

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the six months ended
30 June 2019**

14 August 2019

Condensed consolidated statement of financial position

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Assets			
Property, plant and equipment	343 813	284 617	280 947
Intangible assets	20 432	17 965	19 670
Investment property	122	123	124
Investment in associates	2 525	2 589	3 223
Other investments	55	55	55
Other receivables	376	324	272
Prepaid perpetual usufruct of land	34 074	23 013	23 218
Deferred tax assets	44 045	50 610	65 344
Total non-current assets	445 442	379 296	392 853
Inventories	343 654	376 969	334 527
Other investments	102	12	12
Current income tax receivables	661	660	748
Trade and other receivables	208 009	167 982	185 714
Cash and cash equivalents	39 379	76 459	101 443
Total current assets	591 805	622 082	622 444
Total assets	1 037 247	1 001 378	1 015 297

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of financial position - continued

in PLN thousand

	30.06.2019	31.12.2018 *restated	30.06.2018
Equity			
Issued share capital	182 483	180 626	177 923
Reserves	84 860	86 717	90 005
Foreign currency translation reserves	36	40	72
Retained earnings	33 649	10 781	(14 807)
Total equity attributable to owners of the Parent Company	301 028	278 164	253 193
Non-controlling interests	19 080	17 721	17 751
Total equity	320 108	295 885	270 944
Liabilities			
Interest-bearing loans and borrowings	258 520	229 188	375 286
Employee benefits obligation	11 178	10 677	11 273
Other payables	17 564	18 558	16 846
Deferred tax liabilities	1 413	1 162	1 212
Total non-current liabilities	288 675	259 585	404 617
Bank overdraft	6 082	-	2 048
Interest-bearing loans and borrowings	60 755	54 161	61 282
Employee benefits obligation	1 683	7 258	2 594
Other financial liabilities	3 578	2 531	-
Current income tax payables	-	-	117
Provisions for payables	226	4 394	4 397
Trade and other payables	348 336	371 911	269 181
Government grants and other deferred income	7 804	5 653	117
Total current liabilities	428 464	445 908	339 736
Total liabilities	717 139	705 493	744 353
Total equity and liabilities	1 037 247	1 001 378	1 015 297

* see note no. 4

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Condensed consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	01.04.2019 - 30.06.2019	01.04.2018 - 30.06.2018	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Revenue	516 325	535 702	1 036 019	1 059 933
Cost of sales	(452 662)	(453 760)	(925 738)	(904 027)
Gross profit	63 663	81 942	110 281	155 906
Other income	4 461	3 536	6 828	4 196
Distribution expenses	(19 604)	(17 403)	(39 822)	(34 214)
Administrative expenses	(12 814)	(13 276)	(25 264)	(24 102)
Other (losses)/gains - net	(590)	1 159	(654)	2 223
Other expenses	(3 566)	(5 000)	(4 703)	(6 146)
Operating profit before financing costs	31 550	50 958	46 666	97 863
Financial income	793	-	2 245	-
Financial expenses	(9 462)	(32 717)	(15 771)	(48 039)
Net financing costs	(8 669)	(32 717)	(13 526)	(48 039)
Share of profit of associates	(102)	(32)	(64)	(28)
Profit before tax	22 779	18 209	33 076	49 796
Income tax expense	(5 647)	(1 480)	(6 816)	(6 429)
Profit for the period	17 132	16 729	26 260	43 367
Profit for the period attributable to:				
Owners of the Parent Company	16 145	16 026	24 901	41 226
Non-controlling interests	987	703	1 359	2 141
Profit for the period	17 132	16 729	26 260	43 367
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences	(9)	53	(4)	64
Total comprehensive income for the period	17 123	16 782	26 256	43 431
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	16 136	16 079	24 897	41 290
Non-controlling interests	987	703	1 359	2 141
Total comprehensive income for the period	17 123	16 782	26 256	43 431
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,13	0,14	0,21	0,35
- from continuing operations	0,13	0,14	0,21	0,35
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,11	0,11	0,16	0,28
- from continuing operations	0,11	0,11	0,16	0,28

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

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

in PLN thousand

	01.07.2018 - 30.06.2019	01.07.2017 - 30.06.2018
Revenue	2 057 927	1 999 272
Cost of sales	(1 827 239)	(1 734 589)
Gross profit	230 688	264 683
Other income	13 174	11 649
Distribution expenses	(82 308)	(68 459)
Administrative expenses	(47 203)	(54 278)
Other (losses)/gains - net	(900)	396
Other expenses	(8 440)	(12 140)
Operating profit before financing costs	105 011	141 851
Financial income	6 705	4 437
Financial expenses	(34 962)	(75 495)
Net financing costs	(28 257)	(71 058)
Share of profit of associates	(698)	45
Gain on bargain purchase	-	-
Profit before tax	76 056	70 838
Income tax expense	(21 117)	(15 423)
Profit for the period	54 939	55 415
Profit for the period attributable to:		
Owners of the Parent Company	52 214	53 253
Non-controlling interests	2 725	2 162
Profit for the period	54 939	55 415

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

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

in PLN thousand

		01.07.2018 - 30.06.2019	01.07.2017 - 30.06.2018
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		(36)	63
Total comprehensive income for the period		54 903	55 478
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		52 178	53 316
Non-controlling interests		2 725	2 162
Total comprehensive income for the period		54 903	55 478
Basic earnings per share (PLN) attributable to the owners of the Parent Company	13	0,43	0,53
- from continuing operations		0,43	0,53
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	13	0,34	0,42
- from continuing operations		0,34	0,42

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Condensed consolidated statement of cash flows

