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COGNOR

Cognor Holding S.A.

Consolidated Financial Statements

as at and for the year ended 31 December 2019

Consolidated statement of financial position

in PLN thousand	*Note*	31.12.2019	31.12.2018	31.12.2017
Assets				
Property, plant and equipment	*14*	375 581	284 617	285 862
Intangible assets	*15*	22 296	17 965	13 005
Investment property		121	123	125
Investment in associates		1 134	2 589	3 251
Other investments		-	55	55
Other receivables	*19*	4 293	324	223
Perpetual usufruct of land	*16*	36 618	23 013	25 771
Deferred tax assets	*17*	47 206	50 610	70 178
Total non-current assets		**487 249**	**379 296**	**398 470**
Inventories	*18*	297 001	376 969	277 494
Other investments		145	12	12
Current income tax receivables	*13*	38	660	778
Trade and other receivables	*19*	188 342	167 982	171 889
Cash and cash equivalents	*20*	78 956	76 459	102 046
Total current assets		**564 482**	**622 082**	**552 219**
Total assets		**1 051 731**	**1 001 378**	**950 689**

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

Consolidated statement of financial position - continued

in PLN thousand	*Note*	31.12.2019	31.12.2018 **restated*	31.12.2017
Equity				
Issued share capital	*21*	185 911	180 626	177 923
Reserves		87 035	86 717	221 018
Foreign currency translation reserves		50	40	8
Accumulated losses from previous years and net result of the current year		(14 188)	10 781	(173 600)
Total equity attributable to owners of the Parent Company		**258 808**	**278 164**	**225 349**
Non-controlling interests		18 383	17 721	16 485
Total equity		**277 191**	**295 885**	**241 834**
Liabilities				
Interest-bearing loans and borrowings	*23*	249 669	229 188	358 003
Employee benefits obligation	*24*	11 071	10 677	11 282
Other liabilities	*26*	18 558	18 558	19 515
Deferred tax liabilities	*17*	-	1 162	-
Total non-current liabilities		**279 916**	**259 585**	**388 800**
Bank overdraft	*23*	-	-	24 607
Interest-bearing loans and borrowings	*23*	55 170	54 161	44 523
Employee benefits obligation	*24*	2 346	7 258	5 122
Other financial liabilities		2 869	2 531	-
Current income tax liabilities	*13*	319	-	-
Provisions for liabilities	*25*	226	4 394	3 362
Trade and other liabilities	*26*	424 370	371 911	242 324
Government grants and other deferred income	*30*	9 324	5 653	117
Total current liabilities		**494 624**	**445 908**	**320 055**
Total liabilites		**774 540**	**705 493**	**708 855**
Total equity and liabilities		**1 051 731**	**1 001 378**	**950 689**

** for restatment please see note no.2*

constituting integral part of the consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

in PLN thousand	*Note*	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Continuing operations				
Sales revenue	*6*	1 901 604	2 081 841	1 789 280
Costs of products, goods and materials sold	*7*	(1 730 554)	(1 805 528)	(1 573 044)
Gross profit		**171 050**	**276 313**	**216 236**
Other income	*8*	13 060	10 542	10 126
Distribution expenses	*7*	(75 261)	(76 700)	(65 792)
Administrative expenses	*7*	(48 140)	(46 041)	(50 528)
Other gains - net	*9*	917	1 977	(2 644)
Other expenses	*10*	(7 034)	(9 883)	(8 188)
Operating profit		**54 592**	**156 208**	**99 210**
Financial income	*11*	927	4 460	22 131
Financial expenses	*11*	(31 731)	(67 230)	(53 339)
Net financing costs		**(30 804)**	**(62 770)**	**(31 208)**
Share of (loss)/profit of associates		(1 455)	(662)	51
Gain on bargain purchase		-	-	-
(Loss)/profit before tax		**22 333**	**92 776**	**68 053**
Income tax expense	*12*	(2 561)	(20 730)	(18 148)
(Loss)/profit for the period from continuing operations		**19 772**	**72 046**	**49 905**
Discontinued operations				
Loss for the period from discontinued operations, net of tax		-	-	-
(Loss)/profit for the period		**19 772**	**72 046**	**49 905**
(Loss)/profit for the period attributable to:				
Owners of the Parent Company		19 110	68 539	47 604
Non-controlling interests		662	3 507	2 301
(Loss)/profit for the period		**19 772**	**72 046**	**49 905**

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

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

in PLN thousand	*Note*	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Other comprehensive income				
- that will be reclassified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences		10	32	(35)
Other comprehensive income for the year, net of tax		**10**	**32**	**(35)**
Total comprehensive income for the period		**19 782**	**72 078**	**49 870**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company		19 120	68 571	47 569
Non-controlling interests		662	3 507	2 301
Total comprehensive income for the period		**19 782**	**72 078**	**49 870**
Basic earnings per share (PLN) attributable to the owners of the Parent Company	*22*	**0,16**	**0,86**	**0,60**
- from continuing operations		0,16	0,86	0,60
- from discontinued operations		-	-	-
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	*22*	**0,12**	**0,64**	**0,41**
- from continuing operations		0,12	0,64	0,41
- from discontinued operations		-	-	-

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

Consolidated statement of cash flows

in PLN thousand	*Note*	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Cash flows from operating activities				
Continuing operations				
(Loss)/profit before tax from continuing operations		22 333	92 776	68 053
Adjustments				
Depreciation	*14, 16*	45 241	42 882	40 917
Amortization	*15*	995	979	411
Impairment losses and valuation allowances of property, plant and equipment, intangible assets		(2 166)	(317)	(3 605)
Foreign exchange (gains)/losses		(861)	(297)	(22 352)
Net gain on investment operations		(143)	-	-
Net (gains)/losses on disposal of property, plant and equipment, intangible assets		869	(405)	772
Interest, transaction costs (related to loans and borrowings) and dividends, net		25 171	48 240	47 087
Change in receivables and prepayments		(14 932)	14 145	(45 934)
Change in inventories		75 923	(94 620)	26 444
Change in trade and other payables		204	124 057	30 276
Change in provisions		(4 168)	1 032	227
Change in employee benefits obligation		(4 518)	1 531	2 263
Change in government grants and other deferred income		(1 410)	2 100	-
Share of profit/ (loss) of associates		1 455	662	(51)
Other adjustments		(2 162)	(688)	-
Cash generated from continuing operations		**141 831**	**232 077**	**144 508**
Cash generated from operating activities		**141 831**	**232 077**	**144 508**
Income tax (paid)/returned, incl.		649	118	932
- continuing operations		*649*	*118*	*932*
- discontinued operations		-	-	-
Net cash from operating activities		**142 480**	**232 195**	**145 440**

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

Consolidated statement of cash flows - continued

in PLN thousand	*Note*	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		3 362	3 008	1 362
Proceeds from sale of intangible assets		56	37	288
Proceeds from sale of investment properties		-	-	-
Proceeds from sale of prepaid perpetual usufruct of land		49	2 378	-
Acquisition of subsidiaries, net of cash transferred		(5)	(618)	-
Proceeds from sale of other investments		171	-	-
Interest received		21	188	294
Dividends received		-	50	50
Repayment of loans granted		-	-	126
Acquisition of property, plant and equipment		(55 967)	(36 707)	(15 471)
Acquisition of intangible assets		(3 714)	(5 939)	(1 925)
Acquisition of investment properties		-	-	(125)
Acquisition of perpetual usufruct of land		-	-	(1)
Loans granted		(126)	-	-
Cash generated on investing activities from continuing operations		**(56 153)**	**(37 603)**	**(15 402)**
Cash generated on investing activities from discontinued operations		-	-	-
Net cash from investing activities		**(56 153)**	**(37 603)**	**(15 402)**
Cash flows from financing activities				
Net cash receipts from share issue		-	-	39 792
Emission costs paid		-	(1 060)	-
Proceeds from interest-bearing loans and borrowings		-	314 007	1 438
Proceeds from factoring		-	(1 254)	(503)
Repayment of interest-bearing loans and borrowings		(40 155)	(414 792)	(18 851)
Payment of lease liabilities		(16 624)	(12 400)	(13 761)
Payment of lease liabilities (other rent and lease agreements not previously recognized)		(2 631)	-	-
Dividends paid and interests on exchangeable notes in the period		(3 917)	(16 007)	(4 280)
Interest and transaction costs (related to loans and borrowings) paid		(15 293)	(68 190)	(46 902)
Interest on lease liabilities (other rent and lease agreements not previously recognized - IFRS 16)		(2 286)	-	-
Fee relating to withholding tax relating to financing activities		(10 085)	-	-
Other transactions with the Owner		-	-	(9 312)
Received grants for investing activities		5 221	3 436	-
Other received grants		1 940	688	-
Cash outflows on financing activities from continuing operations		**(83 830)**	**(195 572)**	**(52 379)**
Cash outflows from discontinued operations		-	-	-
Net cash from financing activities		**(83 830)**	**(195 572)**	**(52 379)**
Net change in cash and cash equivalents		**2 497**	**(980)**	**77 659**
Cash and cash equivalents net of bank overdraft, at 1 January	*20*	76 459	77 439	(220)
- effect of exchange rate fluctuations on cash held		-	-	-
Cash and cash equivalents net of bank overdraft, at 31 December	*20*	**78 956**	**76 459**	**77 439**
- including cash restricted for use		*50*	*16 508*	*2 964*

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

Consolidated statement of changes in equity

in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
		Attributable to owners of the Parent Company						
Equity as at 1 January 2017		**150 532**	**184 617**	**43**	**(188 667)**	**146 525**	**13 775**	**160 300**
Total comprehensive income		-	-	(35)	47 604	**47 569**	2 301	**49 870**
- profit for the period		*-*	*-*	*-*	*47 604*	***47 604***	*2 301*	***49 905***
- foreign currency translation differences relating to foreign operations		*-*	*-*	*(35)*	*-*	***(35)***	*-*	***(35)***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		27 391	36 401	-	(32 128)	**31 664**	-	**31 664**
Share increase		39 792	-	-	-	**39 792**	-	**39 792**
Share increase - contribution in kind of OMS' shares		*24 000*	-	-	*(24 000)*	**-**	-	**-**
Decrease of nominal value of shares		*(38 044)*	*38 044*	-	-	**-**	-	**-**
Conversion of exchangeable notes into shares		*1 643*	*(1 643)*	-	-	**-**	-	**-**
Interests on exchangeable notes in the period		-	-	-	*(4 280)*	***(4 280)***	-	***(4 280)***
Other settlements with the Owner		-	-	-	*(3 848)*	***(3 848)***	-	***(3 848)***
Changes in ownership interests		-	-	-	(409)	**(409)**	409	**-**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*(409)*	***(409)***	*409*	**-**
Equity as at 31 December 2017		**177 923**	**221 018**	**8**	**(173 600)**	**225 349**	**16 485**	**241 834**
Equity as at 1 January 2018		**177 923**	**221 018**	**8**	**(173 600)**	**225 349**	**16 485**	**241 834**
Opening balance adjustment		-	-	-	*(342)*	***(342)***	-	***(342)***
Equity as at 1 January 2018		**177 923**	**221 018**	**8**	**(173 942)**	**225 007**	**16 485**	**241 492**
Total comprehensive income		-	-	32	68 539	**68 571**	3 507	**72 078**
- profit for the period		*-*	*-*	*-*	*68 539*	***68 539***	*3 507*	***72 046***
- foreign currency translation differences relating to foreign operations		*-*	*-*	*32*	*-*	***32***	*-*	***32***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		2 703	(3 763)	-	(16 007)	**(17 067)**	-	**(17 067)**
Dividends paid		-	-	-	(11 862)	**(11 862)**	-	**(11 862)**
Emission costs		-	(1 060)	-	-	**(1 060)**	-	**(1 060)**
Conversion of exchangeable notes into shares		2 703	(2 703)	-	-	**-**	-	**-**
Interests on exchangeable notes in the period		-	-	-	(4 145)	**(4 145)**	-	**(4 145)**
Changes in ownership interests		-	-	-	1 653	**1 653**	(2 271)	**(618)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	1 653	**1 653**	(2 271)	**(618)**
Transfer of profit		-	34 734	-	(34 734)	**-**	-	-
Cover of losses from previous years from reserves		-	(165 272)	-	165 272	**-**	-	**-**
Equity as at 31 December 2018		**180 626**	**86 717**	**40**	**10 781**	**278 164**	**17 721**	**295 885**

