

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the nine months ended
30 September 2019**

31 October 2019

Condensed consolidated statement of financial position

<i>in PLN thousand</i>		<i>Note</i>	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Assets						
Property, plant and equipment	8		342 465	343 813	284 617	280 631
Intangible assets			20 533	20 432	17 965	21 283
Investment property			122	122	123	124
Investment in associates			2 532	2 525	2 589	3 263
Other investments			55	55	55	55
Other receivables	9		-	376	324	297
Prepaid perpetual usufruct of land	8		33 362	34 074	23 013	23 117
Deferred tax assets			46 108	44 045	50 610	56 550
Total non-current assets			445 177	445 442	379 296	385 320
Inventories	10		346 072	343 654	376 969	275 898
Other investments			138	102	12	12
Current income tax receivables			11	661	660	737
Trade and other receivables	9		181 740	208 009	167 982	212 019
Cash and cash equivalents	17		29 616	39 379	76 459	40 659
Total current assets			557 577	591 805	622 082	529 325
Total assets			1 002 754	1 037 247	1 001 378	914 645

Przemysław Sztuczkowski
President of the Management Board

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Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of financial position - continued

in PLN thousand

		30.09.2019	30.06.2019	31.12.2018 *restated	30.09.2018
Equity					
Issued share capital	12	184 605	182 483	180 626	178 066
Reserves		88 341	84 860	86 717	90 337
Foreign currency translation reserves		62	36	40	30
Retained earnings		(9 079)	33 649	10 781	14 496
Total equity attributable to owners of the Parent Company		263 929	301 028	278 164	282 929
Non-controlling interests		18 807	19 080	17 721	20 120
Total equity		282 736	320 108	295 885	303 049
Liabilities					
Interest-bearing loans and borrowings	14	250 230	258 520	229 188	275 431
Employee benefits obligation		11 613	11 178	10 677	11 206
Other payables	11	18 054	17 564	18 558	14 669
Deferred tax liabilities		-	1 413	1 162	1 194
Total non-current liabilities		279 977	288 675	259 585	302 500
Bank overdraft	14	5 210	6 082	-	-
Interest-bearing loans and borrowings	14	59 823	60 755	54 161	56 049
Employee benefits obligation		1 844	1 683	7 258	3 110
Other financial liabilities		3 859	3 578	2 531	-
Current income tax payables		-	-	-	36
Provisions for payables		226	226	4 394	3 681
Trade and other payables	11	361 100	348 336	371 911	246 103
Government grants and other deferred income		7 979	7 804	5 653	117
Total current liabilities		440 041	428 464	445 908	309 096
Total liabilities		720 018	717 139	705 493	611 596
Total equity and liabilities		1 002 754	1 037 247	1 001 378	914 645

* see note no. 4

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Condensed consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	01.07.2019 - 30.09.2019	01.07.2018 - 30.09.2018	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Revenue	399 511	550 666	1 435 530	1 610 599
Cost of sales	(364 456)	(474 323)	(1 290 194)	(1 378 350)
Gross profit	35 055	76 343	145 336	232 249
Other income	3 518	2 429	10 346	6 625
Distribution expenses	(22 193)	(21 646)	(62 015)	(55 860)
Administrative expenses	(11 171)	(9 336)	(36 435)	(33 438)
Other (losses)/gains - net	1 415	(986)	761	1 237
Other expenses	(1 252)	(1 495)	(5 955)	(7 641)
Operating profit before financing costs	5 372	45 309	52 038	143 172
Financial income	(1 741)	4 460	504	4 460
Financial expenses	(8 069)	(6 477)	(23 840)	(54 516)
Net financing costs	(9 810)	(2 017)	(23 336)	(50 056)
Share of profit of associates	7	40	(57)	12
Profit before tax	(4 431)	43 332	28 645	93 128
Income tax expense	3 475	(8 989)	(3 341)	(15 418)
Profit for the period	(956)	34 343	25 304	77 710
Profit for the period attributable to:				
Owners of the Parent Company	(683)	32 271	24 218	73 497
Non-controlling interests	(273)	2 072	1 086	4 213
Profit for the period	(956)	34 343	25 304	77 710
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences	26	(42)	22	22
Total comprehensive income for the period	(930)	34 301	25 326	77 732
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	(657)	32 229	24 240	73 519
Non-controlling interests	(273)	2 072	1 086	4 213
Total comprehensive income for the period	(930)	34 301	25 326	77 732
Basic earnings per share (PLN) attributable to the owners of the Parent Company	(0,01)	0,27	0,20	0,62
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	-	0,21	0,16	0,48