<i>in PLN thousand</i>	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Profit/(loss) before tax from continuing operations	33 076	49 796
Adjustments		
Depreciation	22 643	21 632
Amortization	448	377
Impairment losses and valuation allowances	(762)	-
Foreign exchange (gains)/losses	(1 197)	16 676
Net (gains)/losses on disposal of property, plant and equipment	187	(173)
Interest, transaction costs (related to loans and borrowings) and dividends, net	16 477	30 472
Change in receivables	(26 488)	(15 220)
Change in inventories	33 315	(57 033)
Change in trade and other payables	(34 647)	23 981
Change in provisions	(4 168)	1 035
Change in employee benefits obligation	(5 074)	(2 537)
Change in government grants and other deferred income	(413)	-
Share of profit of associates	64	28
Other adjustments	(1 412)	-
Cash generated/(outflows) from operating activities	32 049	69 034
Income tax (paid)/returned, incl.	(1)	(236)
Net cash from operating activities	32 048	68 798
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1 131	1 565
Proceeds from sale of intangibles	35	32
Proceeds from sale of perpetual usufruct	-	2 765
Acquisition of shares in consolidated companies (net of cash acquired)	(4)	(77)
Interest received	13	93
Acquisition of property, plant and equipment	(26 517)	(7 829)
Acquisition of intangible assets	(2 924)	(6 030)
Loans granted	(90)	-
Net cash from investing activities	(28 356)	(9 481)
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	-	15 169
Proceeds from factoring	-	743
Repayment of interest-bearing loans and borrowings	(20 291)	(1 593)
Payment of lease liabilities	(10 706)	(5 891)
Dividends and interests on exchangeable notes paid	(2 029)	(13 902)
Interest and transaction costs (related to loans and borrowings) paid	(17 804)	(31 887)
Received grants - investing activities	3 288	-
Received grants - other	688	-
Net cash from financing activities	(46 854)	(37 361)
Net increase / (decrease) in cash and cash equivalents	(43 162)	21 956
Cash and cash equivalents net of bank overdraft, at 1 January	76 459	77 439
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	33 297	99 395
- including cash restricted for use	50	2 215

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

Condensed consolidated statement of cash flows (last twelve months)

<i>in PLN thousand</i>	01.07.2018 - 30.06.2019	01.07.2017 - 30.06.2018
(Loss)/profit before tax from continuing operations	76 056	70 838
Adjustments		
Depreciation	43 893	42 648
Amortization	1 050	701
Impairment losses and valuation allowances	(1 079)	(3 605)
Foreign exchange (gains)/losses	(18 170)	11 674
Net (gains)/losses on disposal of property, plant and equipment	(45)	669
Interest, transaction costs (related to loans and borrowings) and dividends, net	34 245	51 668
Change in receivables	2 877	(37 801)
Change in inventories	(4 272)	(13 852)
Change in trade and other payables	65 429	25 380
Change in provisions	(4 171)	(652)
Change in employee benefits obligation	(1 006)	2 136
Change in government grants and other deferred income	1 687	-
Share of profit of associates	698	(45)
Other adjustments	(2 100)	-
Cash generated/(outflows) from operating activities	195 092	149 759
Cash generated from operating activities	195 092	149 759
Income tax (paid)/returned, incl.	353	(682)
- continuing operations	353	(682)
- discontinued operations	-	-
Net cash from operating activities	195 445	149 077

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

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

<i>in PLN thousand</i>	01.07.2018 - 30.06.2019	01.07.2017 - 30.06.2018
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2 183	2 181
Proceeds from sale of intangibles	40	309
Proceeds from sale of perpetual usufruct	4	2 765
Interest received	108	355
Dividends received	50	50
Repayment of loans granted	-	71
Acquisition of property, plant and equipment	(55 395)	(15 144)
Acquisition of intangible assets	(2 833)	(7 302)
Acquisition of investment properties	-	(125)
Prepaid perpetual usufruct of land	-	(1)
Acquisition of shares in consolidated companies	(545)	(77)
Loans granted	(90)	-
Cash generated on investing activities from continuing operations	(56 478)	(16 918)
Cash generated on investing activities from discontinued operations	-	-
Net cash from investing activities	(56 478)	(16 918)
Cash flows from financing activities		
Net cash receipts from share issue	-	39 792
Paid emission costs	(1 060)	-
Proceeds from interest-bearing loans and borrowings	298 838	13 566
Proceeds from factoring	(1 997)	1 709
Repayment of interest-bearing loans and borrowings	(433 490)	(18 431)
Payment of lease liabilities	(17 215)	(12 172)
Dividends and interests on exchangeable notes paid	(4 134)	(16 001)
Interest and transaction costs (related to loans and borrowings) paid	(54 107)	(56 285)
Received grants - investing activities	6 724	-
Received grants - other	1 376	-
Cash outflows on financing activities from continuing operations	(205 065)	(47 822)
Cash outflows from discontinued operations	-	-
Net cash from financing activities	(205 065)	(47 822)
Net increase / (decrease) in cash and cash equivalents	(66 098)	84 337
Cash and cash equivalents net of bank overdraft, at 1 July	99 395	15 058
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	33 297	99 395
- including cash restricted for use	50	2 215

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

Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company					Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total		
<i>in PLN thousand</i>							
Equity as at 1 January 2018	177 923	221 018	8	(173 600)	225 349	16 485	241 834
<i>Change of accounting method due to application of IFRS9</i>	-	-	-	(342)	(342)	-	(342)
Equity as at 1 January 2018	177 923	221 018	8	(173 942)	225 007	16 485	241 492
<i>Total comprehensive income</i>	-	-	64	41 226	41 290	2 141	43 431
<i>- (loss)/profit</i>	-	-	-	41 226	41 226	2 141	43 367
<i>- foreign currency translation differences relating to foreign operations</i>	-	-	64	-	64	-	64
Transactions with owners of the Company, recognised in equity							
<i>Contribution by and distributions to owners of the Company</i>	-	-	-	(13 902)	(13 902)	-	(13 902)
<i>Dividends</i>	-	-	-	(11 862)	(11 862)	-	(11 862)
<i>Interests on exchangeable notes in the period</i>	-	-	-	(2 040)	(2 040)	-	(2 040)
<i>Change in ownership interests</i>	-	-	-	798	798	(875)	(77)
<i>Changes in minority after acquisition</i>	-	-	-	798	798	(875)	(77)
<i>Creation of other reserves from profit</i>	-	34 259	-	(34 259)	-	-	-
<i>Cover of losses from previous periods from other reserves</i>	-	(165 272)	-	165 272	-	-	-
Equity as at 30 June 2018	177 923	90 005	72	(14 807)	253 193	17 751	270 944
Equity as at 1 January 2018	177 923	221 018	8	(173 600)	225 349	16 485	241 834
<i>Change of accounting method due to application of IFRS9</i>	-	-	-	(342)	(342)	-	(342)
Equity as at 1 January 2018	177 923	221 018	8	(173 942)	225 007	16 485	241 492
<i>Total comprehensive income</i>	-	-	32	68 539	68 571	3 507	72 078
<i>- (loss)/profit</i>	-	-	-	68 539	68 539	3 507	72 046
<i>- foreign currency translation differences relating to foreign operations</i>	-	-	32	-	32	-	32
Transactions with owners of the Company, recognised in equity							
<i>Contribution by and distributions to owners of the Company</i>	2 703	(3 763)	-	(16 007)	(17 067)	-	(17 067)
<i>Dividends</i>	-	-	-	(11 862)	(11 862)	-	(11 862)
<i>Emission costs</i>	-	(1 060)	-	-	(1 060)	-	(1 060)
<i>Conversion of exchangeable notes</i>	2 703	(2 703)	-	-	-	-	-
<i>Interests on exchangeable notes in the period</i>	-	-	-	(4 145)	(4 145)	-	(4 145)
<i>Change in ownership interests</i>	-	-	-	1 653	1 653	(2 271)	(618)
<i>Changes in minority after acquisition</i>	-	-	-	1 653	1 653	(2 271)	(618)
<i>Creation of other reserves from profit</i>	-	34 734	-	(34 734)	-	-	-
<i>Cover of losses from previous periods from other reserves</i>	-	(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 part of the consolidated financial statements