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

Consolidated statement of changes in equity

in PLN thousand	*Note*	Issued share capital	Reserves	Foreign currency translation reserves	Accumulated losses from previous years and net result of the current year	**Total**	Non-controlling interests	**Total equity**
		Attributable to owners of the Parent Company						
Equity as at 1 January 2019		**180 626**	**86 717**	**40**	**10 781**	**278 164**	**17 721**	**295 885**
Total comprehensive income		-	-	*10*	*19 110*	***19 120***	*662*	***19 782***
- profit for the period		-	-	-	*19 110*	***19 110***	*662*	***19 772***
- foreign currency translation differences relating to foreign operations		-	-	*10*	-	***10***	-	***10***
Transactions with owners of the Company, recognised directly in equity								
Contribution by and distributions to owners		5 285	(5 285)	-	(38 471)	**(38 471)**	-	**(38 471)**
Dividends		-	-	-	*(34 554)*	***(34 554)***	-	***(34 554)***
Conversion of exchangeable notes into shares	*21*	*5 285*	*(5 285)*	-	-	**-**	-	**-**
Interests on exchangeable notes in the period		-	-	-	*(3 917)*	***(3 917)***	-	***(3 917)***
Changes in ownership interests		-	-	-	(5)	**(5)**	-	**(5)**
Acquisition of non-controlling interests that do not result in a change in control		-	-	-	*(5)*	***(5)***	-	***(5)***
Transfer of profit		-	5 603	-	(5 603)	-	-	-
Equity as at 31 December 2019		**185 911**	**87 035**	**50**	**(14 188)**	**258 808**	**18 383**	**277 191**

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

(in PLN thousand, unless stated otherwise)

1 Group overview

a) Background

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

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

The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Parent Company and its subsidiaries and associates ("the Group"). Details of the subsidiaries and associates that comprise the Group as at 31 December 2019 are presented in the table below.

Name of the entity	Seat of entity	Ownership interest and voting rights	Date of obtaining control
COGNOR S.A.	Poland	94.38%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (previously KAPITAŁ S.A. Sp. k.)	Poland	98.0%	2008-03-25*
COGNOR BLACHY DACHOWE S.A.	Poland	100.0%	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 2019, Cognor Holding S.A. acquired Cognor S.A. shares worth 5 thousand PLN. This did not affect the change in the ownership interest of Cognor S.A.

Mergers in 2019

On September 30, 2019 the Regional Court in Częstochowa has registered the merger between Cognor S.A. (as the acquiring entity) and Business Support Services Sp. z o.o. (as the acquired entity). The merger has no impact on this consolidated financial statements.

b) Basis of preparation of consolidated financial statements

(i) Going concern basis of accounting

The consolidated financial statements as of and for the year ended 31 December 2019 have been prepared on the going concern basis.

(ii) Statement of compliance

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

The consolidated financial statements have been prepared on the historical cost basis with the exception of financial instruments at fair value through profit or loss, including shares in other entities, factoring receivables and liabilities due to measurement of financial instruments (IRS).

These consolidated financial statements were approved by the Board of Directors on 30 March 2020.

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

New standards and interpretations applied in these consolidated financial statements

In these consolidated financial statements, the following standards, which came into force on January 1, 2019, were applied for the first time:

a) IFRS 16 "Lease"

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.
IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
The impact of implementation of above mentioned standard has been disclosed in note no. 4.

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

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.

This standard has no impact on these consolidated financial statements

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

Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures' explain that with respect to long-term interests in an associate or joint venture to which the equity method does not apply and which are part of the net investment in those entities (e.g. long-term loans), IFRS 9 guidance on impairment applies. In addition, the Board also published an example illustrating the application of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

The amendments to IAS 28 have 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.
IFRIC 23 have no impact on these consolidated financial statements.

e) Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The annual improvements to IFRSs 2015-2017 change 4 standards: IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments contain explanations and changes regarding the scope of standards, recognition and measurement.
The Annual improvements to IFRSs 2015-2017 have no impact on these consolidated financial statements.

f) Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur (an amendment, curtailment or settlement).
The amendments to IAS 19 have no impact on these consolidated financial statements.

Standards and interpretations that have already been published and approved by the EU, but have not yet entered into force

When approving these consolidated financial statements, it was not decided to apply earlier the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but which have not yet entered into force - the following approved changes that have not yet entered into force and have not apply to the Group's operations or will not affect the consolidated financial statements:
- Changes in reference to conceptual assumptions in IFRS

Standards and interpretations adopted by the IASB, but not yet approved by the EU

IFRS as approved by the EU do not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations, which as at the date of preparing these consolidated financial statements have not yet been adopted for use.
The following (unapproved) standards and interpretations do not apply to the Group's operations and / or will not have a significant impact on the consolidated financial statements:
a) IFRS 17 'Insurance Contracts'
b) Amendments to the Conceptual Framework for Financial Reporting
c) Amendments to IFRS 3 'Business combinations'
d) Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
e) Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform
f) IFRS 14 "Regulatory Deferral Accounts"
g) Amendments to IFRS 10 and IAS 28 relating to the sale or contribution of assets between an investor and its associates or joint ventures

c) Critical accounting estimates and judgments

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

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

Significant judgments and estimates made by the Management Board of the Parent Company while applying IFRS EU are discussed in the following notes:

- note 14 – analysis of indications regarding impairment of fixed assets
- note 15 – impairment tests for cash-generating units containing goodwill
- note 17 – deferred tax assets and liabilities and utilization of tax losses

(in PLN thousand, unless stated otherwise)

- note 18 – inventories
- note 21 – settlements with the owner
- note 27 – financial instruments

d) Functional and presentation currency

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

2 Comparative data

In order to better present the Group's debt, the Group decided to separate the valuation of the financial instrument in the form of an interest rate swap (IRS) from the item of loan liabilities and present it as a separate item in short-term liabilities.

The transformation of comparable data for the consolidated statement of financial position as at December 31, 2018 is presented below.

Consolidated statement of financial position as at December 31, 2018

	Published consolidated data of the Cognor Capital Group	Reclassification	Transformed 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
	445 908	**-**	**445 908**

3 Summary of significant accounting policies

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

a) Basis of consolidation

Subsidiaries

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

Associates

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

Transactions eliminated on consolidation

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

Transactions with non-controlling interests

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

Business combinations

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

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

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

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

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

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

Acquisition under joint control

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

b) Foreign currencies transactions

Foreign currency translation

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

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

Foreign operations

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

c) Property, plant and equipment

Owned assets

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

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

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

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

Subsequent expenditures

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

Depreciation

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

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

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

d) Leased assets

Pursuant to IFRS 16 "Leasing" - a contract is a lease or concludes a lease if it provides the right to control the use of the identified asset for a given period of time in exchange for (payment) remuneration.
The contract includes leasing if the following conditions are jointly met:
• the asset is identified,
• the lessee has the right to all economic benefits from the use of the asset throughout life,
• the lessee has the right to manage the use of the identified asset, i.e. it determines the manner and purpose of use of the asset or previous decisions have been made regarding the manner and purpose of use of the assets.

The leasing period is the irrevocable period during which the lessee has the right to use the underlying asset, together with:
• periods for which the lease can be extended if it can be assumed with sufficient certainty that the lessee will exercise this right; and
• periods during which leasing can be terminated if it can be assumed with sufficient certainty that the lessee will not exercise this right.
The Group recognizes the right-of-use asset and a lease liability at the commencement date. The start date of the lease period is the date on which the lessor makes the underlying asset available for use by the lessee.
The Group has the right to be exempted from applying the requirements of IFRS 16 when it recognizes:
• short-term leasing - leasing that has a leasing period of no more than 12 months at the commencement date.
Leasing in which the call option was introduced is not a short-term lease.
• leasing of low-value assets - assets whose unit initial value of the new component the subject of the lease does not exceed PLN 20 thousand, excluding the perpetual usufruct of land.

At the commencement date, the Group measures the asset due to the right-of-use at cost. The cost of an asset due to the right-of-use should, in accordance with IFRS 16, include:
a) the initial amount of the lease liability valuation,
b) all leasing payments paid on or before the start date, less any leasing incentives received,
c) any initial direct costs incurred by the lessee and
d) an estimate of the costs to be borne by the lessee in connection with the dismantling and removal of the underlying asset, renovation of the place where it was located or renovation of the underlying asset to the condition required by the terms of the lease, unless these costs are incurred in order to produce inventory. The lessee assumes the obligation to cover these costs at the commencement date or as a result of using the underlying asset for a given period.

e) Intangible assets

Goodwill

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

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

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

Research and development

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

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

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

CO2 emission rights

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

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

Other intangible assets

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

Subsequent expenditures

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

Amortization

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

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

f) Investment property

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

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

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

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

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

h) Financial assets and liabilities

The classification of financial assets depends on the business model of managing financial assets and the characteristics of the contractual cash flows of a financial asset. The classification of financial assets is made upon initial recognition and can only be changed if the business model of managing financial assets changes.

Initial measurement

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

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

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The Group discloses in this category factoring receivables and shares in other entities.

Impairment

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

At the time of initial recognition of assets, the impairment is recognized in the amount of expected losses over a period of 12 months (except for the receivables described above). At each reporting date, The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

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

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

Financial liabilities

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

i) Inventories

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

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

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
The Group determines the impairment on cash according to the expected loss model, individually for each balance related to a given credit institution based on external ratings.

k) Impairment of non financial assets

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

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit (or a group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of units) and then, to reduce the carrying amount of the other assets in the unit (or a group of units) on a pro rata basis.
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Equity

Issued share capital

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

Reserve capital

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

Dividends

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

Repurchase and reissue of treasury shares

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

m) Interest bearing loans and borrowings

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

Fair value, evaluated for disclosure purposes, is calculated on the basis of current value of future cash flows from capital and returns discounted at market interest rate at the reporting day. In case of lease, the market interest rate is estimated on the basis of the percentage rate of similar lease agreements.

n) Employee benefits

Defined benefits plan – retirement awards

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

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

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

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

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

o) Provisions

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

p) Trade and other liabilities

Trade and other liabilities are recognised initially at fair value less transaction costs which can be directly attributed to these liabilities and subsequently measured at amortized cost. Current liabilities are not discounted.

q) Deferred government grants and other deferred income

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

r) Revenue

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

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

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

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

Determining the transaction price

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

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

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

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

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

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

s) Other income and expenses

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

t) Current and deferred income tax

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

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

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

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

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

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
The Group has decided to implement IFRS 16 from January 1, 2019 using a simplified approach, i.e. retrospectively with the combined effect of the first application of this standard recognized on the first application date. The Group will not transform comparative data, but will take the effect of applying this standard as an adjustment to the opening balance of retained earnings on the date of first application.
The lessee is required to recognize: (a) assets and liabilities for all lease transactions concluded for a period of over 12 months, except when the asset is of low value; and (b) depreciation of the leased asset separately from interest on the lease liability 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. in line: 'Property, plant and equipment' and '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.