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

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

in PLN thousand

	01.10.2018 - 30.09.2019	01.10.2017 - 30.09.2018
Revenue	1 906 772	2 054 801
Cost of sales	(1 717 372)	(1 760 460)
Gross profit	189 400	294 341
Other income	14 263	12 398
Distribution expenses	(82 855)	(71 525)
Administrative expenses	(49 038)	(52 330)
Other (losses)/gains - net	1 501	(1 571)
Other expenses	(8 197)	(11 103)
Operating profit before financing costs	65 074	170 210
Financial income	504	16 924
Financial expenses	(36 554)	(69 235)
Net financing costs	(36 050)	(52 311)
Share of profit of associates	(731)	38
Profit before tax	28 293	117 937
Income tax expense	(8 653)	(23 234)
Profit for the period	19 640	94 703
Profit for the period attributable to:		
Owners of the Parent Company	19 260	90 458
Non-controlling interests	380	4 245
Profit for the period	19 640	94 703

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

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

in PLN thousand

		01.10.2018 - 30.09.2019	01.10.2017 - 30.09.2018
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		32	(19)
Total comprehensive income for the period		19 672	94 684
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		19 292	90 439
Non-controlling interests		380	4 245
Total comprehensive income for the period		19 672	94 684
Basic earnings per share (PLN) attributable to the owners of the Parent Company	13	0,16	0,81
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	13	0,13	0,63

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

Condensed consolidated statement of cash flows

in PLN thousand

	01.07.2019 - 30.09.2019	01.07.2018 - 30.09.2018	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018
Profit/(loss) before tax from continuing operations	(4 431)	43 332	28 645	93 128
Adjustments				
Depreciation	11 252	10 674	33 895	32 306
Amortization	276	173	724	550
Impairment losses and valuation allowances	(121)	-	(883)	-
Foreign exchange (gains)/losses	3 154	(17 147)	1 957	(471)
Net (gains)/losses on disposal of property, plant and equipment	(404)	(196)	(217)	(369)
Interest, transaction costs (related to loans and borrowings) and dividends, net	6 391	8 345	22 868	38 817
Change in receivables	35 234	(18 220)	8 746	(32 428)
Change in inventories	(2 418)	60 575	30 897	818
Change in trade and other payables	(21 423)	(31 101)	(56 070)	(7 120)
Change in provisions	(1)	(717)	(4 169)	318
Change in employee benefits obligation	596	449	(4 478)	(2 088)
Change in government grants and other deferred income	206	-	(207)	-
Share of profit of associates	(7)	(40)	57	(12)
Other adjustments - grants	-	-	-	-
Other adjustments	(52)	(4 015)	(1 464)	(8 237)
Cash generated/(outflows) from operating activities	28 252	52 112	60 301	115 212
Income tax (paid)/returned, incl.	650	(282)	649	(518)
Net cash from operating activities	28 902	51 830	60 950	114 694
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1 770	822	2 901	2 387
Proceeds from sale of intangibles	-	4	35	36
Proceeds from sale of perpetual usufruct	49	(392)	49	2 373
Acquisition of shares in consolidated companies (net of cash acquired)	-	(91)	(4)	(168)
Interest received	12	71	25	164
Dividends received	-	25	-	25
Repayment of loans granted	-	-	-	-
Acquisition of property, plant and equipment	(15 269)	(13 980)	(41 786)	(21 809)
Acquisition of intangible assets	(374)	(176)	(3 298)	(272)
Loans granted	(36)	-	(126)	-
Net cash from investing activities	(13 848)	(13 717)	(42 204)	(17 264)
Cash flows from financing activities				
Proceeds from interest-bearing loans and borrowings	-	298 225	-	313 394
Proceeds from factoring	-	(558)	-	185
Repayment of interest-bearing loans and borrowings	(10 145)	(363 055)	(30 436)	(364 648)
Payment of finance lease liabilities	(4 523)	(3 178)	(15 229)	(9 069)
Dividends and interests on exchangeable notes paid	(1 888)	(2 240)	(3 917)	(16 142)
Interest and transaction costs (related to loans and borrowings) paid	(7 490)	(28 629)	(25 294)	(60 516)
Grants received for investing activities	49	2 127	2 613	2 127
Other grants received	52	459	1 464	459
Net cash from financing activities	(23 945)	(96 849)	(70 799)	(134 210)
Net increase / (decrease) in cash and cash equivalents	(8 891)	(58 736)	(52 053)	(36 780)
Cash and cash equivalents net of bank overdraft, at 1 January/1 July	33 297	99 395	76 459	77 439
- effect of exchange rate fluctuations on cash held	-	-	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	24 406	40 659	24 406	40 659
- including cash restricted for use	50	1 184	50	1 184

