

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the six months ended
30 June 2020**

17 August 2020

Condensed consolidated statement of financial position

in PLN thousand

	30.06.2020 <i>not audited</i>	31.12.2019 <i>audited</i>	30.06.2019 <i>not audited</i>
Assets			
Property, plant and equipment	382 816	375 581	343 813
Intangible assets	24 642	22 296	20 432
Investment property	7 147	121	122
Investment in associates	1 152	1 134	2 525
Other investments	-	-	55
Other receivables	6 357	4 293	376
Perpetual usufruct of land	26 253	36 618	34 074
Deferred tax assets	46 941	47 206	44 045
Total non-current assets	495 308	487 249	445 442
Inventories	239 935	297 001	343 654
Other investments	127	145	102
Current income tax receivables	38	38	661
Trade and other receivables	188 946	188 342	208 009
Cash and cash equivalents	69 953	78 956	39 379
Total current assets	498 999	564 482	591 805
Total assets	994 307	1 051 731	1 037 247

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of financial position - continued

in PLN thousand

	30.06.2020 <i>not audited</i>	31.12.2019 <i>audited</i>	30.06.2019 <i>not audited</i>
Equity			
Issued share capital	185 911	185 911	182 483
Reserves	101 373	87 035	84 860
Foreign currency translation reserves	79	50	36
Retained earnings	(6 552)	(14 188)	33 649
Total equity attributable to owners of the Parent Company	280 811	258 808	301 028
Non-controlling interests	19 181	18 383	19 080
Total equity	299 992	277 191	320 108
Liabilities			
Interest-bearing loans, borrowings and other	232 798	249 669	258 520
Employee benefits obligation	11 796	11 071	11 178
Other payables	19 565	18 558	17 564
Government grants and other deferred income	566	618	-
Deferred tax liabilities	-	-	1 413
Total non-current liabilities	264 725	279 916	288 675
Bank overdraft	7 178	-	6 082
Interest-bearing loans, borrowings and other	55 981	55 170	60 755
Employee benefits obligation	2 107	2 346	1 683
Derivatives	5 028	2 869	3 578
Current income tax payables	141	319	-
Provisions for payables	25	226	226
Trade and other payables	348 770	424 370	348 336
Government grants and other deferred income	10 360	9 324	7 804
Total current liabilities	429 590	494 624	428 464
Total liabilities	694 315	774 540	717 139
Total equity and liabilities	994 307	1 051 731	1 037 247

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Condensed consolidated statement of profit or loss and other comprehensive income

in PLN thousand

	01.04.2020 - 30.06.2020 <i>not audited</i>	01.04.2019 - 30.06.2019 <i>not audited</i>	01.01.2020 - 30.06.2020 <i>not audited</i>	01.01.2019 - 30.06.2019 <i>not audited</i>
Revenue	455 955	516 325	916 066	1 036 019
Cost of sales	(408 559)	(452 662)	(823 131)	(925 738)
Gross profit	47 396	63 663	92 935	110 281
Other income	14 375	4 461	18 156	6 828
Distribution expenses	(20 722)	(19 604)	(40 131)	(39 822)
Administrative expenses	(10 477)	(12 814)	(22 323)	(25 264)
Other (losses)/gains - net	(1 204)	(590)	1 262	(654)
Other expenses	(2 226)	(3 566)	(3 689)	(4 703)
Operating profit before financing costs	27 142	31 550	46 210	46 666
Financial income	-	793	-	2 245
Financial expenses	(4 112)	(9 462)	(20 774)	(15 771)
Net financing costs	(4 112)	(8 669)	(20 774)	(13 526)
Share of profit of associates	-	(102)	17	(64)
Profit before tax	23 030	22 779	25 453	33 076
Income tax expense	(1 156)	(5 647)	(823)	(6 816)
Profit for the period	21 874	17 132	24 630	26 260
Profit for the period attributable to:				
Owners of the Parent Company	20 863	16 145	23 772	24 901
Non-controlling interests	1 011	987	858	1 359
Profit for the period	21 874	17 132	24 630	26 260
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences	(13)	(9)	29	(4)
Total comprehensive income for the period	21 861	17 123	24 659	26 256
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	20 850	16 136	23 801	24 897
Non-controlling interests	1 011	987	858	1 359
Total comprehensive income for the period	21 861	17 123	24 659	26 256
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,17	0,13	0,19	0,21
- from continuing operations	0,17	0,13	0,19	0,21
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,12	0,11	0,14	0,16
- from continuing operations	0,12	0,11	0,14	0,16