When applying IFRS 16 for the first time, the Group applied the following practical solutions / simplifications authorized by the standard:

- application of a single discount rate for the leasing portfolio with relatively similar features - the weighted average interest rate used to discount the leasing liabilities was 5.66%, it was determined based on the external cost of the Capital Group's debt,
- operating lease agreements with a remaining lease period of less than 12 months from the date of first application, i.e. 1 January 2019, will be treated as short-term leases,
- not recognizing the right-of-use assets and the lease liabilities for contracts regarding assets with a low initial unit value of the new component (below PLN 20 thousands),
- not separating leasing and non-leasing elements for leasing contracts regarding all classes of the underlying asset and being recognized as a single leasing element,
- excluding initial direct costs for measuring assets related to the right-of-use on the date of initial application, and
- use of time perspective (use of knowledge acquired after the fact) in determining the lease period, if the contract includes options to extend or terminate the lease contract,
- at the date of application of the new standard, do not re-assess the contracts for leases.

Payments related to short-term and low-value leasing are recognized by the Group on a straight-line basis in the income statement and other comprehensive income.

in PLN thousand	**31.12.2019**	**01.01.2019**
Commitment for rent and operating lease as at December 31, 2018		105 705
Discounted cash flows from above commitment using a discount rate		55 211
- short-term and low value rental / lease contracts		(402)
Lease liabilities (other rent and lease agreements not previously recognized)		**54 809**
including:		
-non-current lease liability (other rent and lease agreements not previously recognized)	47 299	48 323
-current lease liability (other rent and lease agreements not previously recognized)	4 879	6 486
	52 178	**54 809**

As at December 31, 2018, the Group had contractual liabilities under irrevocable leasing in the amount of PLN 47,004 thousand regarding the perpetual usufruct of land and 2,610 thousand regarding property, plant and equipment. The value of commitment due to rent and operating leases presented above includes contracts in the value including the option of their extension or termination and the intention to use individual assets.

As a result of the application of IFRS 16, the Group recognized the following rights-of-use assets as at January 1, 2019, broken down into underlying assets:

in PLN thousand	31.12.2019	01.01.2019
a) Property, plant and equipment	**38 778**	**43 458**
-Land	6 963	7 665
-Buildings	26 611	29 145
-Plant and equipment	5 204	6 648
b) Perpetual usufruct of land	**11 193**	**11 351**
	49 971	**54 809**

Impact of recognition of additional financial liabilities and related right-of-use assets

	31.12.2018	Impact of IFRS 16	01.01.2019
Non-current assets			
Property, plant and equipment	284 617	43 458	328 075
Perpetual usufruct of land	23 013	11 351	34 364
Total assets		**54 809**	
Non-current liabilities			
Lease liabilities	21 770	48 323	70 093
Current liabilities			
Lease liabilities	14 521	6 486	21 007
Total liabilities		**54 809**	

Impact on the consolidated statement of profit or loss and other comprehensive income

The application of IFRS 16 affected the structure of costs presented in the statement of profit or loss and other comprehensive income.

Part of the costs presented so far in the costs of products, goods and materials sold have been presented in financial costs (interest). This resulted in an increase in operating profit and EBITDA, as well as differences in the presented values, mainly as a result of a different distribution during the depreciation period as compared to actual payments of leasing rentals. In the long term, fluctuations in the structure and amount of depreciation and interest costs will be leveled.

Lease amounts (IFRS 16) recognized in the reporting period:

	01.01.2019 - 31.12.2019
Depreciation of the right-of-use assets	(4 838)
Interest on leasing liabilities (included in financial costs)	(3 010)
Total costs related to leasing contracts	**(7 848)**

Impact on the consolidated statement of cash flows
Lease amounts (IFRS 16) recognized in the cash flow statement during the reporting period

Cash outflows related to leasing - financing activities	01.01.2019 - 31.12.2019
Payment of lease liability (capital)	(2 631)
Payment of lease interests	(2 286)
	(4 917)

Impact on the segment's operating result

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

in PLN thousand	**01.01.2019 - 31.12.2019**
Scrap metal	(190)
Billets HSJ	(233)
Billets FER	(920)
Finished products HSJ	(818)
Finished products FER	(2 455)
Non-ferrous scrap metal	(52)
Non-ferrous finished products	(21)
Other	(149)
	(4 838)

5 Segment reporting

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

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

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

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

5 Segment reporting - continued

Business segments

in PLN thousand

31.12.2019	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	131 952	166 079	203 933	532 148	668 509	59 805	70 344	64 221	4 530		
Inter-segment revenue	156 039	45 045	11 781	5 128	47 765	20 685	2 692	6 045	9 020		
Total revenue	**287 991**	**211 124**	**215 714**	**537 276**	**716 274**	**80 490**	**73 036**	**70 266**	**13 550**	**(304 117)**	**1 901 604**
Cost of sales to external customers	(122 821)	(166 889)	(179 718)	(471 042)	(629 101)	(56 344)	(63 096)	(53 619)	(3 795)		
Inter-segment cost of sales	(149 254)	(44 702)	(10 701)	(4 720)	(45 632)	(19 846)	(2 579)	(3 437)	(1 134)		
Total cost of sales	**(272 075)**	**(211 591)**	**(190 419)**	**(475 762)**	**(674 733)**	**(76 190)**	**(65 675)**	**(57 056)**	**(4 929)**	**297 876**	**(1 730 554)**
Segment result	**15 916**	**(467)**	**25 295**	**61 514**	**41 541**	**4 300**	**7 361**	**13 210**	**8 621**	**(6 241)**	**171 050**
Other income	2 271	1 093	1 293	3 843	4 230	641	979	877	1 286	(3 453)	13 060
Distribution and administrative expenses	(14 916)	(11 369)	(4 091)	(30 929)	(30 902)	(4 188)	(4 714)	(6 535)	(22 291)	6 534	(123 401)
Other gain/(losses) net	401	(124)	(167)	(437)	(545)	110	(17)	602	(2 541)	3 635	917
Other expenses	(813)	(772)	(731)	(2 714)	(2 392)	(226)	(161)	(463)	(5 235)	6 473	(7 034)
Operating profit/(loss)	**2 859**	**(11 639)**	**21 599**	**31 277**	**11 932**	**637**	**3 448**	**7 691**	**(20 160)**	**6 948**	**54 592**
Net financing costs									(29 504)	(1 300)	(30 804)
Share of profit of associates, net of tax											(1 455)
Income tax expense											(2 561)
Profit for the period											**19 772**

in PLN thousand

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

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

in PLN thousand 31.12.2019	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Segment assets	75 666	74 140	54 410	239 334	338 426	21 305	27 117	43 665	216 490	(38 822)	**1 051 731**
Segment liabilities	22 107	38 590	41 383	124 567	146 600	6 191	6 216	19 585	406 289	(36 988)	**774 540**

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

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

Unallocated assets *in PLN thousand*	**2019.12.31**	**31.12.2018**	**31.12.2017**
Long-term and short-term investments	1 279	2 656	3 318
Deferred tax assets	47 206	50 610	70 178
Investment property	121	123	125
Income tax receivable	38	660	778
Cash and cash equivalents	78 956	76 459	102 046
Assets held for sale	-	-	-
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	62 467	51 321	45 822
Assets of central office	26 423	13 115	13 793
	216 490	**194 944**	**236 060**

Unallocated liabilities *in PLN thousand*	**2019.12.31**	**2018.12.31**	**2017.12.31**
Interest-bearing loans and borrowings	304 839	283 349	402 526
Bank overdraft	-	-	24 607
Deferred tax liabilities	-	1 162	-
Provisions	226	4 394	3 362
Government grants and other deferred income	9 942	5 653	117
Current income tax payables	319	-	-
Other liabilities	80 456	43 089	55 547
Other financial liabilities	2 869	2 531	-
Liabilities of central office	7 638	10 588	1 252
	406 289	**350 766**	**487 411**

5 Segment reporting (continued)

Geographical areas

in PLN thousand

	Poland			Germany			Other countries			Consolidated		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Revenue from external customers	1 381 073	1 475 009	1 325 774	297 513	297 984	247 007	223 018	308 848	216 499	1 901 604	2 081 841	1 789 280
Capital expenditures	102 495	54 372	26 363	-	-	-	-	-	-	102 495	54 372	26 363

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

Major customer

In 2019, none of the Group’s customers exceeded 10% of consolidated revenues (in 2018 and 2017 none of the Group's customers exceeded 10% of consolidated revenues).

6 Revenues from contracts with customers

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Revenues from sale of products	1 635 353	1 766 010	1 512 408
Revenues form sale of services	35 827	36 145	29 610
Revenues from sale of goods	208 779	256 519	222 466
Revenues from sale of raw materials and energy	21 645	23 167	24 796
	1 901 604	**2 081 841**	**1 789 280**
including:			
- revenue from sale of goods or services transferred to customers at a point in time	1 844 387	2 045 696	1 759 670
- revenue from sale of goods or services and energy transferred to customers over time	57 217	36 145	29 610

The Group has one long-term contract settled on the basis of "cost plus margin". As a result of this contract, the Group recognized revenues of PLN 4,293 thousand. PLN on this contract (31.12.2018: PLN 0 thousand, 31.12.2017: PLN 0 thousand). It remains PLN 12,667 thousand of revenue to be recognized in future under this contract.

Apart from the above contract, the Group does not have sales contracts over 12 months, hence the Group uses the exclusion specified in IFRS 15 without disclosing the transaction price assigned to the obligations of services not fulfilled under these contracts.

7 Expenses by type

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Depreciation and amortisation (note 14 and 15)	(45 637)	(43 447)	(40 866)
Energy and materials consumption	(1 229 523)	(1 364 485)	(1 129 927)
External services	(176 989)	(170 583)	(152 491)
Taxes and charges	(9 967)	(11 869)	(10 809)
Wages and salaries	(146 354)	(148 736)	(130 654)
Social security contributions and other benefits	(35 259)	(34 857)	(30 621)
Other expenses	(6 473)	(6 153)	(4 734)
Amortisation of prepaid perpetual usufruct of land	(599)	(414)	(462)
Total expenses by type	**(1 650 801)**	**(1 780 544)**	**(1 500 564)**
Cost of goods for resale and materials	(192 949)	(227 195)	(201 824)
Changes in inventories, prepayments, accruals and costs settled	(10 205)	79 470	13 024
Costs of products, goods and materials sold, administrative and distribution expenses	**(1 853 955)**	**(1 928 269)**	**(1 689 364)**

8 Other income

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Compensations and penalties received	315	915	1 507
Insurance compensations	1 271	264	739
Forgiven liabilities	236	373	557
Reimbursed costs of court proceedings	151	211	140
Reversal of impairment for non financial non-current assets	-	-	3 605
Donations and grants	1 393	1 631	708

Interest income relating to trade receivables	3 441	2 068	1 846
Fees and commissions	-	-	3
Reversal of allowance for interest and other receivables	719	1 105	210
Revenues from readiness to reduce power of energy	3 683	1 786	-
Other	1 851	2 189	811
	13 060	**10 542**	**10 126**

9 Other gains/(losses) - net

in PLN thousand	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Net gain/ (loss) on disposal of property, plant and equipment	1 267	651	(613)
Net gain/(loss) on disposal of intangible assets	30	37	(159)
Net gain/(loss) on disposal of prepaid perpetual usufruct of land	-	34	-
Net gain/(loss) on sales of other investments	143	-	-
(Recognition)/reversal of impairment loss on other investments	-	-	-
Net gain/(loss) on the sale of energy certificates	257	-	-
Net foreign exchange gain relating to operating activities	(741)	1 084	(1 640)
Net foreign exchange (loss)/gain relating to financial assets	(39)	171	(232)
	917	**1 977**	**(2 644)**

10 Other expenses

in PLN thousand	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Interest expenses relating to non-financial liabilities	(2 114)	(879)	(1 247)
Uncollectible receivables	(1 285)	(3 593)	(2 061)
Impairment of tangible and intangible assets	-	-	-
Costs of court proceedings	(74)	(143)	(475)
Contractual penalties	(937)	(1 211)	(969)
Receivables written off	(3)	(1 382)	(1 023)
Donations	(122)	(6)	(3)
Unused production capacities	-	-	-
Other	(2 499)	(2 669)	(2 410)
	(7 034)	**(9 883)**	**(8 188)**