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>	01.10.2018 - 30.09.2019	01.10.2017 - 30.09.2018
(Loss)/profit before tax	28 293	117 937
Adjustments		
Depreciation	44 471	42 604
Amortization	1 153	830
Impairment losses and valuation allowances	(1 200)	(3 605)
Foreign exchange (gains)/losses	2 131	(12 867)
Net (gains)/losses on disposal of property, plant and equipment	(253)	325
Interest, transaction costs (related to loans and borrowings) and dividends, net	32 291	49 750
Change in receivables	55 319	(32 051)
Change in inventories	(64 541)	(46 773)
Change in trade and other payables	75 107	6 760
Change in provisions	(3 455)	(140)
Change in employee benefits obligation	(859)	2 245
Change in government grants and other deferred income	1 893	-
Share of profit of associates	731	(38)
Other adjustments	6 085	(8 237)
Cash generated/(outflows) from operating activities	177 166	116 740
Cash generated from operating activities	177 166	116 740
Income tax (paid)/returned, incl.	1 285	(505)
Net cash from operating activities	178 451	116 235

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

<i>in PLN thousand</i>	01.10.2018 - 30.09.2019	01.10.2017 - 30.09.2018
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3 131	2 624
Proceeds from sale of intangibles	36	49
Proceeds from sale of perpetual usufruct	445	2 373
Interest received	49	378
Dividends received	25	50
Repayment of loans granted	-	71
Other inflows/(outflows) from investing activities	-	-
Acquisition of property, plant and equipment	(56 684)	(24 290)
Acquisition of intangible assets	(8 965)	(1 089)
Acquisition of investment properties	-	(125)
Prepaid perpetual usufruct of land	-	(1)
Acquisition of shares in consolidated companies	(454)	(168)
Loans granted	(126)	-
Net cash from investing activities	(62 543)	(20 128)
Cash flows from financing activities		
(Paid emission costs)/ Net cash receipts from share issue	(1 060)	39 792
Proceeds from interest-bearing loans and borrowings	613	311 337
Proceeds from factoring	(1 439)	(893)
Repayment of interest-bearing loans and borrowings	(80 580)	(378 289)
Payment of finance lease liabilities	(18 560)	(12 124)
Dividends and interests on exchangeable notes paid	(3 782)	(16 142)
Interest and transaction costs (related to loans and borrowings) paid	(32 968)	(62 055)
Other transactions with the Owner	-	-
Grants received for investing activities	3 922	2 127
Other grants received	1 693	459
Net cash from financing activities	(132 161)	(115 788)
Net increase / (decrease) in cash and cash equivalents	(16 253)	(19 681)
Cash and cash equivalents net of bank overdraft, at 1 October	40 659	60 340
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	24 406	40 659
- including cash restricted for use	50	1 184

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>	-	-	22	73 497	73 519	4 213	77 732	
<i>- (loss)/profit</i>	-	-	-	73 497	73 497	4 213	77 710	
<i>- foreign currency translation differences relating to foreign operations</i>	-	-	22	-	22	-	22	
Transactions with owners of the Company, recognised in equity								
<i>Contribution by and distributions to owners of the Company</i>	143	(143)	-	(16 007)	(16 007)	-	(16 007)	
<i>Dividends</i>	-	-	-	(11 862)	(11 862)	-	(11 862)	
<i>Conversion of exchangeable notes</i>	143	(143)	-	-	-	-	-	
<i>Interests on exchangeable notes in the period</i>	-	-	-	(4 145)	(4 145)	-	(4 145)	
<i>Change in ownership interests</i>	-	-	-	410	410	(578)	(168)	
<i>Changes in minority after acquisition</i>	-	-	-	410	410	(578)	(168)	
<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 30 September 2018	178 066	90 337	30	14 496	282 929	20 120	303 049	
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	-	-	22	24 218	24 240	1 086	25 326
- profit	-	-	-	24 218	24 218	1 086	25 304
- foreign currency translation differences relating to foreign operations	-	-	22	-	22	-	22
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	3 979	(3 979)	-	(38 471)	(38 471)	-	(38 471)
Dividends	-	-	-	(34 554)	(34 554)	-	(34 554)
Conversion of exchangeable notes	3 979	(3 979)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(3 917)	(3 917)	-	(3 917)
Change in ownership interests	-	-	-	(4)	(4)	-	(4)
<i>Changes in minority after acquisition</i>	-	-	-	(4)	(4)	-	(4)
Creation of other reserves from profit	-	5 603	-	(5 603)	-	-	-
Equity as at 30 September 2019	184 605	88 341	62	(9 079)	263 929	18 807	282 736
Equity as at 1 July 2019	182 483	84 860	36	33 649	301 028	19 080	320 108
Total comprehensive income	-	-	26	(683)	(657)	(273)	(930)
- profit	-	-	-	(683)	(683)	(273)	(956)
- foreign currency translation differences relating to foreign operations	-	-	26	-	26	-	26
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	2 122	(2 122)	-	(36 442)	(36 442)	-	(36 442)
Dividends	-	-	-	(34 554)	(34 554)	-	(34 554)
Conversion of exchangeable notes	2 122	(2 122)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(1 888)	(1 888)	-	(1 888)
Change in ownership interests	-	-	-	-	-	-	-
<i>Changes in minority after acquisition</i>	-	-	-	-	-	-	-
Creation of other reserves from profit	-	5 603	-	(5 603)	-	-	-
Equity as at 30 September 2019	184 605	88 341	62	(9 079)	263 929	18 807	282 736

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

1 Parent entity

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

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

2 Cognor Holding S.A. Group

The condensed consolidated interim financial statements as at and for the nine months ended 30 September 2019 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 September 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
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 nine 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.

