other	212	117	117
	5 654	**117**	**117**

35 Explanatory note to the statement fo cash flows

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Change in receivables and prepayments in statement of financial position	3 806	(34 592)	(11 696)
Exchange differences resulting from foreign entities translation	4	(10)	8
Change of recourse factoring into non-recourse	-	(10 509)	-
Recognition of allowance on receivables in equity (resulting from implementation of IFRS 9)	(342)	-	-
Change of advances for acquisition of fixed assets	10 677	-	-
Compensation agreements	-	(823)	-
Change in receivables and prepayments in statement of cash flows	**14 145**	**(45 934)**	**(11 688)**

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Change in trade and other payables statement of financial position	128 630	15 586	42 707
Exchange differences resulting from foreign entities translation	(6)	8	(19)
Change of investment payables	(4 567)	4 547	(1 801)
Compensation agreements	-	823	-
Change of dividends payables	-	-	(30)
Change of payables to Shareholder	-	9 312	10 553
Change in payables due to the transfer of the result to the Social Fund	-	-	(192)
Change in trade and other payables in statement of cash flows	**124 057**	**30 276**	**51 218**

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Change in provisions in statement of financial position	21 762	17 275	(10 805)
Change on deferred taxation	(20 730)	(17 950)	7 859
Change on deferred taxation recognized in equity	-	902	338
Change in provisions in statement of cash flows	**1 032**	**227**	**(2 608)**

36 Related parties

Identity of related parties

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

Controlling entities

- PS Holdco Sp. z o.o.
- 4Workers Sp. z o.o. (previously 4Workers Przemysław Sztuczkowski)
- FER Holding Sp. z o.o.

Associates are as follows:

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

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	31.12.2018	31.12.2017	31.12.2016
Short-term receivables:			
- controlling entities	64	18	220
- associates	-	-	-
- related companies to the controlling entities	-	3	1
Short-term liabilities			
- controlling entities*	19 083	19 972	25 504
- related companies to the controlling entities	-	-	-
- associates	-	-	64
Loans granted			
- controlling entities	-	-	126
Loans received			
- related companies to the controlling entities	-	539	2 575
Short-term investments			
- controlling entities*	-	-	4 750

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

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016**
Revenues from sale of services			
- controlling entities	32	41	207
- related companies to the controlling entities	-	2	2
- associates	29	29	29
Revenues from sale of raw materials and merchandise			
- related companies to the controlling entities	-	1	1
Purchase of merchandise and raw materials			
- controlling entities	273	1 158	877
Purchase of services			
- controlling entities	3 974	2 757	3 668
- associates	783	691	652
- related companies to the controlling entities	10 190	5 015	4 920
Other income			
- controlling entities	-	7	26
Financial costs			
- controlling entities	(3 385)	(4 627)	(2 430)

Transactions with the members of the Management and Supervisory Boards

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

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**	**01.01.2016 - 31.12.2016**
Management Board of the Parent Company	9 978	5 030	5 112
Supervisory Board of the Parent Company	378	378	378
Management Boards of subsidiaries	1 666	3 013	3 162
Supervisory Boards of subsidiaries	-	10	28
	12 022	**8 431**	**8 680**

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

37 Remuneration of the statutory auditor

in PLN thousand	**2018**
Audit of the separate and consolidated financial statements of Cognor Holding S.A. for 2018 (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	35
Semi-annual reviews (for the first half of 2018) separate and consolidated financial statements of Cognor Holding S.A. (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	15
Audit of separate financial statements of subsidiaries (Pricewaterhousecoopers Polska Spółka z ograniczoną	185
Audit of separate financial statements of subsidiaries (Primefields Sp. z o.o.)	9
Audit of separate financial statements of subsidiaries (FKCA Ltd)	23
Attestation service in the scope of verification of the intensity coefficient of electric energy consumption (Cognor S.A.) (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	20
	287

38 Subsequent events

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

Poraj, 28 February 2019

Przemysław Sztuczkowski
Chairman of the Management Board

Przemysław Grzesiak
Vice-Chairman of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board