11 Net financing costs

in PLN thousand	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Financial income			
Net gain on the purchase of own bonds	-	4 460	-
Net foreign exchange gain	927	-	22 131
Financial income, total	**927**	**4 460**	**22 131**
Financial costs			
Interest expense relating to financial liabilities	(20 868)	(38 312)	(47 171)
Bank fees and transaction costs related to loans and borrowings (recognised using the effective interest rate method)	(5 265)	(13 114)	(4 836)
Net foreign exchange loss	-	(12 030)	-
Valuation of derivatives	(338)	(2 531)	-
Fee relating to withholding tax relating to financial activity	(5 042)	-	-
Other	(218)	(1 243)	(1 332)
Financial expenses, total	**(31 731)**	**(67 230)**	**(53 339)**
Net financing costs	**(30 804)**	**(62 770)**	**(31 208)**

12 Income tax expense

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

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Current tax expense			
Current year			
- continuing operations	(319)	-	(198)
Deferred tax expense			
Origination and reversal of temporary differences			
- continuing operations	(2 242)	(20 730)	(17 950)
- discontinued operations	-	-	-
	(2 242)	**(20 730)**	**(17 950)**
Total income tax expense in the profit or loss and other comprehensive income	**(2 561)**	**(20 730)**	**(18 148)**

Reconciliation of effective tax rate

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2017 - 31.12.2017
(Loss)/profit before tax	**100,0%**	**22 333**	**100,0%**	**92 776**	**100,0%**	**68 053**
Income tax using the domestic corporation tax rate	(19,0%)	(4 243)	(19,0%)	(17 627)	(19,0%)	(12 930)
Effect of tax rates in foreign jurisdictions	(0,0%)	(11)	-	-	0,1%	38
Non-deductible costs	(4,6%)	(1 030)	(1,7%)	(1 610)	(3,1%)	(2 106)
Tax exempt income	6,2%	1 385	2,6%	2 419	2,1%	1 425
Utilisation of tax losses not recognised in previous years	0,2%	40	-	-	-	-
Temporary differences for which no deferred tax asset was recognised	-	-	-	-	-	-
Tax losses for which no deferred tax asset was recognised	(0,7%)	(146)	(6,0%)	(5 592)	-	-
Permanent tax differences arised on business combination in capital group	-	-	-	-	-	-
Adjustment to prior years' income tax	1,3%	280	1,6%	1 475	0,1%	88
Recognition of deferred tax assets previously not recognised	5,7%	1 270	(0,2%)	(145)	(2,0%)	(1 348)
Other	(0,5%)	(107)	0,4%	350	(4,9%)	(3 315)
	(11,5%)	**(2 561)**	**(22,3%)**	**(20 730)**	**(26,7%)**	**(18 148)**

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

13 Current tax assets and liabilities

The current tax receivables as at 31.12.2019 amounted to PLN 38 thousand (31.12.2018: PLN 660 thousand, 31.12.2017: PLN 778 thousand).

As at 31.12.2019 the current tax liabilities amounted to PLN 319 thousand (31.12.2018: PLN 0 thousand, 31.12.2017: PLN 0 thousand).

14 Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equip-ment	Vehicles	Fixtures and fittings	Under construc-tion	Total
Cost							
Balance at 01.01.2017	1 001	173 508	497 473	39 801	8 918	9 261	729 962
Additions	-	-	9 947	3 228	338	10 924	**24 437**
Transfer from fixed assets under construction	-	2 780	7 405	306	948	(11 439)	**-**
Disposals	-	(604)	(6 009)	(1 886)	(73)	(94)	**(8 666)**
Balance at 31.12.2017	**1 001**	**175 684**	**508 816**	**41 449**	**10 131**	**8 652**	**745 733**
Balance at 01.01.2018	1 001	175 684	508 816	41 449	10 131	8 652	**745 733**
Additions	-	993	5 539	11 153	155	30 593	**48 433**
Reclassification	-	-	-	6	(6)	-	**-**
Transfer to inventories	-	-	-	-	-	(4 855)	**(4 855)**
Transfer from fixed assets under construction	-	399	8 442	697	583	(10 121)	**-**
Disposals	-	(292)	(4 562)	(10 086)	(318)	-	**(15 258)**
Balance at 31.12.2018	**1 001**	**176 784**	**518 235**	**43 219**	**10 545**	**24 269**	**774 053**
Balance at 01.01.2019	1 001	176 784	518 235	43 219	10 545	24 269	**774 053**
Recognition acc. to IFRS 16	7 665	29 145	6 648	-	-	-	**43 458**
Additions	-	-	10 770	6 506	880	75 579	**93 735**
Reclassification	-	-	-	(7)	7	-	**-**
Transfer to investment properties	-	-	-	-	-	-	**-**
Transfer from perpetual usufruct of land	-	-	-	-	-	506	**506**
Transfer from fixed assets under construction	-	9 888	14 597	455	287	(25 227)	**-**
Disposals	-	(76)	(8 006)	(7 042)	(97)	(896)	**(16 117)**
Balance at 31.12.2019	**8 666**	**215 741**	**542 244**	**43 131**	**11 622**	**74 231**	**895 635**
Depreciation and impairment losses							
Balance at 01.01.2017	(11)	(75 699)	(319 880)	(27 475)	(6 724)	77	**(429 712)**
Depreciation charge for the year	-	(5 425)	(31 327)	(3 241)	(462)	-	**(40 455)**
Reversal of impairment loss	-	2 751	854	-	-	-	**3 605**
Disposals	-	604	4 237	1 777	73	-	**6 691**
Balance at 31.12.2017	**(11)**	**(77 769)**	**(346 116)**	**(28 939)**	**(7 113)**	**77**	**(459 871)**
Balance at 01.01.2018	(11)	(77 769)	(346 116)	(28 939)	(7 113)	77	**(459 871)**
Depreciation charge for the year	-	(5 847)	(32 194)	(3 700)	(727)	-	**(42 468)**
Reversal of impairment loss	-	-	317	-	-	-	**317**
Disposals	-	123	2 866	9 449	148	-	**12 586**
Balance at 31.12.2018	**(11)**	**(83 493)**	**(375 127)**	**(23 190)**	**(7 692)**	**77**	**(489 436)**
Balance at 01.01.2019	(11)	(83 493)	(375 127)	(23 190)	(7 692)	77	**(489 436)**
Depreciation charge for the year	(702)	(7 937)	(30 719)	(4 364)	(918)	-	**(44 640)**
Reversal of impairment loss	-	-	884	-	-	242	**1 126**
Disposals	-	52	6 122	6 625	97	-	**12 896**
Balance at 31.12.2019	**(713)**	**(91 378)**	**(398 840)**	**(20 931)**	**(8 511)**	**319**	**(520 054)**

(in PLN thousand, unless stated otherwise)

Carrying amounts							
Balance at 01.01.2017	990	97 809	177 593	12 326	2 194	9 338	300 250
Balance at 31.12.2017	**990**	**97 915**	**162 700**	**12 510**	**3 018**	**8 729**	**285 862**
Balance at 01.01.2018	990	97 915	162 700	12 510	3 018	8 729	285 862
Balance at 31.12.2018	**990**	**93 291**	**143 108**	**20 029**	**2 853**	**24 346**	**284 617**
Balance at 01.01.2019	990	93 291	143 108	20 029	2 853	24 346	284 617
Balance at 31.12.2019	**7 953**	**124 363**	**143 404**	**22 200**	**3 111**	**74 550**	**375 581**

including right-of-use assets							
Cost							
Balance at 01.01.2019	-	1 561	33 965	25 422	1 143	-	**62 091**
Recognition acc. to IFRS 16 as at 1 January 2019	7 665	29 145	6 648	-	-	-	**43 458**
Additions	-	-	10 771	7 294	879	-	**18 944**
Disposals	-	(572)	(8 705)	(3 796)	-	-	**(13 073)**
Balance at 31.12.2019	**7 665**	**30 134**	**42 679**	**28 920**	**2 022**	**-**	**111 420**
Depreciation							
Balance at 01.01.2019	-	(638)	(16 590)	(6 239)	(364)	-	**(23 831)**
Depreciation charge for the year - right-of use assets	(702)	(2 950)	(6 930)	(3 649)	(294)	-	**(14 525)**
Disposals	-	565	8 212	2 408	-	-	**11 185**
Balance at 31.12.2019	**(702)**	**(3 023)**	**(15 308)**	**(7 480)**	**(658)**	**-**	**(27 171)**
Carrying amounts							
Balance at 01.01.2019	7 665	30 068	24 023	19 183	779	-	81 718
Balance at 31.12.2019	**6 963**	**27 111**	**27 371**	**21 440**	**1 364**	**-**	**84 249**

Property, plant and equipment

	31.12.2019	**31.12.2018**	**31.12.2017**
Land	7 953	990	990
Buildings	124 363	93 291	97 915
Plant and equipment	143 404	143 108	162 700
Vehicles	22 200	20 029	12 510
Fixtures and fittings	3 111	2 853	3 018
Under construction	74 550	24 346	8 729
Total	**375 581**	**284 617**	**285 862**

	31.12.2019	**31.12.2018**	**31.12.2017**
Property, plant and equipment pledged as security for liabilities	157 988	158 032	88 134

Collateral

As at 31.12.2018 property, plant and equipment with a carrying amount of PLN 157 988 thousand (31.12.2018: PLN 158 032 thousand, 31.12.2017: PLN 88 134 thousand) was provided as collateral for bank loans, overdrafts and secured fixed interest rate bonds (see note 23).
The leased assets secure lease obligations (see note 23).

Impairment loss

	31.12.2019	31.12.2018	31.12.2017
Buildings	-	(242)	(242)
Plant and equipment	(1 014)	(1 898)	(2 215)
Under construction	-	-	-
Total	**(1 014)**	**(2 140)**	**(2 457)**

As at 31.12.2019, the Group recognized an impairment losses of PLN 1 014 thousand related mainly to property, plant and equipment connected with unused production capacities (31.12.2018: PLN 2 140 thousand and 31.12.2017: PLN 2 457 thousand).

The analyzes made last year based on financial forecasts did not show any indications regarding impairment. In the opinion of the Management Board of the parent company, despite the low stock market capitalization of the Company, the financial forecasts did not change significantly compared to the previous year, and therefore it is justified to maintain the judgment that there are no indications for impairment of fixed assets. There were no other new factors that could affect the judgment made by the Management Board.