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

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

in PLN thousand

	01.07.2019 - 30.06.2020 <i>not audited</i>	01.07.2018 - 30.06.2019 <i>not audited</i>
Revenue	1 781 651	2 057 927
Cost of sales	(1 626 029)	(1 827 239)
Gross profit	155 622	230 688
Other income	24 388	13 174
Distribution expenses	(75 570)	(82 308)
Administrative expenses	(45 789)	(47 203)
Other (losses)/gains - net	2 833	(900)
Other expenses	(6 020)	(8 440)
Operating profit before financing costs	55 464	105 011
Financial income	(1 318)	6 705
Financial expenses	(36 734)	(34 962)
Net financing costs	(38 052)	(28 257)
Share of profit of associates	(1 374)	(698)
Gain on bargain purchase	-	-
Profit before tax	16 038	76 056
Income tax expense	3 180	(21 117)
Profit for the period	19 218	54 939
Profit for the period attributable to:		
Owners of the Parent Company	19 057	52 214
Non-controlling interests	161	2 725
Profit for the period	19 218	54 939

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

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

in PLN thousand

	01.07.2019 - 30.06.2020 <i>not audited</i>	01.07.2018 - 30.06.2019 <i>not audited</i>
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	43	(36)
Total comprehensive income for the period	19 261	54 903
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	19 100	52 178
Non-controlling interests	161	2 725
Total comprehensive income for the period	19 261	54 903
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,15	0,43
- from continuing operations	0,15	0,43
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,11	0,34
- from continuing operations	0,11	0,34

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Condensed consolidated statement of cash flows

<i>in PLN thousand</i>	01.01.2020 - 30.06.2020 <i>not audited</i>	01.01.2019 - 30.06.2019 <i>not audited</i>
Profit/(loss) before tax from continuing operations	25 453	33 076
Adjustments		
Depreciation	22 686	22 643
Amortization	575	448
Impairment losses and valuation allowances of property, plant and equipment, intangible assets	(4)	(762)
Foreign exchange (gains)/losses	4 956	(1 197)
Net (gains)/losses on disposal of property, plant and equipment, intangible assets	(488)	187
Interest, transaction costs (related to loans and borrowings) and dividends, net	13 168	16 477
Change in receivables and prepayments	(3 527)	(26 488)
Change in inventories	55 738	33 315
Change in trade and other payables	(24 170)	(34 647)
Change in provisions	(201)	(4 168)
Change in employee benefits obligation	486	(5 074)
Change in government grants and other deferred income	(277)	(413)
Share of profit/(loss) of associates	(18)	64
Other adjustments	(690)	(1 412)
Cash generated/(outflows) from operating activities	93 687	32 049
Income tax (paid)/returned, incl.	(736)	(1)
Net cash from operating activities	92 951	32 048
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	534	1 131
Proceeds from sale of intangibles	9	35
Acquisition of shares in consolidated companies (net of cash acquired)	-	(4)
Interest received	-	13
Repayment of loans granted	19	-
Acquisition of property, plant and equipment	(35 725)	(26 517)
Acquisition of intangible assets	(2 110)	(2 924)
Prepaid perpetual usufruct of land	(75)	-
Loans granted	-	(90)
Net cash from investing activities	(37 348)	(28 356)
Cash flows from financing activities		
Repayment of interest-bearing loans and borrowings	(20 144)	(20 291)
Payment of lease liabilities	(6 770)	(8 994)
Payment of lease liabilities (other rent and lease agreements not previously recognized)	(2 230)	(1 712)
Dividends and interests on exchangeable notes paid	(36 412)	(2 029)
Interest and transaction costs (related to loans and borrowings) paid	(7 621)	(17 804)
Interests on lease liabilities (other rent and lease agreements not previously recognized - IFRS 16)	(1 886)	-
Received grants - investing activities	1 261	3 288
Received grants - other	690	688
Net cash from financing activities	(73 112)	(46 854)
Net increase / (decrease) in cash and cash equivalents	(17 509)	(43 162)
Cash and cash equivalents net of bank overdraft, at 1 January	78 956	76 459
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	61 447	33 297
- including cash restricted for use	-	50