Mergers in 2019

On September 30, 2019, the District Court in Czestochowa announced merger of Cognor S.A. (acquiring company) with Business Support Services Sp. Z o.o. (acquired company). The merger did not affect the consolidated financial statements.

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 31 October 2019.

b) Ongoing basis

The condensed consolidated financial statements as of and for the period ended 30 September 2019 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

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.

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

	30.09.2019	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		<u>54 809</u>
<i>Of which are:</i>		
-Non-current lease liabilities (operational leases and other leases not previously recognised)	43 438	48 323
-Current lease liabilities (operational leases and other leases not previously recognised)	8 543	6 486
	<u>51 981</u>	<u>54 809</u>

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

	30.09.2019	01.01.2019
a) property, plant and equipment	39 947	43 458
-Land	7 138	7 665
-Buildings	27 244	29 145
-Plant and equipment	5 565	6 648
b) prepaid perpetual usufruct of land	11 233	11 351
	<u>51 180</u>	<u>54 809</u>

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.

in PLN thousand

	Adjusted result on
Scrap metal	(272)
Billets HSJ	(236)
Billets FER	(385)
Finished products HSJ	(1 188)
Finished products FER	(1 149)
Non-ferrous scrap metal	(112)
Non-ferrous finished products	(143)
Other	(143)
	<u>(3 628)</u>

6 Revenues from sale

in PLN thousand

	01.01.2019- 30.09.2019	01.01.2018- 30.09.2018
Revenue from sale goods or services transferred to customers at a point in time	1 408 157	1 585 100
Revenue from sale goods or services transferred to customers over time	27 373	25 499
	1 435 530	1 610 599
Revenues from sale of products	1 227 895	1 363 538
Revenues from sale of services	27 373	25 499
Revenues from sale of goods	163 170	204 144
Revenues from sale of raw materials	17 092	17 418
	1 435 530	1 610 599

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 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
- other: including transportation services, property development and other activities.

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

7 Segment reporting - continued

Business segments (for the three months ended 30 September)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2019											
Revenue from external customers	32 852	18 961	31 042	125 960	140 746	13 094	16 397	20 409	5		
Inter-segment revenue	31 440	13 030	-	1 944	15 871	4 392	407	1 446	1 465		
Total revenue	64 292	31 991	31 042	127 904	156 617	17 486	16 804	21 855	1 470	(69 950)	399 511
Cost of sales to external customers	(30 711)	(24 616)	(25 526)	(122 572)	(126 471)	(12 404)	(14 862)	(11 670)	405		
Inter-segment cost of sales	(30 059)	(12 980)	-	(1 943)	(14 370)	(4 272)	(397)	(444)	(2)		
Total cost of sales	(60 770)	(37 596)	(25 526)	(124 515)	(140 841)	(16 676)	(15 259)	(12 114)	403	68 438	(364 456)
Segment result	3 522	(5 605)	5 516	3 389	15 776	810	1 545	9 741	1 873	(1 512)	35 055
Other income	30	371	128	1 444	1 115	14	214	169	-	33	3 518
Distribution and administrative expenses	(3 660)	(1 614)	(443)	(6 780)	(8 076)	(994)	(1 254)	(17 727)	5 674	1 510	(33 364)
Other gain/(losses) net	159	90	101	336	289	43	47	304	44	2	1 415
Other expenses	(631)	(100)	(64)	(407)	(512)	(163)	(57)	(3 301)	682	3 301	(1 252)
Operating profit/(loss)	(580)	(6 858)	5 238	(2 018)	8 592	(290)	495	(10 814)	8 273	3 334	5 372
Net financing costs									(9 743)	(67)	(9 810)
Share of profit of associates, net of tax											7
Income tax expense											3 475
Profit for the period											(956)

in PLN thousand

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

Business segments (for the nine months ended 30 September)