Condensed consolidated statement of changes in equity - continued

	Attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings			
<i>in PLN thousand</i>							
Equity as at 1 January 2019	180 626	86 717	40	10 781	278 164	17 721	295 885
Total comprehensive income	-	-	(4)	24 901	24 897	1 359	26 256
- profit	-	-	-	24 901	24 901	1 359	26 260
- foreign currency translation differences relating to foreign operations	-	-	(4)	-	(4)	-	(4)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	1 857	(1 857)	-	(2 029)	(2 029)	-	(2 029)
Conversion of exchangeable notes	1 857	(1 857)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 029)	(2 029)	-	(2 029)
Change in ownership interests	-	-	-	(4)	(4)	-	(4)
Changes in minority after acquisition	-	-	-	(4)	(4)	-	(4)
Equity as at 30 June 2019	182 483	84 860	36	33 649	301 028	19 080	320 108

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

1 Parent entity

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

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

2 Cognor Holding S.A. Group

The condensed consolidated interim financial statements as at and for the three months ended 30 June 2019 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 June 2019 are presented in the table below.

Name of the entity	Seat of the entity	Ownership interest and voting rights	Date of obtaining control
COGNOR S.A.	Poland	94.38%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (previously KAPITAŁ S.A. Sp. k.)	Poland	98.0%	2008-03-25*
COGNOR BLACHY DACHOWE S.A.	Poland	100.0%	01.08.2007
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	94.38%	2006-05-15*
COGNOR INTERNATIONAL FINANCE plc	Great Britain	94.38%	24.10.2013
4 GROUPS Sp. z o.o.	Poland	28.31% (associate)	21.01.2013
MADROHUT Sp. z o.o.	Poland	23.6% (associate)	11.04.2014

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

Acquisitions in 2019

In the first six months of 2019, Cognor Holding S.A. acquired Cognor S.A. shares worth 4 thousand PLN. This did not affect the change in the share capital of Cognor S.A.

3 Basis of preparation of consolidated financial statements

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2019.

b) Ongoing basis

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

c) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2018, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

New and changed standards and interpretations applied

In these consolidated financial statements, the following new standards and amendments to existing standards have been applied for the first time, which entered into force on January 1, 2019:

a) IFRS 16 "Leases"

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 effect of the changes as at January 1, 2019 and the impact on these consolidated statements is presented in note 5.

b) Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument.

No impact on these consolidated financial statements.

c) Amendments to IAS 28 „Long-term Interests in Associates and Joint Ventures”

The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.

No impact on these consolidated financial statements.

d) IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

No impact on these consolidated financial statements.

e) Annual Improvements to IFRSs 2015-2017 cycle

"Annual improvements to IFRS 2015-2017" introduce changes to 4 standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

The amendments include explanations and clarify the guidelines of the standards in the scope of recognition and valuation.

No impact on these consolidated financial statements.

f) Amendments to IAS 19

The amendments specify how to determine pension expenses when an amendment, curtailment or settlement to a defined benefit pension plan occur.

No impact on these consolidated financial statements.

Published standards and interpretations that are not yet in force and have not been previously applied by the Group

In these consolidated financial statements, the Group has not decided to apply earlier the following published standards, interpretations or amendments to existing standards before their date of entry into force:

- a) IFRS 17 "Insurance Contracts"
- b) Amendments to the Conceptual Framework for Financial Reporting
- c) Amendments to IFRS 3
- d) Amendments to IAS 1 and IAS 8
- e) IFRS 14 "Regulatory Deferral Accounts "
- f) Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

d) Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2018.

e) Additional comparative periods

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

The interim condensed consolidated financial statements of the Group cover the period of six months ended on June 30, 2019 and contain comparative data for the six months ended June 30, 2018 and as at December 31, 2018 - they were reviewed or audited by a certified auditor. The consolidated interim consolidated income statement and total income includes data for the 3 months ended 30 June 2019 and comparative data for the 3 months ended 30 June 2018, as well as for the 12 months ended 30 June 2019 and data comparative for the period of 12 months ended 30 June 2018 - they were not reviewed or audited by a certified auditor.

4 Restatement of consolidated comparative

The Group decided to disclose the valuation of financial instrument in the form of an interest rate swap (IRS) in a separate position in short-term liabilities.

Presented below is the transformation of comparative data for consolidated financial statements of financial position as at December 31, 2018.

Condensed consolidated statement of financial position as at December 31, 2018

in PLN thousand

	Published data	Reclassification of IRS valuation presentation	Restated data
Bank overdraft	-	-	-
Interest-bearing loans and borrowings	56 692	(2 531)	54 161
Other financial liabilities	-	2 531	2 531
Employee benefits obligation	7 258	-	7 258
Current income tax liabilities	-	-	-
Provisions for liabilities	4 394	-	4 394
Trade and other liabilities	371 911	-	371 911
Government grants and other deferred income	5 653	-	5 653
Total current liabilities	445 908	-	445 908

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 and introduces a single lessee accounting model. In connection with the above, the existing other leases, operating leases and future payments for perpetual usufruct of land, which in respect of the liabilities and assets owned resulting from them were not recognised in the balance sheet, have now been recognised in analogy to financial lease agreements previously regulated by IAS 17.