15 Intangible assets

in PLN thousand	Goodwill	Develop-ment costs	CO2 emission rights	Software and other	Total
Cost					
Balance at 01.01.2017	15 159	14 560	1 055	24 347	**55 121**
Additions	-	487	240	1 198	**1 925**
Disposals	-	-	(448)	(3)	**(451)**
Balance at 31.12.2017	**15 159**	**15 047**	**847**	**25 542**	**56 595**
Balance at 01.01.2018	15 159	15 047	847	25 542	**56 595**
Additions	-	5 348	269	322	**5 939**
Disposals	-	-	-	-	**-**
Balance at 31.12.2018	**15 159**	**20 395**	**1 116**	**25 864**	**62 534**
Balance at 01.01.2019	15 159	20 395	1 116	25 864	**62 534**
Additions	-	3 888	33	1 431	**5 352**
Disposals	-	-	-	(1 348)	**(1 348)**
Balance at 31.12.2019	**15 159**	**24 283**	**1 149**	**25 947**	**66 538**
Amortisation and impairment losses					
Balance at 01.01.2017	(6 230)	(13 564)	(589)	(22 800)	**(43 183)**
Amortisation for the year	-	(76)	(252)	(83)	**(411)**
Disposals	-	-	-	4	**4**
Balance at 31.12.2017	**(6 230)**	**(13 640)**	**(841)**	**(22 879)**	**(43 590)**
Balance at 01.01.2018	(6 230)	(13 640)	(841)	(22 879)	**(43 590)**
Amortisation for the year	-	(302)	(275)	(402)	**(979)**
Disposals	-	-	-	-	**-**
Balance at 31.12.2018	**(6 230)**	**(13 942)**	**(1 116)**	**(23 281)**	**(44 569)**
Balance at 01.01.2019	(6 230)	(13 942)	(1 116)	(23 281)	**(44 569)**
Amortisation for the year	-	(300)	(33)	(662)	**(995)**
Reversal of impairment loss	-	-	-	1 040	**1 040**
Disposals	-	-	-	282	**282**
Balance at 31.12.2019	**(6 230)**	**(14 242)**	**(1 149)**	**(22 621)**	**(44 242)**

Carrying amounts					
Balance at 01.01.2017	8 929	996	466	1 547	11 938
Balance at 31.12.2017	**8 929**	**1 407**	**6**	**2 663**	**13 005**
Balance at 01.01.2018	8 929	1 407	6	2 663	13 005
Balance at 31.12.2018	**8 929**	**6 453**	**-**	**2 583**	**17 965**
Balance at 01.01.2019	8 929	6 453	-	2 583	17 965
Balance at 31.12.2019	**8 929**	**10 041**	**-**	**3 326**	**22 296**

Intangible assets

	31.12.2019	31.12.2018	31.12.2017
Goodwill	8 929	8 929	8 929
Development costs	10 041	6 453	1 407
CO2 emission rights	-	-	6
Software and other	3 326	2 583	2 663
Total	**22 296**	**17 965**	**13 005**

Impairment losses

As at 31.12.2019, the Group recognized an impairment loss for intangible assets (excluding goodwill) of PLN 0 thousand (31.12.2018: PLN 1 040 thousand; 31.12.2017: PLN 1 040 thousand). Recognized impairment losses are related to software.

Amortisation and impairment loss charge

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

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Cost of sales	(521)	(556)	-
Administration expenses	(474)	(3)	(352)
Other expenses	-	(420)	(62)
	(995)	**(979)**	**(414)**

Impairment tests for cash-generating units containing goodwill

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

	31.12.2019	31.12.2018	31.12.2017
Scrap metal and non-ferrous scrap metal division	5 029	5 029	5 029
Billets and finished products FER division	3 900	3 900	3 900
	8 929	**8 929**	**8 929**

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

The key assumptions used for value-in-use calculations in 2019 are as follows:

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	8.3%	8.5%
Growth rate	2.0%	2.0%

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

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	8.5%	9.4%
Growth rate	2.0%	2.0%

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

	Scrap metal and non-ferrous scrap metal division	Billets and finished products FER division
Discount rate	9.4%	8.9%
Growth rate	2.0%	2.0%

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

As the result of the impairment test as at 31.12.2019, 31.12.2018 and 31.12.2017 there was no need to recognize an additional impairment write down on goodwill relating to the scrap metal and non-ferrous scrap metal division and the billets and finished products FER division

16 Perpetual usufruct of land

in PLN thousand	**2019**	**2018**	**2017**
Balance at 1 January	23 013	25 771	20 220
Acquisition/recognition acc. to IFRS 16	14 759	-	1
Transfer from non-current assets held for sale	-	-	6 012
Transfer to property, plant and equipment	(506)		
Disposals	(49)	(2 344)	-
Amortization for the period	(599)	(414)	(462)
Balance at 31 December	**36 618**	**23 013**	**25 771**
including right-of-use assets (the table contains only assets recognized as a result of the implementation of IFRS 16)			
Recognition acc. to IFRS 16	11 351		
Depreciation charge for the year - right-of use assets	(158)		
Balance at 31 December	**11 193**		

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in PLN thousand	Assets			Liabilities			Net		
	31.12.2019	**31.12.2018**	**31.12.2017**	**31.12.2019**	**31.12.2018**	**31.12.2017**	**31.12.2019**	**31.12.2018**	**31.12.2017**
Property, plant and equipment	14 741	17 621	18 261	(14 451)	(7 600)	(6 555)	290	10 021	11 706
Intangible assets	5 262	7 945	4 325	-	(1)	(1)	5 262	7 944	4 324
Other investments	672	779	779	(1)	(286)	(1 343)	671	493	(564)
Prepaid perpetual usufruct of land	795	310	184	(2 009)	(1 128)	27	(1 214)	(818)	211
Inventories	2 475	2 094	1 500	-	-	-	2 475	2 094	1 500
Trade and other receivables	1 261	1 574	1 500	(50)	(277)	(8)	1 211	1 297	1 492
Interest bearing loans and borrowings	23 163	9 308	17 030	-	-	(1 209)	23 163	9 308	15 821
Employee benefits	2 486	3 934	3 824	-	-	-	2 486	3 934	3 824
Provisions	43	835	647	-	(461)	-	43	374	647
Trade and other payables	4 152	2 241	4 262	(60)	(91)	(154)	4 092	2 150	4 108
Other items	6 427	3 210	277	-	693	(5)	6 427	3 903	272
Tax value of loss carry-forward expected to be utilised	2 300	9 006	26 837	-	(258)	-	2 300	8 748	26 837
Tax assets/(liabilities)	**63 777**	**58 857**	**79 426**	**(16 571)**	**(9 409)**	**(9 248)**	**47 206**	**49 448**	**70 178**
-to be used after 12 months	50 803	63 777	58 857	(9 674)	(16 571)	(9 506)	41 129	47 206	49 351
-for use within 12 months	12 974	(4 920)	20 569	(6 897)	7 162	258	6 077	2 242	20 827
Set off of tax assets/ liabilities	(16 571)	(8 247)	(9 248)	16 571	8 247	9 248			
Net deferred tax assets/ liabilities	**47 206**	**50 610**	**70 178**	**-**	**(1 162)**	**-**			

Movement in temporary differences during the year

in PLN thousand	**01.01.2019**	**Recognised in profit or loss**	**Recognised in equity, including business combinations**	**31.12.2019**
Property, plant and equipment	10 021	(9 731)	-	290
Intangible assets	7 944	(2 682)	-	5 262
Investment property	-	-	-	-
Other investments	493	178	-	671
Prepaid perpetual usufruct of land	(818)	(396)	-	(1 214)
Inventories	2 094	381	-	2 475
Trade and other receivables	1 297	(86)	-	1 211
Interest bearing loans and	9 308	13 855	-	23 163
Employee benefits	3 934	(1 448)	-	2 486
Provisions	374	(331)	-	43
Trade and other payables	2 150	1 942	-	4 092
Other items	3 903	2 524	-	6 427
Tax value of loss carry-forwards expected to be utilised	8 748	(6 448)	-	2 300
	49 448	**(2 242)**	**-**	**47 206**

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

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

Unrecognised deferred tax assets

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

in PLN thousand	2019	2018	2017
Intangible assets	9 098	6 398	13 348
Tax losses	1 877	5 592	-
Total	**10 975**	**11 990**	**13 348**

18 Inventories

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Raw materials	65 174	102 797	70 088
Semi-finished goods and work in progress	95 267	140 900	65 434
Finished products	117 651	113 258	119 504
Goods for resale	18 909	20 014	22 468
	297 001	**376 969**	**277 494**

Movements in allowances for inventories

in PLN thousand	2019	2018	2017
Balance at 1 January	(15 432)	(11 199)	(11 169)
Recognition	(2 378)	(4 261)	(97)
Utilization	11	27	15
Reversal	-	1	52
Balance at 31 December	**(17 799)**	**(15 432)**	**(11 199)**

As at 31.12.2019, inventories are presented net of allowances of PLN 17 799 thousand (31.12.2018: PLN 15 432 thousand; 31.12.2017: PLN 11 199 thousand). Allowances relate mainly to goods for resale and finished goods with a net realisable value below cost. Recognition and reversal of inventory allowance are recognized as costs of sales.

As at 31.12.2019, inventories with a carrying value of PLN 15 309 thousand (31.12.2018: PLN 20 709 thousand; 31.12.2017: PLN 20 709 thousand) were subject to pledges as collateral for bank loans and overdrafts.

19 Trade and other receivables

Short-term receivables

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Trade receivables	101 740	101 544	111 814
Statutory receivables excluding income tax	18 404	27 034	28 313
Prepayments for services and inventories	5 781	12 458	2 191
Prepayments for fixed assets	15 032	-	-
Factoring receivables	42 217	20 995	14 745
Other receivables	5 168	5 951	14 826
	188 342	**167 982**	**171 889**

Long-term receivables

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Other receivables	4 293	324	223
	4 293	**324**	**223**

As at 31.12.2019, receivables with a carrying value of PLN 0 thousand (31.12.2018: 0 PLN thousand; 31.12.2017: PLN 0 thousand) were provided as collateral for bank loans and overdrafts.

Factoring receivables

As at 31 December 2019 subsidiaries Cognor S.A. and Cognor Blachy Dachowe S.A. were parties to factoring agreements. Existing agreements concern non-recourse and recourse factoring of trade receivables financed up to set limits.

Types of factoring and limits as at 31 December 2019 were as follows:

Factoree	Effective date	Factor:	Limit:	Type of factoring
Cognor S.A. (branch HSJ)	indefinite	mFaktoring S.A.	PLN 20 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 25 000 thousand	non-recourse
Cognor S.A. (branch HSJ)	indefinite	Santander S.A.	PLN 35 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	mFaktoring S.A.	PLN 37 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	Coface Poland Factoring Sp. z o.o.	PLN 15 000 thousand	non-recourse
Cognor S.A. (branch Ferrostal)	indefinite	KUKE S.A.	PLN 65 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	mFaktoring S.A.	PLN 26 000 thousand	non-recourse
Cognor S.A. (branch Zlomrex Metal)	indefinite	KUKE S.A.	PLN 3 000 thousand	non-recourse
Cognor S.A. (branch OM)	indefinite	mFaktoring S.A.	PLN 3 000 thousand	non-recourse
Cognor Blachy Dachowe S.A.	indefinite	mFaktoring S.A.	PLN 1 000 thousand	non-recourse

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

As the Group retains exposure to 10% of trade receivables subject to non-recourse factoring, that portion of trade receivables and related liabilities is recognised in the consolidated financial statements, as factoring receivables (as at 31.12.2019 PLN 42 217 thousand). The remaining receivables (90%) were derecognised from the statement of financial position.

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

	31.12.2019	31.12.2018	31.12.2017
Trade receivables in total	301 679	261 585	248 420
Factoring receivables derecognised from statement of financial position	(157 722)	(139 046)	(121 861)
Factoring receivables	(42 217)	(20 995)	(14 745)
Trade receivables net	**101 740**	**101 544**	**111 814**

20 Cash and cash equivalents

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Cash in bank	78 703	58 446	98 414
Cash in bank restricted in use	50	16 508	2 964
Cash in hand	181	235	244
Short-term bank deposits	-	500	-
Other	22	770	424
Cash and cash equivalents in statement of financial position	**78 956**	**76 459**	**102 046**
Bank overdrafts	-	-	(24 607)
Cash and cash equivalents in the statement of cash flows	**78 956**	**76 459**	**77 439**

As at 31.12.2019, 31.12.2018 and 31.12.2017, cash and cash equivalents were not pledged as security for liabilities.

Detailed information regarding bank overdrafts is presented in note 23.

(in PLN thousand, unless stated otherwise)

21 Equity

Issued share capital

	31.12.2019	31.12.2018	31.12.2017
Registered shares number at reporting date	123 940 417	120 417 142	118 615 660
Number of issued warrants	51 030 446	54 553 721	56 355 003
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN

On 31 December 2019 the Parent Company's share capital comprised of 123 940 417 ordinary shares (2018: 120 417 142; 2017: 118 615 660).