in PLN thousand

30.09.2019	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	107 816	93 319	152 326	469 899	454 509	44 212	56 548	56 804	28		
Inter-segment revenue	120 845	31 093	-	3 710	36 988	15 033	2 026	4 764	5 357		
Total revenue	228 661	124 412	152 326	473 609	491 497	59 245	58 574	61 568	5 385	(219 747)	1 435 530
Cost of sales to external customers	(100 711)	(95 974)	(132 789)	(420 098)	(416 347)	(41 773)	(51 767)	(41 944)	396		
Inter-segment cost of sales	(115 749)	(30 670)	-	(3 471)	(34 703)	(14 465)	(1 932)	(2 645)	(966)		
Total cost of sales	(216 460)	(126 644)	(132 789)	(423 569)	(451 050)	(56 238)	(53 699)	(44 589)	(570)	215 414	(1 290 194)
Segment result	12 201	(2 232)	19 537	50 040	40 447	3 007	4 875	16 979	4 815	(4 333)	145 336
Other income	798	906	850	3 443	3 461	213	614	529	4	(472)	10 346
Distribution and administrative expenses	(11 624)	(8 193)	(2 477)	(25 017)	(23 540)	(3 022)	(3 548)	(20 582)	(4 922)	4 475	(98 450)
Other gain/(losses) net	391	(20)	(43)	(75)	(177)	100	36	397	99	53	761
Other expenses	(975)	(481)	(372)	(1 829)	(1 512)	(250)	(122)	(4 279)	(77)	3 942	(5 955)
Operating profit/(loss)	791	(10 020)	17 495	26 562	18 679	48	1 855	(6 956)	(81)	3 665	52 038
Net financing costs									(24 696)	1 360	(23 336)
Share of profit of associates, net of tax											(57)
Income tax expense											(3 341)
Profit for the period											25 304

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

Business segments (for the twelve months ended 30 September)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2019											
Revenue from external customers	152 353	122 143	199 576	615 744	615 433	58 671	70 129	72 611	43		
Inter-segment revenue	169 000	46 152	-	3 898	51 436	20 081	4 349	11 030	18 313		
Total revenue	321 353	168 295	199 576	619 642	666 869	78 752	74 478	83 641	18 356	(324 190)	1 906 772
Cost of sales to external customers	(140 801)	(122 161)	(176 979)	(548 679)	(564 827)	(55 424)	(64 258)	(60 801)	776		
Inter-segment cost of sales	(162 616)	(44 158)	-	(3 607)	(48 084)	(19 298)	(3 061)	(8 767)	(1 072)		
Total cost of sales	(303 417)	(166 319)	(176 979)	(552 286)	(612 911)	(74 722)	(67 319)	(69 568)	(296)	306 445	(1 717 372)
Segment result	17 936	1 976	22 597	67 356	53 958	4 030	7 159	14 073	18 060	(17 745)	189 400
Other income	1 035	1 020	1 175	4 538	4 874	278	1 022	802	81	(562)	14 263
Distribution and administrative expenses	(16 030)	(11 511)	(3 425)	(33 455)	(31 359)	(3 990)	(4 951)	(22 490)	(23 090)	18 408	(131 893)
Other gain/(losses) net	457	(55)	49	(189)	208	107	79	497	1 549	(1 201)	1 501
Other expenses	(1 039)	(238)	(867)	(1 255)	(3 580)	(265)	(170)	(4 843)	(161)	4 221	(8 197)
Operating profit/(loss)	2 359	(8 808)	19 529	36 995	24 101	160	3 139	(11 961)	(3 561)	3 121	65 074
Net financing costs									(38 942)	2 892	(36 050)
Share of profit of associates, net of tax											(731)
Income tax expense											(8 653)
Profit for the period											19 640

in PLN thousand

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

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2019											
Segment assets	82 506	62 654	56 815	219 275	388 128	21 516	29 314	44 000	144 104	(45 558)	1 002 754
Segment liabilities	26 521	27 409	41 035	96 156	139 965	6 899	8 406	16 558	405 709	(48 640)	720 018

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

Unallocated assets

in PLN thousand

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

30.09.2019	31.12.2018	30.09.2018
2 725	2 656	3 330
46 108	50 610	56 550
122	123	124
11	660	737
29 616	76 459	40 659
42 860	51 321	45 401
22 662	13 115	7 954
144 104	194 944	154 755

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	

30.09.2019	31.12.2018	30.09.2018
	<i>*restated</i>	
310 053	283 349	331 480
5 210	-	-
-	1 162	1 194
226	4 394	-
8 059	5 653	117
-	-	36
74 268	43 089	38 860
3 859	2 531	-
4 034	10 588	1 290
405 709	350 766	372 977

8 Property, plant and equipment and prepaid perpetual usufruct of land

During the three months ended 30 September 2019, the Group acquired property, plant and equipment at a cost of PLN 10 489 thousand (three months ended 30 September 2018: PLN 10 495 thousand). Assets with a net book value of PLN 1 369 thousand were disposed during the three months of 2019 (three months ended 30 September 2018: PLN 240 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 403 thousand (three months ended 30 September 2018: a net gain on disposal of PLN 583 thousand).