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

Condensed consolidated statement of cash flows (last twelve months)

in PLN thousand

	01.07.2019 - 30.06.2020 <i>not audited</i>	01.07.2018 - 30.06.2019 <i>not audited</i>
(Loss)/profit before tax from continuing operations	16 038	76 056
Adjustments		
Depreciation	45 284	43 893
Amortization	1 122	1 050
Impairment losses and valuation allowances	(1 408)	(1 079)
Foreign exchange (gains)/losses	5 292	(18 170)
Net (gains)/losses on investment activities	(143)	-
Net (gains)/losses on disposal of property, plant and equipment	194	(45)
Interest, transaction costs (related to loans and borrowings) and dividends, net	21 862	34 245
Change in receivables	8 029	2 877
Change in inventories	98 346	(4 272)
Change in trade and other payables	10 681	65 429
Change in provisions	(201)	(4 171)
Change in employee benefits obligation	1 042	(1 006)
Change in government grants and other deferred income	(1 274)	1 687
Share of profit of associates	1 373	698
Other adjustments	(1 440)	(2 100)
Cash generated/(outflows) from operating activities	204 797	195 092
Cash generated from operating activities	204 797	195 092
Income tax (paid)/returned, incl.	(86)	353
- continuing operations	(86)	353
- discontinued operations	-	-
Net cash from operating activities	204 711	195 445

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

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

in PLN thousand

	01.07.2019 - 30.06.2020 <i>not audited</i>	01.07.2018 - 30.06.2019 <i>not audited</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2 765	2 183
Proceeds from sale of intangibles	30	40
Proceeds from sale of perpetual usufruct	49	4
Proceeds from sale of other investments	171	-
Interest received	8	108
Dividends received	-	50
Repayment of loans granted	19	-
Acquisition of property, plant and equipment	(65 175)	(55 395)
Acquisition of intangible assets	(2 900)	(2 833)
Acquisition of investment properties	-	-
Prepaid perpetual usufruct of land	(75)	-
Acquisition of shares in consolidated companies	(1)	(545)
Loans granted	(36)	(90)
Cash generated on investing activities from continuing operations	(65 145)	(56 478)
Cash generated on investing activities from discontinued operations	-	-
Net cash from investing activities	(65 145)	(56 478)
Cash flows from financing activities		
Net cash receipts from share issue	-	-
Paid emission costs	-	(1 060)
Proceeds from interest-bearing loans and borrowings	-	298 838
Proceeds from factoring	-	(1 997)
Repayment of interest-bearing loans and borrowings	(40 008)	(433 490)
Payment of lease liabilities	(14 400)	(15 503)
Payment of lease liabilities (other rent and lease agreements not previously recognized)	(3 149)	(1 712)
Dividends and interests on exchangeable notes paid	(38 300)	(4 134)
Interest and transaction costs (related to loans and borrowings) paid	(5 110)	(54 107)
Interests on lease liabilities (other rent and lease agreements not previously recognized - IFRS 16)	(4 172)	-
Fee relating to withholding tax relating to financing activities	(10 085)	-
Received grants - investing activities	3 194	6 724
Received grants - other	1 942	1 376
Cash outflows on financing activities from continuing operations	(110 088)	(205 065)
Cash outflows from discontinued operations	-	-
Net cash from financing activities	(110 088)	(205 065)
Net increase / (decrease) in cash and cash equivalents	29 478	(66 098)
Cash and cash equivalents net of bank overdraft, at 1 July	33 297	99 395
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	62 775	33 297
- including cash restricted for use	-	50