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 had not transformed comparative data, the effect of applying this standard had no impact on the opening balance of retained earnings on the date of first application.

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. 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 i.e. as 'property, plant and equipment' and 'prepaid perpetual usufruct of land'.

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.

The weighted average interest rate used to discount leasing liabilities was 5.7%. It was determined based on the external cost of the Capital Group's debt.

Short-term leases are leases with a lease term of 12 months or less or leases for an indefinite period with a notice period of less than 12 months. Low-value assets comprise gas cylinders, IT-equipment etc. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

in PLN thousand

	30.06.2019	01.01.2019
Operating lease commitments disclosed as at 1 January 2019		105 705
Discounted using the incremental borrowing rate of at the date of initial application		55 211
- (Less): short-term and low-value leases recognised on a straight-line basis as expense		(402)
Lease liability (operational leases and other leases not previously recognised) recognised as at 1 January 2019		54 809
<i>Of which are:</i>		
-Non-current lease liabilities (operational leases and other leases not previously recognised)	44 864	48 323
-Current lease liabilities (operational leases and other leases not previously recognised)	8 233	6 486
	53 097	54 809

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

	30.06.2019	01.01.2019
a) property, plant and equipment	41 118	43 458
-Land	7 313	7 665
-Buildings	27 879	29 145
-Plant and equipment	5 926	6 648
b) prepaid perpetual usufruct of land	11 276	11 351
	52 394	54 809

In connection with the application of the new standard, results in operating segments have changed as a result of recognition of depreciation from rights to use assets. Interest on leases as financing costs remain unallocated.

**Adjusted result on
segment operating
activities**

in PLN thousand

Scrap metal	(100)
Billets HSJ	(111)
Billets FER	(450)
Finished products HSJ	(415)
Finished products FER	(1 243)
Non-ferrous scrap metal	(25)
Non-ferrous finished products	(12)
Other	(59)
	<u>(2 415)</u>

6 Revenues from sale

in PLN thousand

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
Revenue from sale goods or services transferred to customers at a point in time	1 017 928	1 043 731
Revenue from sale goods or services transferred to customers over time	18 091	16 202
	1 036 019	1 059 933
Revenues from sale of products	895 986	895 266
Revenues from sale of services	18 091	16 202
Revenues from sale of goods	114 427	139 102
Revenues from sale of raw materials	7 515	9 363
	1 036 019	1 059 933

7 Segment reporting

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

The following main activities have been distinguished:

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

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

7 Segment reporting - continued

Business segments (for the three months ended 30 June)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
01.04.2019 - 30.06.2019											
Revenue from external customers	33 880	34 165	70 102	165 163	157 819	14 928	20 148	20 092	11		
Inter-segment revenue	39 165	7 364	-	1 290	8 817	4 652	746	1 312	1 810		
Total revenue	73 045	41 529	70 102	166 453	166 636	19 580	20 894	21 404	1 821	(65 139)	516 325
Cost of sales to external customers	(31 786)	(31 037)	(61 224)	(138 389)	(142 693)	(14 146)	(18 357)	(18 246)	604		
Inter-segment cost of sales	(37 432)	(7 143)	-	(1 093)	(8 349)	(4 547)	(694)	(967)	(953)		
Total cost of sales	(69 218)	(38 180)	(61 224)	(139 482)	(151 042)	(18 693)	(19 051)	(19 213)	(349)	63 790	(452 662)
Segment result	3 827	3 349	8 878	26 971	15 594	887	1 843	2 191	1 472	(1 349)	63 663
Other income	476	423	450	1 604	1 228	127	304	186	-	(337)	4 461
Distribution and administrative expenses	(3 849)	(3 558)	(1 247)	(9 010)	(8 084)	(1 024)	(1 180)	(967)	(4 897)	1 398	(32 418)
Other gain/(losses) net	163	(68)	(127)	(262)	(396)	40	(11)	77	(2)	(4)	(590)
Other expenses	(147)	(225)	(239)	(870)	(715)	(40)	(40)	(908)	(702)	320	(3 566)
Operating profit/(loss)	470	(79)	7 715	18 433	7 627	(10)	916	579	(4 129)	28	31 550
Net financing costs									(8 933)	264	(8 669)
Share of profit of associates, net of tax											(102)
Income tax expense											(5 647)
Profit for the period											17 132

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
01.04.2018 - 30.06.2018											
Revenue from external customers	51 931	34 242	43 718	188 360	161 561	22 077	19 924	13 875	14		
Inter-segment revenue	44 583	4 116	-	-	13 468	8 060	3 567	4 014	3 072		
Total revenue	96 514	38 358	43 718	188 360	175 029	30 137	23 491	17 889	3 086	(80 880)	535 702
Cost of sales to external customers	(47 833)	(30 069)	(37 241)	(154 755)	(143 428)	(21 015)	(18 219)	(11 084)	(2)		
Inter-segment cost of sales	(42 784)	(3 485)	-	-	(12 161)	(7 833)	(3 417)	(3 290)	(745)		
Total cost of sales	(90 617)	(33 554)	(37 241)	(154 755)	(155 589)	(28 848)	(21 636)	(14 374)	(747)	83 601	(453 760)
Segment result	5 897	4 804	6 477	33 605	19 440	1 289	1 855	3 515	2 339	2 721	81 942
Other income	75	301	1 082	1 325	3 833	27	47	545	1 118	(4 817)	3 536
Distribution and administrative expenses	(3 789)	(1 912)	(775)	(7 413)	(7 272)	(1 274)	(1 350)	(1 867)	(6 208)	1 181	(30 679)
Other gain/(losses) net	80	164	168	746	550	63	108	50	45	(815)	1 159
Other expenses	(69)	(424)	(134)	(1 945)	(494)	(19)	(18)	(170)	(2)	(1 725)	(5 000)
Operating profit	2 194	2 933	6 818	26 318	16 057	86	642	2 073	(2 708)	(3 455)	50 958
Net financing costs									(37 144)	4 427	(32 717)
Share of profit of associates, net of tax											(32)
Income tax expense											(1 480)
Profit for the period											16 729