On 29 August 2011 Cognor S.A. purchased from PS Holdco Sp. z o.o. 20 957 400 shares of Złomrex S.A. On the same day Cognor Holding S.A. and PS Holdco Sp. z o.o. entered into the agreement on settlement of the liability arising from the said purchase (Settlement Agreement). In the Settlement Agreement the price for the shares in Złomrex S.A. was fixed at PLN 145 995 116.10 and its payment was made conditional on the concurrent increase of share capital of Cognor Holding S.A. by PS Holdco Sp. z o.o. by way of subscribing to Cognor's warrants series B owned by PS Holdco Sp. z o.o. at the amount at least equal to the price for shares. The parties also agreed that the price for the shares in Złomrex S.A. shall be appropriately reduced in case of the lack of the ability to repay the receivable of Złomrex S.A. (currently Cognor S.A.) owned from the Republic of Croatia at the amount of PLN 39 215 thousand. It was also decided that until the payment of the liability of Cognor Holding S.A. resulting from the purchase of shares in Złomrex S.A. (also until the final price for Złomrex S.A. shares is determined), this liability shall be bearing the interest at the level of 7% p.a. and that the payments of the liability or related interest shall not fall below the price for the shares in Złomrex S.A.

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

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

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

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand. In connection with the subordination of the abovementioned liability, it will be repaid no earlier than the repayment of dual term loan (the value as at 31.12.2019: PLN 18 558 thousand).

(in PLN thousand, unless stated otherwise)

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 Holding S.A., there have been series of conversions of Exchangeable Notes into shares. Till December 31, 2018 the National Securities Depositary admitted to trading 11 666 479 of shares Cognor Holding S.A. Moreover the National Securities Depositary admitted to trading following number of shares Cognor Holding S.A. in 2019:
- 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 to trading on 21 October 2019,
- 534 161 shares were admitted to trading on 11 December 2019.

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

The conversion price of Exchangeable Notes was reduced to PLN 2.05 per share according to resolution of the Management Board of Cognor Holding S.A. of 9 January 2018 in connection with the reduction of the nominal price of the shares. Due to the payment of dividend the conversion price was reduced to PLN 1.92 per share according to resolution of the Management Board of 12 July 2018. In connection with determining the dividend day the Management Board at 23 October 2019 resolved the decrease of convertion price to PLN 1.61.

Altogether 3 523 275 shares of Cognor Holding S.A. were admitted to trading in 2019 as a result of conversions of 1 534 675 EUR of Exchangeable Notes (including 1 334 675 EUR converted at PLN 1.92 per share and 200 000 EUR converted at PLN 1.61).

The Shareholders' structure as at 31 December 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	74.58%	92 430 239	74.58%
Other shareholders	31 510 178	25.42%	31 510 178	25.42%
Total	**123 940 417**	**100.00%**	**123 940 417**	**100.00%**

* Przemysław Sztuczkowski owns indirectly 100% of shares in PS Holdco Sp. z o.o. through 4Workers Sp. Z o.o. and therefore the shares owned by PS Holdco Sp. z o.o. represent the indirect participation of Przemysław Sztuczkowski in Cognor Holding S.A.

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

Changes in the reporting period
In connection with the conversion of Exchangeable Notes, PS HoldCo Sp. z o.o.'s ownership interest in the share capital of Cognor Holding S.A. decreased from 76.76% on December 31, 2018 to 74.58% on December 31, 2019.

PS HoldCo Sp. z o.o. as at December 31, 2019, it held Exchangeable Notes with a nominal value of EUR 5 438 906, which in the future will result in the acquisition of 14 526 269 shares of Cognor Holding S.A. as a result of conversion.

22 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2019 was based on the profit attributable to ordinary shareholders of the Parent Company of PLN 19 110 thousand (2018: profit of PLN 68 539 thousand; 2017: profit of PLN 47 604 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2019 of 122 236 thousand (2018: 118 940 thousand, 2017: 79 278 thousand).

Diluted earnings per share

The weighted average number of shares used to calculate diluted earnings per share during the year ended 31 December 2019 was 165 861 thousand (2018: 152 372 thousand, 2017: 116 731 thousand).
The calculation of diluted earnings per share at 31 December 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 2019 excluding interest paid in this period. The above mentioned potential shares obtained as a result of conversion of Exchangeable Notes into shares are included in the calculation of diluted results due to the obligatory conversion on the maturity date of Exchangeable Notes.

As at 31 December 2019, issued warrants, which will remain after the mandatory conversion of Exchangeable Notes on their maturity date, were excluded from the diluted weighted average number of ordinary shares calculation as the effect of warrants which may remain unconverted into shares would have been anti-dilutive due to the fact that the average market value of the Parent Company's shares was lower than price of warrants conversion. The average market value of the Company's shares for purposes of calculating the dilutive effect of share warrants was based on quoted average market prices for the period during which the warrants were outstanding.

23 Interest-bearing loans and borrowings and bank overdrafts

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

in PLN thousand

	31.12.2019	31.12.2018	31.12.2017
Non-current liabilities			
Secured bank loans	168 725	205 602	-
Secured fixed interest rate debt	-	-	333 590
Lease liabilities	32 532	21 770	19 918
Lease liabilities (other rent and lease agreements not previously recognized)	47 299	-	-
Other borrowings	1 113	1 816	4 495
	249 669	**229 188**	**358 003**
Current liabilities			
Current portion of secured bank loans	36 907	36 933	238
Current portion of secured fixed interest rate debt	-	-	29 495
Current portion of lease liabilities	12 505	14 521	10 548
Current portion of lease liabilities (other rent and lease agreements not previously recognized)	4 879	-	-
Factoring liabilities	166	-	1 254
Other borrowings	713	2 707	2 988
	55 170	**54 161**	**44 523**
Bank overdrafts	-	-	24 607
	55 170	**54 161**	**69 130**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2019 (excl. lease liabilities)

in PLN thousand

	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Secured bank loans	205 632	36 907	168 725	-	-
Other borrowings	1 826	713	443	670	-
	207 624	**37 786**	**169 168**	**670**	**-**

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

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

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

in PLN thousand

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

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
		31.12.2019			31.12.2018			31.12.2017	
Less than one year	21 578	4 194	17 384	15 612	1 091	14 521	11 470	922	10 548
Between 1 and 5 years	55 557	11 888	43 669	23 616	1 846	21 770	20 838	920	19 918
More than 5 years	70 696	34 534	36 162	-	-	-	-	-	-
	147 831	**50 616**	**97 215**	**39 228**	**2 937**	**36 291**	**32 308**	**1 842**	**30 466**

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

Changes in debt

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

	Total	Secured bank loans	Lease liabilities	Other borrowings
Balance as at 1 January 2019	283 349	242 535	36 291	4 523
Liability paid	(59 371)	(38 175)	(19 216)	(1 980)
Forgiven liabilities	(700)	-	-	(700)
Increase of liability	25 257	-	25 257	-
Recognition of liability acc. To IFRS 16	54 809	-	54 809	-
Interests paid	(14 888)	(10 489)	(4 268)	(131)
Interests accrued	15 156	10 774	4 268	114
Settlement of provision costs	1 971	1 971	-	-
Foreign currency differences	(910)	(984)	74	-
Balance as at 31 December 2019	**304 673**	**205 632**	**97 215**	**1 826**

(in PLN thousand, unless stated otherwise)

As at 31 December 2019

Analysis of loan agreements and other loans:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mBank S.A., European Bank for Reconstruction and Development, Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego	168 725	36 907	dual currency term and revolving facilities	12.07.2018	31.12.2022	WIBOR 3M+margin, EURIBOR 3M + margin	- a combined contractual mortgage on real estate with a value of EUR 111 285 423, - registered pledge on shares in Cognor S.A., Cognor International Finance plc and Business Support Services Sp. z o.o., - financial and registered pledge on bank accounts, - registered pledge on fixed assets.
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW	1 113	713	loan	2014.07.31	2024.09.15	Variable interest rate of not less than the variable discount rate published by the UOKiK, at least 3.6% per annum / 0.48 rediscount rate at least 3.5 per annum	- blank bill of exchange, - pledge, - reassignment of insurance rights, - guarantee of the related company, - bank guarantee
Total	**169 838**	**37 620**					

(in PLN thousand, unless stated otherwise)

Analysis of lease agreements:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
mLeasing S.A.	21 738	6 517	lease	2014.12.30	2025.07.30	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
PKO Leasing S.A.	2 761	1 547	lease	2015.04.07	2024.09.24	WIBOR 1M+margin EURIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp. z o.o.	1 131	617	lease	2015.12.01	2024.12.12	WIBOR 1M+margin	- blank bill of exchange, - leased equipment
Alior Leasing Sp. z o.o.	1 897	883	lease	2017.03.22	2025.02.28	WIBOR 1M+margin WIBOR 3M+margin EURIBOR 3M+margin	- blank bill of exchange, - leased equipment,
Santander Leasing S.A.	3 315	635	lease	2017.12.14	2025.12.31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment,
Other lessors	1 690	2 306	lease	2015.04.27	2024.09.18	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Perpetual usufruct of land	11 326	13	lease	n/a	2096	5,66%	no collateral
ArcelorMittal Poland S.A	33 780	3 463	lease	1997.04.03	2030.06.30	5,66%	no collateral
Other lessors	2 193	1 403	lease	2006.05.11	2028.05.31	5,66%	no collateral
Total	**79 831**	**17 384**					

Interest-bearing loans and borrowings

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

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

Dual currency term and revolving facilities

On July 12, 2018 the facility agreement has been signed between subsidiary Cognor S.A. and consortium of four banks (mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego and European Bank for Reconstruction and Development) under which banks commited to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The long-term facility was intended for the full 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. (currently branch of Cognor S.A.), 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 amount of PLN 40 million is due on October 31, 2021 (the repayment date for revolving facility was extended by the annex of 8 January 2020). The interest rate for this loan is variable and amounted to margin + WIBOR1M. In the reporting period, the revolving limit was used as an overdraft facility. As at December 31, 2019 the liability resulting from revolving facility amounted to PLN 0 thousand.

Liability from Senior Secured Notes and Exchangeable Notes

In 2018 the Group has repaid totally Senior Secured Notes. More details in the Cognor Holidng consolidated report for 2018.

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 1.61.

In connection with the determining of dividend day, the the Management Board of Cognor Holding S.A. adopted resolution on 23 October 2019 which reduced the convertion price of Exchangeable Notes to PLN 1.61 per share.

In these consolidated financial statements the Exchangeable Notes are presented within Reserves.

In 2015, bondholders of Exchangeable Notes converted 1 983 422 EUR nominal value of notes into 3 629 239 shares of Cognor Holding S.A. worth PLN 7 258 thousand. In 2016, bondholders of Exchangeable Notes converted 2 959 024 EUR nominal value of notes into 5 414 381 shares of Cognor Holding S.A. worth PLN 10 830 thousand. In 2017 bondholders of Exchangeable Notes converted 448 894 EUR nominal value of notes into 821 377 shares of Cognor Holding S.A. worth PLN 1 643 thousand. In 2018 bondholders of Exchangeable Notes converted 804 384 Eur nominal value of notes into 1 801 482 shares of Cognor Holding S.A. worth PLN 2 703 thousand. In 2019 bondholders of Exchangeable Notes converted 1 534 675 Eur nominal value of notes into 3 523 275 shares of Cognor Holding S.A. worth PLN 5 285 thousand. The amount was transferred from reserves to issued share capital. The total principal value of Exchangeable Notes remaining to be settled as at 31 December 2019 was 17 356 604 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.