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

Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company					Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total		
<i>in PLN thousand</i>							
Equity as at 1 January 2019	180 626	86 717	40	10 781	278 164	17 721	295 885
Total comprehensive income	-	-	(4)	24 901	24 897	1 359	26 256
- (loss)/profit	-	-	-	24 901	24 901	1 359	26 260
- foreign currency translation differences relating to foreign operations	-	-	(4)	-	(4)	-	(4)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	1 857	(1 857)	-	(2 029)	(2 029)	-	(2 029)
Conversion of exchangeable notes	1 857	(1 857)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(2 029)	(2 029)	-	(2 029)
Change in ownership interests	-	-	-	(4)	(4)	-	(4)
Changes in minority after acquisition	-	-	-	(4)	(4)	-	(4)
Creation of other reserves from profit	-	-	-	-	-	-	-
Cover of losses from previous periods from other reserves	-	-	-	-	-	-	-
Equity as at 30 June 2019	182 483	84 860	36	33 649	301 028	19 080	320 108
Equity as at 1 January 2019							
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
- (loss)/profit	-	-	-	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 in equity							
Contribution by and distributions to owners of the Company	5 285	(5 285)	-	(38 471)	(38 471)	-	(38 471)
Dividends	-	-	-	(34 554)	(34 554)	-	(34 554)
Conversion of exchangeable notes	5 285	(5 285)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(3 917)	(3 917)	-	(3 917)
Change in ownership interests	-	-	-	(5)	(5)	-	(5)
Changes in minority after acquisition	-	-	-	(5)	(5)	-	(5)
Creation of other reserves from 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 part of the consolidated financial statements

Condensed consolidated statement of changes in equity - continued

	Attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings			
<i>in PLN thousand</i>							
Equity as at 1 January 2020	185 911	87 035	50	(14 188)	258 808	18 383	277 191
Total comprehensive income	-	-	29	23 832	23 861	798	24 659
- profit	-	-	-	23 832	23 832	798	24 630
- foreign currency translation differences relating to foreign operations	-	-	29	-	29	-	29
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	(1 858)	(1 858)	-	(1 858)
Interests on exchangeable notes in the period	-	-	-	(1 858)	(1 858)	-	(1 858)
Transfer of profit	-	14 338	-	(14 338)	-	-	-
Equity as at 30 June 2020	185 911	101 373	79	(6 552)	280 811	19 181	299 992

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

1 Parent entity

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

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

2 Cognor Holding S.A. Group

The condensed consolidated interim financial statements as at and for the three months ended 30 June 2020 comprise the Parent Company and its subsidiaries and associates (“the Group”). Details of the subsidiaries and associates that comprise the Group as at 30 June 2020 are presented in the table below.

Name of the entity	Seat of the entity	Ownership interest and voting rights	Date of obtaining control
COGNOR S.A.	Poland	94.38%	2006-01-27*
COGNOR HOLDING S.A. Sp. k. (previously KAPITAŁ S.A. Sp. k.)	Poland	98.0%	2008-03-25*
COGNOR BLACHY DACHOWE S.A.	Poland	100.0%	01.08.2007
COGNOR INTERNATIONAL FINANCE plc	Great Britain	94.38%	24.10.2013
4 GROUPS Sp. z o.o.	Poland	28.31% (associate)	21.01.2013
KDPP DORADZTWO BIZNESOWE Sp. z o.o.	Poland	28.31% (associate)	25.05.2020
MADROHUT Sp. z o.o.	Poland	23.6% (associate)	11.04.2014

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

Acquisitions in 2020

On May 25, 2020, 4Groups Sp. z o.o. acquired 100% shares in KDPP Doradztwo Biznesowe Sp. zo.o. from PS HoldCo Sp. z o.o.