Business segments (for the six months ended 30 June)

<i>in PLN thousand</i>	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
01.01.2019 - 30.06.2019											
Revenue from external customers	74 964	74 358	121 284	343 939	313 763	31 118	40 151	36 395		23	
Inter-segment revenue	89 405	18 063	-	1 766	21 117	10 641	1 619	3 318		3 892	
Total revenue	164 369	92 421	121 284	345 705	334 880	41 759	41 770	39 713	3 915	(149 797)	1 036 019
Cost of sales to external customers	(70 000)	(71 358)	(107 263)	(297 526)	(289 876)	(29 369)	(36 905)	(30 274)		(9)	
Inter-segment cost of sales	(85 690)	(17 690)	-	(1 528)	(20 333)	(10 193)	(1 535)	(2 201)		(964)	
Total cost of sales	(155 690)	(89 048)	(107 263)	(299 054)	(310 209)	(39 562)	(38 440)	(32 475)	(973)	146 976	(925 738)
Segment result	8 679	3 373	14 021	46 651	24 671	2 197	3 330	7 238	2 942	(2 821)	110 281
Other income	768	535	722	1 999	2 346	199	400	360		4	(505)
Distribution and administrative expenses	(7 964)	(6 579)	(2 034)	(18 237)	(15 464)	(2 028)	(2 294)	(2 855)		(10 596)	2 965
Other gain/(losses) net	232	(110)	(144)	(411)	(466)	57	(11)	93		55	51
Other expenses	(344)	(381)	(308)	(1 422)	(1 000)	(87)	(65)	(978)		(759)	641
Operating profit/(loss)	1 371	(3 162)	12 257	28 580	10 087	338	1 360	3 858	(8 354)	331	46 666
Net financing costs										(14 953)	1 427
Share of profit of associates, net of tax											(64)
Income tax expense											(6 816)
Profit for the period											26 260

<i>in PLN thousand</i>	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
01.01.2018 - 30.06.2018											
Revenue from external customers	94 990	63 363	119 593	356 433	322 923	36 079	37 739	28 785	28		
Inter-segment revenue	103 520	18 106	-	-	32 561	15 045	7 601	5 506	4 609		
Total revenue	198 510	81 469	119 593	356 433	355 484	51 124	45 340	34 291	4 637	(186 948)	1 059 933
Cost of sales to external customers	(87 151)	(55 886)	(102 558)	(300 349)	(283 398)	(34 395)	(34 685)	(23 293)	(3)		
Inter-segment cost of sales	(99 201)	(15 715)	-	-	(29 025)	(14 421)	(7 247)	(3 986)	(747)		
Total cost of sales	(186 352)	(71 601)	(102 558)	(300 349)	(312 423)	(48 816)	(41 932)	(27 279)	(750)	188 033	(904 027)
Segment result	12 158	9 868	17 035	56 084	43 061	2 308	3 408	7 012	3 887	1 085	155 906
Other income	224	321	1 154	1 403	4 042	58	81	662	1 128	(4 877)	4 196
Distribution and administrative expenses	(7 986)	(4 134)	(1 642)	(14 198)	(13 434)	(2 065)	(2 361)	(3 732)	(11 525)	2 761	(58 316)
Other gain/(losses) net	872	219	105	959	367	225	214	135	317	(1 190)	2 223
Other expenses	(89)	(616)	(176)	(2 694)	(615)	(23)	(32)	(206)	(2)	(1 693)	(6 146)
Operating profit	5 179	5 658	16 476	41 554	33 421	503	1 310	3 871	(6 195)	(3 914)	97 863
Net financing costs									(54 396)	6 357	(48 039)
Share of profit of associates, net of tax											(28)
Income tax expense											(6 429)
Profit for the period											43 367

Business segments (for the twelve months ended 30 June)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
01.07.2018 - 30.06.2019											
Revenue from external customers	165 974	128 364	217 122	669 666	674 031	60 630	70 216	71 842	58		
Inter-segment revenue	178 763	40 457	-	1 954	46 962	21 803	5 805	19 047	18 777		
Total revenue	344 737	168 821	217 122	671 620	720 993	82 433	76 021	90 889	18 835	(333 544)	2 057 927
Cost of sales to external customers	(153 531)	(120 325)	(193 683)	(576 408)	(613 398)	(57 179)	(64 428)	(60 771)	369		
Inter-segment cost of sales	(171 965)	(37 731)	-	(1 664)	(44 157)	(20 824)	(4 439)	(17 636)	(1 470)		
Total cost of sales	(325 496)	(158 056)	(193 683)	(578 072)	(657 555)	(78 003)	(68 867)	(78 407)	(1 101)	312 001	(1 827 239)
Segment result	19 241	10 765	23 439	93 548	63 438	4 430	7 154	12 482	17 734	(21 543)	230 688
Other income	1 233	597	399	2 956	1 722	324	1 098	676	87	4 082	13 174
Distribution and administrative expenses	(16 331)	(12 027)	(3 586)	(35 622)	(30 941)	(3 965)	(4 940)	(7 761)	(33 309)	18 971	(129 511)
Other gain/(losses) net	454	(298)	(125)	(1 176)	(322)	98	11	172	90	196	(900)
Other expenses	(588)	(158)	(852)	(1 148)	(3 343)	(146)	(131)	(1 604)	(845)	375	(8 440)
Operating profit/(loss)	4 009	(1 121)	19 275	58 558	30 554	741	3 192	3 965	(16 243)	2 081	105 011
Net financing costs									(30 325)	2 068	(28 257)
Share of profit of associates, net of tax											(698)
Income tax expense											(21 117)
Profit for the period											54 939