24 Employee benefits obligations

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Long-term provisions for retirement and jubilee awards	11 071	10 677	11 282
Short-term provisions for retirement and jubilee awards	2 346	7 258	5 122
	13 417	**17 935**	**16 404**

Employee benefits

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

	31.12.2019	31.12.2018	31.12.2017
Discount rate	2%	3%	3.25%
Future Salary Increase	2.0%-3.5%	2.0%-3.5%	2.5%-3.5%

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

in PLN thousand	Provisions for employee benefits	Jubilee awards	Other	Total
At January 2017	1 083	7 349	5 709	**14 141**
Current service cost	1 206	807	2 199	**4 212**
Interest cost	35	215	25	**275**
Actuarial (gain)/loss due to changes in assumptions	263	1 461	18	**1 742**
Actual benefits paid	(27)	(807)	(3 121)	**(3 955)**
The share of program participants	-	-	-	**-**
Other actuarial (gain)/loss	3	(14)	-	**(11)**
At 31 December 2017	**2 563**	**9 011**	**4 830**	**16 404**
At January 2018	2 563	9 011	4 830	**16 404**
Current service cost	889	324	1 890	**3 103**
Interest cost	96	63	-	**159**
Actuarial (gain)/loss due to changes in assumptions	148	(106)	-	**42**
Actual benefits paid	(249)	(1 524)	-	**(1 773)**
The share of program participants	-	-	-	**-**
Other actuarial (gain)/loss	-	-	-	**-**
At 31 December 2018	**3 447**	**7 768**	**6 720**	**17 935**

At January 2019	3 447	7 768	6 720	**17 935**
Current service cost	313	805	-	**1 118**
Interest cost	93	207	-	**300**
Actuarial (gain)/loss due to changes in assumptions	334	1 111	-	**1 445**
Actual benefits paid	(358)	(1 499)	-	**(1 857)**
The share of program	-	-	-	**-**
Other actuarial (gain)/loss	-	-	-	**-**
Reclassification	590	606	(1 196)	**-**
Reclassification on accrued expenses relating to employees	-	-	(5 524)	**(5 524)**
At 31 December 2019	**4 419**	**8 998**	**-**	**13 417**

Sensitivity of employee benefits obligations to changes in basic assumptions

As at 31 December 2019	Change in assumption		Influence on obligations	
	Decrease	Increase	Increase/ (decrease)	Increase/ (decrease)
Discount rate	0.25%	0.25%	1.4%	(1.3%)
Future Salary Increase	0.25%	0.25%	(1.3%)	1.4%
Probability of resignation	0.25%	0.25%	1.5%	(1.5%)

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

25 Short-term provisions

in PLN thousand	**2019**	**2018**	**2017**
Balance at 1 January	4 394	3 362	3 135
Provisions raised during the year	-	4 338	3 217
Provisions utilised during the year	-	(3 179)	(2 908)
Provisions released during the year	-	(127)	(82)
Reclassifications to accrued expenses	(4 168)	-	-
Balance at 31 December	**226**	**4 394**	**3 362**

26 Trade and other payables

Short term

in PLN thousand	**31.12.2019**	**31.12.2018**	**31.12.2017**
Trade payables	324 561	332 339	200 141
Statutory payables	19 868	15 468	25 293
Bills of exchange payables	-	-	-
Dividend payables	34 556	-	-
Investment payables	22 845	6 616	2 049
Prepayments for services and deliveries of goods	770	4 916	1 908
Liabilities due to Shareholder*	26	-	-
Payroll liabilities	7 118	8 154	9 533
Accrued expenses relating to employees	5 064	-	-
Accrued expenses	9 232	3 509	2 194
Other payables	330	909	1 206
	424 370	**371 911**	**242 324**

Long term

in PLN thousand	**31.12.2019**	**31.12.2018**	**31.12.2017**
Liabilities due to Shareholder*	18 558	18 558	19 515
Other payables	-	-	-
	18 558	**18 558**	**19 515**

* see note 21 for details relating to the transactions with PS Holdco Sp. z o.o.

27 Financial instruments

Classification of financial instruments

Assets

As at 31.12.2019 — *Classification according to IFRS 9*

in PLN thousand	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets according to statement of financial position			
a) Non-current assets			
Other investments (shares)	-	-	**-**
b) Current assets			
Receivables excluding prepayments and tax receivables	101 740	-	**101 740**
Factoring receivables	-	42 217	**42 217**
Other investments	145	-	**145**
Cash and cash equivalents	78 956	-	**78 956**
Total	**180 841**	**42 217**	**223 058**

As at 31.12.2018 — *Classification according to IFRS 9*

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

As at 31.12.2017 — *Classification according to IAS 39*

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

Liabilities

As at 31.12.2019

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
	Classification according to IFRS 9		
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding lease liabilities)	169 838	-	**169 838**
Other liabilities	18 558	-	**18 558**
b) Short-term liabilities		-	
Interest-bearing loans and borrowings (excluding lease liabilities)	37 786	-	**37 786**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	347 406	-	**347 406**
Liability resulting from derivative instruments (IRS)	-	2 869	**2 869**
Total	**573 588**	**2 869**	**576 457**

As at 31.12.2018

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
	Classification according to IFRS 9		
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	207 418	-	**207 418**
Trade and other payables	18 558	-	**18 558**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	39 640	-	**39 640**
Bank overdraft	-	-	**-**
Trade and other payables excluding tax payables	338 955	-	**338 955**
Liability resulting from derivative instruments (IRS)	-	2 531	**2 531**
Total	**604 571**	**2 531**	**607 102**

As at 31.12.2017

in PLN thousand	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
	Classification according to IAS 39		
Liabilities according to statement of financial position			
a) Long-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	338 085	-	**338 085**
Finance lease liabilities	19 918	-	**19 918**
Trade and other payables	19 515		**19 515**
b) Short-term liabilities			
Interest-bearing loans and borrowings (excluding finance lease liabilities)	33 975	-	**33 975**
Finance lease liabilities	10 548	-	**10 548**
Bank overdraft	24 607	-	**24 607**
Trade and other payables excluding tax payables	217 031	-	**217 031**
Total	**663 679**	**-**	**663 679**

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

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

Fair values

Financial instruments measured in the statement of financial position at fair value are analyzed in terms of valuation procedures. The hierarchy of valuation procedures was established as follows:
• Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).
• Input data other than quotations covered by the abovementioned level of observable for the asset or liability, directly (i.e. in the form of prices) or indirectly (i.e. based on price-based calculations) (level 2).
• Inputs for the valuation of an asset or liability that are not based on observable market data (i.e. unobservable data) (level 3).

The table below presents financial assets and liabilities that are measured at fair value. Assets include shares in other entities and trade receivables subject to factoring. On the other hand, the liabilities include interest rate swaps (IRS).

	IFRS 9	*IFRS 9*	*IAS 39*
	31.12.2019	**31.12.2018**	**31.12.2017**
udziały w pozostałych jednostkach	-	55	-
należności faktoringowe	42 217	20 995	-
zobowiązania finansowe	(2 869)	(2 531)	-

The following are details of the fair values of the financial instruments for which it is practicable to estimate such value:
• Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
• Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
• Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.
• Fixed rate debt securities. The fair value of bonds at 31 December 2019 amounted to PLN 0 thousand (2018: PLN 0 thousand, 2017: PLN 355 823 thousand) - which was calculated on the basis of the market transactions on the bonds issued by Cognor International Finance plc in the period close to the reporting date (level 2 in fair value hierarchy) as at 31.12.2017.

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

The fair value of IRS has been estimated on the base of valuation model taking into consideration the future cash flows in fixed and variable interest rate. As at 31 December 2019 the fair value relating to IRS amounted PLN 2 869 thousand.
The Group's activities is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign currency risk

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

Exposure to foreign currency risk

The Group exposure to foreign currency risk was as follows:

Information on balances denominated in foreign currencies

As at 31.12.2019 *in PLN thousand*	**in EUR**	**in USD**	**in other currencies**	**Total**
Trade and other receivables	53 921	1 472	-	**55 393**
Interest-bearing loans and borrowings	(112 281)	-	-	**(112 281)**
Trade and other payables	(50 986)	(2 951)	-	**(53 937)**
Exposure to currency risk on balances denominated in foreign currencies	**(109 346)**	**(1 479)**	**-**	**(110 825)**

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

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

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

A 15 percent weakening/strengthening of the functional currency against the following currencies at 31 December 2019 would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2018 and 2017 was performed on the same basis.

Influence of exchange rate differences for the period ended:

in PLN thousand	**(Loss) / profit**		**Equity**	
	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%	decrease of functional currency exchange rate by 15%	increase of functional currency exchange rate by 15%
31.12.2019	(16 624)	16 624	(16 624)	16 624
31.12.2018	(15 965)	15 965	(15 965)	15 965
31.12.2017	(55 505)	55 505	(55 505)	55 505

Price risk

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

Interest rate risk

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

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

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

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Fixed rate instruments			
Financial assets	145	12	12
Financial liabilities	(52 178)	-	(363 085)
	(52 033)	**12**	**(363 073)**

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Floating rate instruments			
Financial assets	-	-	-
Financial liabilities	(252 495)	(283 349)	(64 048)
	(252 495)	**(283 349)**	**(64 048)**

Impact of interest rate risk on cash flows and fair values

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

Cash flow sensitivity analysis for floating rate financial instruments

Increase/decrease of 150 basis points in interest rates at the reporting date would have decreased/increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018 and 2017.

Influence of interest rate change for the period ended:

in PLN thousand	**Financial result**		**Equity**	
	increase of interest rates by 1.5%	decrease of interest rates by 1.5%	increase of interest rates by 1.5%	decrease of interest rates by 1.5%
31.12.2019	(3 787)	3 787	(3 787)	3 787
31.12.2018	(4 250)	4 250	(4 250)	4 250
31.12.2017	(961)	961	(961)	961

The above sensitivity is significantly limited by the interest rate swap contracts concluded in 2018.

Credit risk

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

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

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

Maximum exposure to credit risk

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Financial assets designated at fair value through profit or loss	42 217	21 050	-
Receivables at amortised cost (IFRS 9) / Loans and receivables (IAS 39)	101 885	101 556	141 620
Cash and cash equivalents (excluding cash in hand)	78 775	76 224	101 802
	222 877	**198 830**	**243 422**

As at 31 December 2019, loans in the amount of PLN 145 thousand (2018: PLN 12 thousand, 2017: PLN 12 thousand) were not overdue and were not impaired.

Insured trade receivables

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
from other entities	28 280	59 109	54 685

Ageing structure of trade and interest receivables:

Gross value

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Not past due	80 454	74 532	78 706
Past due	**37 970**	**43 003**	**49 757**
1-30 days	15 018	18 677	22 795
31-90 days	3 863	2 148	2 873
91-180 days	389	361	907
181-365 days	354	1 020	858
more than one year	18 346	20 797	22 324
	118 424	**117 535**	**128 463**

Impairment loss

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Not past due	(14)	(339)	(453)
Past due	**(16 670)**	**(15 652)**	**(16 196)**
1-30 days	(9)	(22)	-
31-90 days	(410)	(36)	(475)
91-180 days	(19)	(184)	(253)
181-365 days	(269)	(265)	(101)
more than one year	(15 963)	(15 145)	(15 367)
	(16 684)	**(15 991)**	**(16 649)**

Net carrying value

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Not past due	80 440	74 193	78 253
Past due	**21 300**	**27 351**	**33 561**
1-30 days	15 009	18 655	22 795
31-90 days	3 453	2 112	2 398
91-180 days	370	177	654
181-365 days	85	755	757
more than one year	2 383	5 652	6 957
	101 740	**101 544**	**111 814**

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

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Balance at 1 January	(15 991)	(16 649)	(14 376)
Recognition	(1 656)	(1 728)	(2 996)
Utilization	349	1 638	391
Release	614	748	332
Balance at 31 December	**(16 684)**	**(15 991)**	**(16 649)**
Gross value - trade receivables (Stage 2)	101 932	101 798	
Impairment loss (Stage 2)	(192)	(254)	
Net carrying value - trade receivables (Stage 2)	**101 740**	**101 544**	
Gross value - trade receivables (Stage 3)	16 492	15 737	
Impairment loss (Stage 3)	(16 492)	(15 737)	
Net carrying value - trade receivables (Stage 3)	**-**	**-**	

Part of the receivable, despite significant past due, is not covered by the write-off. These are situations when debt collection is properly secured. The change in the gross value of receivables did not significantly affect the amount of the write-down.