During the nine months ended 30 September 2019, the Group acquired property, plant and equipment at a cost of PLN 49 161 thousand (nine months ended 30 September 2018: PLN 28 847 thousand). Assets with a net book value of PLN 2 711 thousand were disposed during the nine months of 2019 (nine months ended 30 September 2018: PLN 2 089 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 190 thousand (nine months ended 30 September 2018: a net gain on disposal of PLN 299 thousand).

During the twelve months ended 30 September 2019, the Group acquired property, plant and equipment at a cost of PLN 68 747 thousand (twelve months ended 30 September 2018: PLN 33 995 thousand). Assets with a net book value of PLN 3 294 thousand were disposed of during the twelve months ended 30 September 2019 (twelve months ended 30 September 2018: PLN 2 367 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 151 thousand (twelve months ended 30 September 2018: a net loss on disposal of PLN 409 thousand).

During the three months ended 30 September 2019 and three months ended 30 September 2018 the Group did not acquire prepaid perpetual usufruct of land. Prepaid perpetual usufruct of land with a net book value of PLN 49 thousand were disposed during the three months of 2019 (three months ended 30 September 2018: PLN 0 thousand). On the sale of perpetual usufruct of land the Group did not realize the result for 3 months ended on 30 September 2019 and for 3 months ended on 30 September 2018.

During the nine months ended 30 September 2019 and nine months ended 30 September 2018 the Group did not acquire prepaid perpetual usufruct of land. Prepaid perpetual usufruct of land with a net book value of PLN 49 thousand were disposed during the nine months of 2019 (nine months ended 30 September 2018: PLN 2 344 thousand). On the sale of perpetual usufruct of land the Group did not realize the result (nine months ended 30 September 2018: a net gain on disposal of PLN 34 thousand).

During the twelve months ended 30 September 2019, the Group did not acquire the perpetual usufruct of land (twelve months ended 30 September 2018: PLN 1 thousand). Prepaid perpetual usufruct of land with a net book value of PLN 49 thousand were disposed during the twelve months of 2019 (twelve months ended 30 September 2018: PLN 2 344 thousand). On the sale of perpetual usufruct of land the Group did not realize the result (twelve months ended 30 September 2018: a net gain on disposal of PLN 34 thousand).

Capital commitments

As at 30 September 2019 the Group had capital commitments in the amount of PLN 12 599 thousand (30 June 2019: PLN 13 329 thousand, 31 December 2018: PLN 6 616 thousand, 30 September 2018: PLN 5 971 thousand).

9 Trade and other receivables

Short-term receivables

in PLN thousand

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Trade receivables	96 162	122 980	101 544	119 725
Statutory receivables excluding income tax	23 781	16 660	27 034	19 698
Prepayments for services and inventories	36 491	27 917	12 458	41 301
Factoring receivables	18 519	32 933	20 995	23 833
Other receivables	6 787	7 519	5 951	7 462
	181 740	208 009	167 982	212 019

Long-term receivables

in PLN thousand

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Other receivables	-	376	324	297
	-	376	324	297

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 September 30, 2019 the Group discloses PLN 18,519 thousand PLN of factoring receivables (as at June 30, 2019: PLN 32,933 thousand, December 31, 2018: PLN 20,995 thousand, as at September 30, 2018: PLN 23,833 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 September 30, 2019: PLN 284 thousand (as at June 30, 2018: PLN 275 thousand, as at December 31, 2018: PLN 254 thousand, as at September 30, 2018: PLN 263 thousand).

10 Inventories

in PLN thousand

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Raw materials	87 488	69 453	102 797	81 456
Semi-finished goods and work in progress	132 337	163 946	140 900	83 226
Finished products	105 828	94 000	113 258	89 651
Goods for resale	20 419	16 255	20 014	21 565
	346 072	343 654	376 969	275 898

11 Trade and other payables

Short term

in PLN thousand

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Trade payables	275 324	295 994	332 339	210 174
Statutory payables	12 300	15 884	15 468	11 823
Investment payables	12 599	13 329	6 616	5 971
Prepayments for services and deliveries of goods	7 633	4 123	4 916	1 673
Liabilities due to Shareholder	-	-	-	2 120
Dividend payables	34 554	-	-	-
Payroll liabilities	7 867	7 733	8 154	8 105
Accrued expenses	9 330	9 306	3 509	4 094
Other payables	1 493	1 967	909	2 143
	361 100	348 336	371 911	246 103

Long term

in PLN thousand

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Liabilities due to Shareholder	18 054	17 564	18 558	14 669
	18 054	17 564	18 558	14 669

12 Equity

Issued share capital

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Registered shares number at reporting date	123 070 319	121 655 478	120 417 142	118 710 931
Number of issued warrants	51 900 544	53 315 385	54 553 721	56 259 732
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN	1,5 PLN

At 30 September 2018, the parent Company's share capital comprised 123 070 319 ordinary shares with a nominal value of PLN 1,5 each (30 June 2019: 121 655 478 ordinary shares with a nominal value of PLN 1,5 PLN each, 31 December 2018: 120 417 142 ordinary shares with a nominal value of PLN 1,5 each; 30 September 2018: 118 710 931 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,
- 1 414 841 shares were admitted to trading on 4 July 2019,
- 335 937 shares were admitted after balance sheet date on 21 October 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. The resolution of the Management Board of October 23, 2019, in connection with determining the dividend day, reduced the conversion price to PLN 1.61 per share.