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
01.07.2017 - 30.06.2018											
Revenue from external customers	176 195	111 955	242 339	605 860	672 084	65 974	69 337	55 489	39		
Inter-segment revenue	200 431	43 155	-	5	47 843	31 314	10 244	7 714	37 149		
Total revenue	376 626	155 110	242 339	605 865	719 927	97 288	79 581	63 203	37 188	(377 855)	1 999 272
Cost of sales to external customers	(165 037)	(100 440)	(210 257)	(523 567)	(600 459)	(62 081)	(64 347)	(39 968)	(3)		
Inter-segment cost of sales	(190 358)	(37 375)	-	(4)	(43 018)	(28 499)	(10 806)	(5 603)	(809)		
Total cost of sales	(355 395)	(137 815)	(210 257)	(523 571)	(643 477)	(90 580)	(75 153)	(45 571)	(812)	348 042	(1 734 589)
Segment result	21 231	17 295	32 082	82 294	76 450	6 708	4 428	17 632	36 376	(29 813)	264 683
Other income	980	514	1 800	2 044	6 105	263	180	1 055	1 123	(2 415)	11 649
Distribution and administrative expenses	(17 061)	(8 701)	(3 693)	(28 748)	(28 194)	(3 846)	(4 156)	(8 615)	(55 095)	35 372	(122 737)
Other gain/(losses) net	685	131	86	662	311	173	173	151	3 079	(5 055)	396
Other expenses	(233)	(1 183)	(1 217)	(4 606)	(3 720)	(63)	(78)	(848)	(16)	(176)	(12 140)
Operating profit	5 602	8 056	29 058	51 646	50 952	3 235	547	9 375	(14 533)	(2 087)	141 851
Net financing costs									(78 333)	7 275	(71 058)
Share of profit of associates, net of tax											45
Income tax expense											(15 423)
Profit for the period											55 415

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.06.2019											
Segment assets	78 450	71 129	69 128	249 486	357 230	20 090	28 377	47 999	147 002	(31 644)	1 037 247
Segment liabilities	22 389	31 632	40 623	110 836	130 215	5 736	8 319	18 458	385 620	(36 689)	717 139

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
31.12.2018											
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

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

Unallocated assets

in PLN thousand

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

30.06.2019	31.12.2018	30.06.2018
2 682	2 656	3 290
44 045	50 610	65 344
122	123	124
661	660	748
39 379	76 459	101 443
50 397	51 321	41 910
9 716	13 115	7 814
147 002	194 944	220 673

Unallocated liabilities

in PLN thousand

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

30.06.2019	31.12.2018	30.06.2018
319 275	283 349	436 568
6 082	-	2 048
1 413	1 162	1 212
226	4 394	-
7 804	5 653	117
-	-	117
43 148	43 089	44 444
3 578	2 531	-
4 094	10 588	1 173
385 620	350 766	485 679

8 Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of PLN 38 672 thousand (six months ended 30 June 2018: PLN 18 352 thousand). Assets with a net book value of PLN 1 342 thousand were disposed during the six months of 2019 (six months ended 30 June 2018: PLN 1 849 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 213 thousand (six months ended 30 June 2018: a net loss on disposal of PLN 284 thousand).

During the twelve months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of PLN 68 753 thousand (twelve months ended 30 June 2018: PLN 27 882 thousand). Assets with a net book value of PLN 2 165 thousand were disposed of during the twelve months ended 30 June 2019 (twelve months ended 30 June 2018: PLN 2 470 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 331 thousand (twelve months ended 30 June 2018: a net gain on disposal of PLN 956 thousand).

Capital commitments

As at 30 June 2019 the Group had capital commitments in the amount of PLN 13 329 thousand (30 June 2018: PLN 2 249 thousand).

9 Trade and other receivables

Short-term receivables

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Trade receivables	122 980	101 544	106 454
Statutory receivables excluding income tax	16 660	27 034	17 220
Prepayments for services and inventories	27 917	12 458	27 235
Factoring receivables	32 933	20 995	24 509
Other receivables	7 519	5 951	10 296
	208 009	167 982	185 714

Long-term receivables

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Other receivables	376	324	272
	376	324	272

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 IFRS 9. Therefore, all trade receivables that the Group provides to the factor do not meet the criteria of the model "hold to collect" and "hold for the purpose of collection and sale" are therefore classified as "measured at fair value through profit or loss". The application of IFRS 9 changed therefore the method of measurement of these receivables from amortized cost at fair value. The effects of fair value measurement is recognized in the financial result. As at June 30, 2019 the Group discloses PLN 32,933 thousand PLN of factoring receivables (as at December 31, 2018: PLN 20,995 thousand, as at June 30, 2018: PLN 24,509 thousand). The fair value of factoring receivables has been estimated based on provisions of factoring and insurance agreements.

Trade receivables (not transferred to the factor) are classified as measured at amortized cost and are subject to impairment loss. The application of IFRS 9 has affected the calculation of the impairment loss from the model of losses incurred for model of expected losses.

The receivables of the Group do not contain a significant element of financing, therefore the impairment allowance is calculated on the basis of expected loan losses over the entire lifetime of the receivables.

The analysis conducted by the Group shows that the write-down on this account do not significantly affect the consolidated financial statements and amounted as at June 30, 2019: PLN 275 thousand (as at December 31, 2018: PLN 254 thousand, as at June 30, 2018: PLN 324 thousand).

10 Inventories

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Raw materials	69 453	102 797	89 462
Semi-finished goods and work in progress	163 946	140 900	62 696
Finished products	94 000	113 258	158 912
Goods for resale	16 255	20 014	23 457
	343 654	376 969	334 527

11 Trade and other payables

Short term

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Trade payables	295 994	332 339	234 045
Statutory payables	15 884	15 468	12 969
Investment payables	13 329	6 616	2 249
Prepayments for services and deliveries of goods	4 123	4 916	1 549
Liabilities due to Shareholder	-	-	3 707
Payroll liabilities	7 733	8 154	7 808
Accrued expenses	9 306	3 509	3 740
Other payables	1 967	909	3 114
	348 336	371 911	269 181

Long term

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Liabilities due to Shareholder	17 564	18 558	16 846
	17 564	18 558	16 846

12 Equity

Issued share capital

	30.06.2019	31.12.2018	30.06.2018
Registered shares number at reporting date	121 655 478	120 417 142	118 615 660
Number of issued warrants	53 315 385	54 553 721	56 355 003
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN

At 30 June 2019, the parent Company's share capital comprised 121 655 478 ordinary shares with a nominal value of PLN 1,5 each (31 December 2018: 120 417 142 ordinary shares with a nominal value of PLN 1,5 each; 30 June 2018: 118 615 660 with a nominal value of PLN 1,5 each).