As at 31 December 2019, trade receivables of PLN 80 440 thousand were not overdue and were not impaired (2018: PLN 74 193 thousand; 2017: PLN 78 253 thousand). As at 31 December 2019, trade receivables of PLN 21 300 thousand (2018: PLN 27 351 thousand; 2017: 33 561 PLN thousand) were overdue, but not impaired. These receivables comprise mainly receivables from clients with a long history of cooperation, with whom the Group had no problems in the past or are secured with the clients assets.

As at 31 December 2019, trade receivables of PLN 16 670 thousand (2018: PLN 15 652 thousand; 2017: PLN 16 196 thousand) were overdue and impaired. As a result, in 2019 they were provided for in the amount of PLN 16 670 thousand, and in 2018 for PLN 15 652 thousand, and in 2017 for PLN 16 196 thousand. As at 31 December 2019 receivables of PLN 14 thousand were not overdue but impaired due to the financial situation of customers (2018: PLN 339 thousand, 2017: PLN 453 thousand).

Liquidity risk

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

Contractual maturities of financial liabilities including interest payments

As at 31.12.2019

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	97 215	148 831	21 578	37 399	18 158	71 696
Bank overdraft	-	-	-	-	-	-
Bank loans	207 458	239 737	46 139	193 495	103	-
Factoring liabilities	166	166	166			
Trade and other payables (excluding current income tax payables)	365 964	372 963	347 406	25 557	-	-
	670 803	**761 697**	**415 289**	**256 451**	**18 261**	**71 696**

As at 31.12.2018

in PLN thousand	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities						
Finance lease liabilities	36 291	36 292	14 523	18 452	3 317	-
Bank overdraft	-	-	-	-	-	-
Other interest-bearing liabilities	247 058	462 367	46 971	413 031	2 365	-
Trade and other payables (excluding current income tax payables)	375 001	364 512	338 955	25 557	-	-
	658 350	**863 171**	**400 449**	**457 040**	**5 682**	**-**

As at 31.12.2017

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

Capital management

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

28 Capital commitments, future contractual obligations and contingencies

a) future contractual obligations

The Group has future liabilities resulting from agreements concluded by the Group not included in the balance sheet as at the balance sheet date.
The future contractual obligations under the noncancellable lease as at December 31, 2019 amount to PLN 712 thousand.

b) capital commitments

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

Investment project	Capital commitment (in thousand PLN)
Reconstruction of the rolling mill in Krakow	36 989
Technological devices	14 178
Compensation devices	3 574
Compensation transformer	856
Modernization of the billet transport device	600
Gauntry Q32t	1 550
3 slag cars	2 989
Adaptation of energy infrastructure	902
	61 638

c) contingencies

The Group has no contingent liabilities.

29 Research projects and grants awarded

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

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

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

30 Government grants and other deferred income

	31.12.2019	31.12.2018	31.12.2017
Grant from NCRD relaing to project from note 29a	6 188	4 705	-
Grant from NCRD relaing to project from note 29b	51	-	-
Grant from NCRD relaing to project from note 29c	2 350	578	-
Grant from NCRD relaing to project from note 29d	628	-	-
Grant from NCRD relaing to project from note 29e	12	-	-
Forgiven liability relating to loan from WFOŚiGW	621	159	-
Other	92	211	117
Total	**9 942**	**5 653**	**117**
-long term	618	-	-
-short term	9 324	5 653	117

31 Explanatory note to the statement fo cash flows

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Change in receivables and prepayments in statement of financial position	(24 329)	3 806	(34 592)
Exchange differences resulting from foreign entities translation	-	4	(10)
Change of recourse factoring into non-recourse	-	-	(10 509)
Recognition of allowance on receivables in equity (resulting from implementation of IFRS 9)	-	(342)	-
Change of advances for acquisition of fixed assets	4 355	10 677	-
Fee relating to withholding tax	5 042	-	-
Compensation agreements	-	-	(823)
Change in receivables and prepayments in statement of cash flows	**(14 932)**	**14 145**	**(45 934)**

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Change in trade and other payables statement of financial position	52 459	128 630	15 586
Exchange differences resulting from foreign entities translation	-	(6)	8
Change of investment payables	(17 867)	(4 567)	4 547
Compensation agreements	-	-	823
Change of dividends payables	(34 554)	-	-
Change of payables to Shareholder	-	-	9 312
Change of payables relating to factoring fees	166	-	-
Change in trade and other payables in statement of cash flows	**204**	**124 057**	**30 276**

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Change in provisions in statement of financial position	(1 914)	21 762	17 275
Change on deferred taxation	(2 254)	(20 730)	(17 950)
Change on deferred taxation recognized in equity	-	-	902
Change in provisions in statement of cash flows	**(4 168)**	**1 032**	**227**

32 Related parties

Identity of related parties

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

Controlling entities
- PS Holdco Sp. z o.o.
- 4Workers Sp. z o.o. (previously 4Workers Przemysław Sztuczkowski)

Associates are as follows:
- 4 Groups Sp. z o.o. (from January 21st, 2013)
- Madrohut Sp. z o.o. (from April 11, 2014)

Related companies to the controlling entities:
- KDPP Doradztwo Biznesowe Sp. z o.o. (sold on August 27th, 2011 to PS Holdco Sp. z o.o.)
- czystyefekt.pl Sp. z o.o.

in PLN thousand	31.12.2019	31.12.2018	31.12.2017
Short-term receivables:			
- controlling entities	1	64	18
- associates	266	-	-
- related companies to the controlling entities	-	-	3
Short-term liabilities			
- controlling entities*	45 837	19 083	19 972
- related companies to the controlling entities	524	-	-
- associates	-	-	-
Loans received			
- related companies to the controlling entities	-	-	539

* see note 21 regarding the details of the transactions with PS Holdco Sp. z o.o.

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Revenues from sale of services			
- controlling entities	41	32	41
- related companies to the controlling entities	5	-	2
- associates	890	29	29
Revenues from sale of raw materials and merchandise			
- related companies to the controlling entities	37	-	1
- associates	190	-	-
Purchase of merchandise and raw materials			
- controlling entities	1 360	273	1 158
Purchase of services			
- controlling entities	3 164	3 974	2 757
- associates	800	783	691
- related companies to the controlling entities	6 032	10 190	5 015
Other income			
- controlling entities	-	-	7
Financial costs			
- controlling entities	(1 134)	(3 385)	(4 627)

Transactions with the members of the Management and Supervisory Boards

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

in PLN thousand	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
The remuneration of Management Board of the Parent Company			
-received from the Parent Company	192	192	5 094
-received from the subsidiaries	6 440	11 331	1 268
Supervisory Board of the Parent Company	378	378	378
	7 010	**11 901**	**6 740**

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

On 23-05-2019, the subsidiary Cognor S.A. has concluded a contract with a general contractor worth PLN 10,190 thousand and began building an exhibition and conference center in the vicinity of Krakow. This object is being implemented by the group at the request of the main (indirectly) shareholder of the Parent Entity, and at the same time the President of the Management Board, i.e. Przemysław Sztuczkowski. In the provisions of the agreement concluded between the parties, Cognor S.A. undertook to build the said facility in a standard 'move-in ready', and Przemysław Sztuczkowski undertook to purchase it immediately after commissioning at a price in the amount of costs actually incurred by the Company increased by a 15% margin. As at the balance sheet date, the value of expenditure incurred by the Group in this respect is PLN 3,733 thousand. In accordance with the requirements of IFRS 15, the Group recognized income and receivables from the owner in the amount of PLN 4,293 thousand in the financial statements, which is equivalent to the expenditure incurred increased by margin PLN 560 thousand.

Members of the Management Board in connection with the shares of Cognor Holding S.A. are entitled to receive dividend for 2018 in the following amount:

	Number of Cognor Holding S.A. shares held as at 31.12.2019 in	% ownership interest in Cognor Holding S.A.	Dividend payable for 2018 (PLN thousands)
Przemysław Grzesiak	106 000	0,09%	30
Krzysztof Zoła	250 000	0,20%	70
Dominik Barszcz	144 500	0,12%	40
	500 500		**140**

33 Remuneration of the statutory auditor

in PLN thousand	2019
Audit of the separate and consolidated financial statements of Cognor Holding S.A. for 2019 (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	40
Semi-annual reviews (for the first half of 2019) separate and consolidated financial statements of Cognor Holding S.A. (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	30
Audit of separate financial statements of subsidiaries (Pricewaterhousecoopers Polska Spółka z ograniczoną	200
Audit of separate financial statements of subsidiaries (Primefields Sp. z o.o.)	9
Audit of separate financial statements of subsidiaries (FKCA Ltd)	24
Attestation service in the scope of verification of the intensity coefficient of electric energy consumption (Cognor S.A.) (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	20
Attestation service in the scope of verification of financial ratios in the loan agreement (Cognor S.A.) (Pricewaterhousecoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.)	24
	347

34 Situation related to the SARS-COV-2 pandemic

The pandemic of SARS-COV-2 may negatively impact Cognor's business in various ways. The dynamics of events during this crisis makes it very difficult to identify and properly evaluate all of them.

Main short-term risk factors include: increased sick-leave rate, shortages in deliveries of production input materials, administrative decisions on limitation or temporary closures of our production facilities and temporary closures or bankruptcies of our customers. All those can result in a reduction or even in halting of the entire production output. Such impacts, subject to their duration, could negatively affect our profits or may result in suffering losses. It's impossible to judge their extent, if those risk materialize. Other than temporary closures of our customers, the discussed factors have not materialized so far, which does not mean that the likelihood of their occurrence is remote. On the contrary, the longer the situation persists the higher it gets.

Longer-term effects depend on whether the coronavirus crisis is about to significantly weigh on the global GDP. What currently seems likely in the upcoming quarters is a recession in Poland and in the EU27, both in Q2 and the whole of 2020. This could reduce the demand for steel and consequently make us unable to fully utilize production capacities in the nearest future.

The Company's management remains of the opinion that the short-term risks are potentially more harmful to our business while the impact of the identified long-term risk shall be limited. We are applying available measures to prevent any of those risks from materializing yet it must be stated that lots of driving factors remain beyond Cognor's control.

So far the COVID-19 pandemics has had little impact on our production and sales. A number of our customers, in particular within our automotive business, have informed us on temporary closures of their facilities therefore making it impossible for us to deliver our products as per the agreed delivery terms. However, this has not prevented us from working at full capacities yet as we managed to supplement the withheld sales with new orders from other customers. Our overall activity is to a certain extend secured with the broad diversification of our product portfolio and customer base. We do not rely on a single industry nor on a single type of product. On top of the automotive sector we sell to the construction and other industries where market conditions during the coronavirus crisis have been much more stable so far. Therefore, if the pandemics as it currently stands was to last further, it would not have vastly damaging effects on our liquidity nor on continuation of everyday business. Nevertheless, we've decided to build our liquidity position as much as possible as one may expect a further deterioration of market circumstances in the coming quarters.

If the pandemic crisis repeats its pattern that is known from Asia, we are of the opinion that its consequences are not likely to significantly threaten the ongoing operations of our company.

34 Subsequent events

On January 8, 2020, the subsidiary Cognor S.A. as a borrower and Cognor Holding S.A., Cognor International Finance plc, Cognor Blachy Dachowe S.A. and Cognor Holding S.A. Sp. K. as guarantors, concluded with the consortium of banks an annex to the loan agreement described in note No. 23 extending the repayment date for revolving facility from 30 June 2020 to 31 October 2021.

Poraj, 30 March 2020

Przemysław Sztuczkowski
Chairman of the Management Board

Przemysław Grzesiak
Vice-Chairman of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board