Altogether (including conversion in October 2019) 2 989 114 shares of Cognor Holding S.A. were admitted to trading in 2019 as a result of conversions of 1 334 675 EUR of Exchangeable Notes. The abovementioned Notes were converted at the rate of 1.92 PLN per share.

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

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

The ownership structure as at the date of current report's publication (October 31, 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	74,90%	92 430 239	74,90%
Other shareholders	30 976 017	25,10%	30 976 017	25,10%
Total	123 406 256	100,00%	123 406 256	100,00%

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

Changes in the period:

Due to conversion of Exchangeable Notes into Cognor Holding S.A. shares, shares in equity of PS HoldCo Sp. z o.o. has decreased from 75.10% to 74.90%.

PS HoldCo Sp. z o.o. as at September 30, 2019 is the owner of Exchangeable Notes with a nominal value of EUR 5 438 906, which in the future as a result of conversion will allow for the acquisition of 14 526 269 shares of Cognor Holding S.A.

13 Earnings per share

The calculation of basic earnings per share for the three-month period ended 30 September 2019 was based on the loss attributable to ordinary shareholders of PLN 683 thousand (the three-month period ended 30 September 2018: profit PLN 32 271 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 September 2019 of 123 070 thousand (the three-month period ended 30 September 2018: 118 679 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 3 months period ended September 30, 2019 was 154 704 thousand (30 September 2018: 153 899 thousand).

The calculation of basic earnings per share for the nine-month period ended 30 September 2019 was based on the profit attributable to ordinary shareholders of PLN 24 218 thousand (the nine-month period ended 30 September 2018: profit PLN 73 497 thousand) and a weighted average number of ordinary shares outstanding during the nine-month period ended 30 September 2019 of 121 786 thousand (the nine-month period ended 30 September 2018: 118 637 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 9 months period ended September 30, 2019 was 153 567 thousand (30 September 2018: 152 145 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 September 2019 was based on the profit attributable to ordinary shareholders of PLN 19 260 thousand (the twelve-month period ended 30 September 2018: profit PLN 90 439 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 September 2019 of 121 302 thousand (the twelve-month period ended 30 September 2018: 111 543 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 September 2019 was 153 438 thousand (30 September 2018: 143 518 thousand).

As at 30 September 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 September 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 September 2019 excluding interest paid in this period.

14 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.09.2019	30.06.2019	31.12.2018 <i>*restated</i>	30.09.2018
Bank overdraft	5 210	6 082	-	-
Non-current liabilities				
Secured bank loans	180 357	185 853	205 602	253 017
Lease liabilities	25 147	26 339	21 770	19 691
Lease liabilities (operational leases and other leases not previously recognised)	43 438	44 864	-	-
Other borrowings	1 288	1 464	1 816	2 723
	250 230	258 520	229 188	275 431

Current liabilities

Current portion of secured bank loans	36 948	37 256	36 933	38 959
Current portion of finance lease liabilities	12 737	13 208	14 521	13 246
Current portion of lease liabilities (operational leases and other leases not previously recognised)	8 543	8 233	-	-
Factoring liabilities	177	211	-	1 439
Other borrowings	1 418	1 847	2 707	2 405
	59 823	60 755	54 161	56 049

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, 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. (currently Cognor S.A.), Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A. joined the facility agreement as guarantors.

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

The revolving facility in the amount of PLN 40 million is due on June 30, 2020. The interest rate for this loan is variable and amounted to margin + WIBOR1M. In the reporting period the revolving facility has been used in the form of bank overdraft and amounted to PLN 5 210 thousand as at 30 September 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 conversion price of PLN 1.92 (from October 23, 2019 the conversion price is PLN 1.61).