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. By December 31, 2018 the National Depository for Securities admitted to trading 11.666.479 shares of Cognor Holding S.A. In addition, in 2019, the National Depository for Securities admitted the following quantities of shares of Cognor Holding S.A to trading:

- 943 227 shares were admitted to trading on 14 March 2019,
- 295 109 shares were admitted to trading on 7 May 2019.

Altogether 9 864 997 shares of Cognor Holding S.A. were admitted to trading in 2015-2017 as a result of conversions of 5 391 340 of Exchangeable Notes (conversion price 2.35 per share), in 2018 altogether 1 801 482 shares of Cognor Holding S.A. were admitted to trading as a result of conversion of 804 384 of Exchangeable Notes (conversion price 1.92 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 and 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.

Altogether 1 238 336 shares of Cognor Holding S.A. were admitted to trading in 2019 as a result of conversions of 552 932 EUR of Exchangeable Notes. The abovementioned Notes were converted at the rate of 1.92 PLN per share.

The ownership structure as at 30 June 2019 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	75,98%	92 430 239	75,98%
Other shareholders	29 225 239	24,02%	29 225 239	24,02%
Total	121 655 478	100,00%	121 655 478	100,00%

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

The ownership structure as at the date of previous corrected report's publication (April 30, 2019) 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	76,16%	92 430 239	76,16%
Other shareholders	28 930 130	23,84%	28 930 130	23,84%
Total	121 360 369	100,00%	121 360 369	100,00%

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

The ownership structure as at the date of current report's publication (August 14, 2019) 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	75,10%	92 430 239	75,10%
Other shareholders	30 640 080	24,90%	30 640 080	24,90%
Total	123 070 319	100,00%	123 070 319	100,00%

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

Changes in the period:

Due to the conversion of Exchangeable Notes, the share in equity of PS HoldCo Sp. Z o.o. in Cognor Holding S.A. decreased from 77.76% to 75.10%.

The company PS HoldCo Sp. z o.o. on June 30, 2019, it held Exchangeable Notes for Cognor Holding's shares with a nominal value of EUR 5 438 906, which in the future as a result of conversion will allow for the acquisition of 12 180 882 shares of Cognor Holding S.A.

13 Earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2019 was based on the profit attributable to ordinary shareholders of PLN 24 901 thousand (the six-month period ended 30 June 2018: profit PLN 41 226 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2019 of 121 144 thousand (the six-month period ended 30 June 2018: 118 616 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 6 months period ended June 30, 2019 was 152 998 thousand (30 June 2018: 145 840 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2019 was based on the profit attributable to ordinary shareholders of PLN 52 214 thousand (the twelve-month period ended 30 June 2018: profit PLN 53 253 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2019 of 120 204 thousand (the twelve-month period ended 30 June 2018: 100 895 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2019 was 153 237 thousand (30 June 2018: 128 120 thousand).

As at 30 June 2019, issued warrants were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the warrants were outstanding.

The calculation of diluted earnings per share at 30 June 2019 was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in the period from January to June 2019 excluding interest paid in this period.

14 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.06.2019	31.12.2018 <i>*restated</i>	30.06.2018
Bank overdraft	6 082	-	2 048
Non-current liabilities			
Secured bank loans	185 853	205 602	-
Secured fixed interest rate debt	-	-	350 622
Lease liabilities	26 339	21 770	21 341
Lease liabilities (operational leases and other leases not previously recognised)	44 864	-	-
Other borrowings	1 464	1 816	3 323
	258 520	229 188	375 286
Current liabilities			
Current portion of secured bank loans	37 256	36 933	-
Current portion of secured fixed interest rate debt	-	-	27 177
Current portion of lease liabilities	13 208	14 521	14 110
Current portion of lease liabilities (operational leases and other leases not previously recognised)	8 233	-	-
Factoring liabilities	211	-	1 997
Scrap pre-financing	-	-	14 999
Other borrowings	1 847	2 707	2 999
	60 755	54 161	61 282

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 committed to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The loan term facility is intended for the repayment of Senior Secured Notes. The companies from the capital group i.e.: Cognor Holding S.A., Cognor International Finance plc, Odlewnia Metali Szopienice Sp. z o.o. (currently branch of Cognor S.A.), Cognor Blachy Dachowe S.A., Business Support Services Sp. z o.o., Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A. (currently branch of Cognor 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 limit up to PLN 40 million is due on June 30, 2020. In the reporting period the revolving facility has been used in the form of bank overdraft and amounted to PLN 6 082 thousand as at 30 June 2019.

Secured fixed interest debt

In 2018, the Group fully repaid the Senior Secured Notes. More details in the consolidated financial statement of the Cognor Capital Group for 2018.

The Exchangeable Notes

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

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

Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the current conversion price of PLN 1.92.

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. In 2019 bondholders of Exchangeable Notes converted 552 932 EUR nominal value of notes into 1 238 336 shares of Cognor Holding S.A. worth PLN 1 857 thousand. The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 30 June 2019 was 18 338 347 EUR.

Within the debt restructuring process described above, on 3 February 2014 PS Holdco Sp. z o.o. transferred to Cognor International Finance plc (CIF) an ownership of 60 860 000 of subscription warrants of series B that are convertible into 60 860 000 shares of Cognor Holding S.A. for a remuneration in the amount of PLN 304 thousand and also entered into an option agreement for delivery of additional 30 082 812 shares of Cognor Holding S.A. free of charge in order to secure the holders of the Exchangeable Notes with the possibility of conversion bonds into shares. The transfer of warrants was a key element enabling the structuring of terms of Exchangeable Notes in a manner acceptable to investors and thus the successful finalization of the issue.

Terms of the agreement between PS Holdco Sp. z o.o. and Cognor International Finance plc provide among other things, that warrants not used for conversion of the bonds into shares will be transferred back to PS Holdco Sp. z o.o. Depending on a choice of a payment form of the Exchangeable Notes' coupon up to 15 million warrants may return to PS Holdco Sp. z o.o. Their exact number will be known after the final settlement of the Exchangeable Notes of Cognor Holding S.A.

15 Contingencies, guarantees and other commitments

The Group has no the contingent liabilities.

16 Transactions with related parties

Identity of related parties

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

Controlling entities

- PS Holdco Sp. z o.o.
- 4 Workers Sp. z o.o. (previously 4Workers Przemysław Sztuczowski)

Associates are as follows;

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

Related companies to the controlling entities:

- KDPP Doradztwo Biznesowe Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- czystyefekt.pl Sp. z o.o.

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
<i>Short-term receivables:</i>			
- associates	259	-	18
- controlling entities	90	64	13
- related companies to the controlling entities	3	-	1
<i>Liabilities</i>			
- controlling entities	18 218	19 083	20 064
- related companies to the controlling entities	524	-	517
- associates	75	-	96
<i>Loans received</i>			
- controlling entities	-	-	589

in PLN thousand

	01.04.2019- 30.06.2019	01.04.2018- 30.06.2018	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018	01.07.2018- 30.06.2019	01.07.2017- 30.06.2018
<i>Revenues from sale of services</i>						
- associates	189	7	414	14	429	29
- controlling entities	13	12	19	20	31	51
- related companies to the controlling entities	4	-	4	1	3	1
<i>Revenues from sale of raw materials and commodities</i>						
- associates	46	-	99	-	99	-
- related companies to the controlling entities	1	-	1	-	1	1
<i>Purchase of commodities and raw materials</i>						
- controlling entities	384	385	785	738	320	1 174
<i>Purchase of services</i>						
- associates	308	178	417	417	783	776
- related companies to the controlling entities	1 277	1260	3 476	2 520	11 146	5 040
- controlling entities	793	683	1 555	1 362	4 167	2 919
<i>Other income</i>						
- controlling entities	-	-	-	-	-	2
<i>Financial income</i>						
- controlling entities	(457)	-	995	-	995	-
<i>Financial costs</i>						
- controlling entities	(3)	(550)	(3)	(1 069)	(2 319)	(4 015)

17 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	30.06.2019	31.12.2018	30.06.2018
Cash in bank	39 033	58 446	98 570
Cash in bank restricted in use	50	16 508	2 215
Cash in hand	279	235	324
Short-term bank deposit	-	500	97
Other	17	770	237
Cash and cash equivalents	39 379	76 459	101 443
Bank overdrafts	(6 082)	-	(2 048)
Cash and cash equivalents in the statement of cash flows	33 297	76 459	99 395

18 Financial instruments

Financial instruments measured at fair values

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 30 June 2019 the fair value relating to IRS amounted PLN 3 578 thousand (31 December 2018: PLN 2 531 thousand, 30 June 2018: there were no financial instruments valued at fair value).

Fair values

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

- Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
- Trade and other receivables (which are not measured at fair value), bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
- Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.
- Fixed rate instruments. 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 30 June 2019 the fair value relating to IRS amounted PLN 3 578 thousand.

19 Seasonability

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

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

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

Additionally, as important from the point of view of the Group, there are the following procedures:

a) the company Złomrex Metal Sp. z o.o. (currently branch of Cognor S.A.) filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015 - on November 17, 2017 a hearing was held, ending with a valid judgement for setting aside the judgment under appeal: annulment of the decision of the Director of Tax Chamber in Katowice of September 19, 2014 and reconsideration of the case. As a result, on April 19, 2018, the Director of the Tax Chamber in Katowice quashed the decision of the first instance and remitted the case for reconsideration by this institution. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The dispute concerns the assessment of whether Złomrex Metal Sp. z o.o. exercised due diligence in verifying the legality of the activities of his suppliers. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by Złomrex Metal Sp. z o.o. in 2014. In the current period, the Company made a 50% write-off of the said receivable with interest in the amount of PLN 799 thousand.

b) on January 1, 2019, the Amendment to the CIT Act entered into force. In Articles 18-22 of the Amendment to the CIT Act for Polish taxpayers who are issuers of bonds on which the issue of funds were obtained from an issue carried out by a non-resident related taxpayer (Article 21), there is possibility of retrospective exemption from the potential withholding tax in the amount of 20% of the amount of interest and discounts paid in the period from 1 January 2004 by choosing them to be taxed with a flat income tax of 3%.

Management Board of Cognor S.A. estimating the risk of Cognor S.A. relating to withholding tax obligation regarding the interest and discount paid to Cognor International Finance plc, considered it reasonable to take advantage of the option of choosing a flat-rate tax. As a result, on January 31, 2019, the Group paid the first installment of this tax in the amount of PLN 6,611 thousand together with interest in the amount of PLN 1,155 thousand, while the second installment in the amount of PLN 2,029 thousand PLN together with interest in the amount of 290 thousand PLN was paid on 31 July 2019. This cost is not transferable to bondholders, therefore it increases the interest cost of issued bonds economically.

At the same time, the Management Board of Cognor S.A. questions the legitimacy of the obligation to collect withholding tax in connection with payments to Cognor International Finance plc and applied to the Director of National Tax Information for interpretation as to whether Cognor S.A. was subject to the obligation to collect withholding tax for the above transaction, which in the future will open the way to claiming a refund of the flat-rate tax paid. This proceeding is ongoing.

As at the balance sheet date, the Management Board of the Parent Company assessed the likelihood of a refund of tax paid and, as a result, in these consolidated financial statements tax paid in the amount of PLN 3,035 thousand was recognized as an expense, while the remaining value was recognized as a receivable.

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

The Group did not grant any sureties or guarantees to entities outside the capital group.

22 Other information, which in the Issuer's opinion is significant for the assessment of its personnel, property, financial situation, financial result and their changes, as well as information that is important for the assessment of the Issuer's ability to meet its obligations.

The Group applied for compensation regarding maintaining electricity prices for the first half of 2019. These effects have been included in these consolidated financial statements. As a result of the abovementioned in the first half of 2019, the Group reported in the statement of profit and loss and other comprehensive income a decrease in the cost of sales of PLN 13,958 thousand and decrease of deferred tax asset of PLN 2,652 thousand. In the consolidated statement of financial position, the value of inventories was reduced by PLN 4,982 thousand, which value will be recognized by the Group in future periods. Accordingly, the Group reduced its liabilities / recognized the receivable in relation to electricity suppliers.

23 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 14 August 2019

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board