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 (till September 30, 2019) bondholders of Exchangeable Notes converted 1 184 675 EUR nominal value of notes into 2 653 177 shares of Cognor Holding S.A. worth PLN 3 979 thousand. The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 30 September 2019 was 17 706 604 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 entitie

Controlling entities

- PS Holdco Sp. z o.o.
- 4 Workers Przemysław Sztuczkowski (previous name Wiedza i Praca 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

Short-term receivables:

	30.09.2019	30.06.2019	31.12.2018	30.09.2018
- associates	316	259	-	27
- controlling entities	87	90	64	6
- related companies to the controlling entities	-	3	-	1
<i>Short-term and long-term liabilities</i>				
- controlling entities	44 504	18 218	19 083	16 299
- associates	89	75	-	97
- related companies to the controlling entities	524	524	-	517

<i>in PLN thousand</i>	01.07.2019- 30.09.2019	01.07.2018- 30.09.2018	01.01.2019- 30.09.2019	01.01.2018- 30.09.2018	01.10.2018- 30.09.2019	01.10.2017- 30.09.2018
<i>Revenues from sale of services</i>						
- associates	233	8	647	22	654	29
- controlling entities	11	8	30	28	34	54
- related companies to the controlling entities	(1)	1	3	2	1	2
<i>Revenues from sale of raw materials and commodities</i>						
- associates	46	-	145	-	145	-
- controlling entities	35	-	36	-	36	-
- related companies to the controlling entities	-	-	-	-	-	1
<i>Purchase of commodities and raw materials</i>						
- controlling entities	308	375	1 093	1 113	253	1 464
<i>Purchase of services</i>						
- associates	329	186	746	603	926	801
- related companies to the controlling entities	1 278	3 910	4 754	6 430	8 514	7 690
- controlling entities	793	699	2 348	2 061	4 261	2 752
<i>Other income</i>						
- controlling entities	-	-	-	-	-	1
<i>Financial income</i>						
- controlling entities	(491)	-	504	-	504	-
<i>Financial costs</i>						
- controlling entities	3	(578)	-	(1 647)	(1 738)	(3 934)

17 Cash and cash equivalents presented in cash flow statements

<i>in PLN thousand</i>	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Cash in bank	26 753	39 033	58 446	39 035
Cash in bank restricted in use	50	50	16 508	1 231
Cash in hand	250	279	235	281
Short-term bank deposit	-	-	500	-
Other	2 563	17	770	112
Cash and cash equivalents	29 616	39 379	76 459	40 659
Bank overdrafts	(5 210)	(6 082)	-	-
Cash and cash equivalents in the statement of cash flows	24 406	33 297	76 459	40 659

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 September 2019 the fair value relating to IRS amounted PLN 3 859 thousand (30 June 2019: 3 578 PLN, 31 December 2018: PLN 2 531 thousand, 30 September 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 September 2019 the fair value relating to IRS amounted PLN 3 859 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 Management Board's position on the possibility of implementing previously published forecasts for the year, in light of the results presented in the quarterly report

Management Board didn't publish forecasts.

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

	As at the date of the current report		As at the date of the previous report	
	quantity	% in share capital	quantity	% in share capital
Management Board				
- Przemysław Sztuczkowski *	-	-	-	-
- Przemysław Grzesiak	106 000	0,09%	106 000	0,09%
- Krzysztof Zoła	250 000	0,20%	175 000	0,14%
- Dominik Barszcz	144 500	0,12%	144 500	0,12%
Supervisory Board				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew Łapiński	-	-	-	-

* Przemysław Sztuczkowski owns 100% of shares in the PS Holdco Sp. z o.o. (indirectly) and therefore the shares owned by PS Holdco Sp. z o.o. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor Holding S.A. As at August 14, 2019 PS Holdco Sp. z o.o. was the owner of 75.10% shares of Cognor Holding S.A, and as at October 31, 2019 PS Holdco Sp. z o.o. was the owner of 74.90%. Detailed information in note 12.

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

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

Additionally, as important from the point of view of the Group, there 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.

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

Not applicable.

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

Warranties and guarantees granted to subsidiaries by the Parent Company:

Subsidiary	Type of liability	Guarantee value (in PLN thousand)	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	200	without deadline
Cognor S.A.	Trade liability	bill of exchange up to the amount of debt	without deadline
Cognor S.A.	Trade liability	1 749	without deadline
Cognor S.A.	Factoring	40 000	without deadline
Cognor S.A.	Loan	710	till 31.12.2019
Cognor S.A.*	Overdraft	40 000	till 29.06.2020
Cognor S.A.	co-financing from the National Center for Research and Development	13 861	till 30.11.2020

*guarantee is granted by the Parent Company together with its subsidiaries: Cognor Holding S.A. Sp. K., Cognor Blachy Dachowe S.A. and Cognor International Finance plc

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

Subsidiary	Type of liability	Guarantee value	Period of guarantee
Cognor Blachy Dachowe S.A.	Trade liability	500	without deadline

Cognor S.A. (subsidiary) has letters of credit in banks for a total amount of PLN 5,688,000 EUR related to investment commitments.

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

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

Lack of information requiring disclosure.

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

The consolidated financial results of the Cognor Capital Group in the the prespective of the fourth quarter of 2019 will depend mainly

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

27 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 31 October 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