3 Basis of preparation of consolidated financial statements

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 August 2020.

b) Ongoing basis

The condensed consolidated financial statements as of and for the period ended 30 June 2020 have been prepared on the going concern basis.

c) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

New and changed standards and interpretations applied

In these consolidated financial statements, the following new standards and amendments to existing standards have been applied for the first time, which entered into force on January 1, 2020:

- a) IFRS 3 "Business Combinations"
- b) Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform
- c) IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- d) Amendments to the Conceptual Framework in IFRS

In the Group's opinion, the above the standards and interpretations will not have a significant impact on the consolidated financial statements.

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

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

- a) IFRS 17 "Insurance Contracts" and amendments to IFRS 17
- b) Amendments to IAS 1 "Presentation of Financial Statements"
- c) Amendments to IFRS 3 "Business Combinations"
- d) Amendments to IAS 16 "Property, plant and equipment"
- e) Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- f) Annual amendments to IFRS 2018-2020
- g) Amendments to IFRS 16 "Leases"
- h) Amendment to IFRS 4: Application of IFRS 9 "Financial Instruments"
- i) IFRS 14 "Regulatory Accruals"
- j) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures

In the Group's opinion, the above the standards and interpretations will not have a significant impact on the consolidated financial statements.

d) Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2019.

e) Additional comparative periods

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

The interim condensed consolidated financial statements of the Group cover the period of six months ended on June 30, 2020 and contain comparative data for the six months ended June 30, 2019 and as at December 31, 2019 - they were reviewed or audited by a certified auditor. The consolidated interim consolidated income statement and total income includes data for the 3 months ended 30 June 2020 and comparative data for the 3 months ended 30 June 2019, as well as for the 12 months ended 30 June 2020 and data comparative for the period of 12 months ended 30 June 2019 - they were not reviewed or audited by a certified auditor.

4 Revenues from contracts with customers

in PLN thousand

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
Revenue from sale goods or services transferred to customers at a point in time	897 028	1 010 491
Revenue from sale goods or services transferred to customers over time	19 038	25 528
	916 066	1 036 019
Revenues from sale of products	793 639	895 986
Revenues from sale of services	12 756	18 091
Revenues from sale of goods	103 292	114 427
Revenues from sale of raw materials	6 379	7 515
	916 066	1 036 019

5 Segment reporting

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

The Management Board considers operations from both a geographical and industry perspective. In terms of geography, the activities in Poland, Germany and other countries are considered.

The following main activities have been distinguished:

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

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

5 Segment reporting - continued

Business segments (for the three months ended 30 June)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
01.04.2020 - 30.06.2020											
Revenue from external customers	26 196	53 475	58 638	117 231	159 568	8 684	21 237	7 788	3 119		
Inter-segment revenue	31 821	8 821	10 095	1 419	28 885	3 229	315	1 836	2 211		
Total revenue	58 017	62 296	68 733	118 650	188 453	11 913	21 552	9 624	5 330	(88 613)	455 955
Cost of sales to external customers	(26 020)	(50 223)	(53 338)	(103 299)	(155 086)	(8 010)	(18 955)	(3 655)	(2 833)		
Inter-segment cost of sales	(28 450)	(8 093)	(9 618)	(1 318)	(27 412)	(2 982)	(274)	(1 339)	(499)		
Total cost of sales	(54 470)	(58 316)	(62 956)	(104 617)	(182 498)	(10 992)	(19 229)	(4 994)	(3 332)	94 763	(406 641)
Segment result	3 547	3 980	5 777	14 033	5 955	921	2 323	4 630	1 998	6 150	49 314
Other income	1 243	1 196	1 013	3 752	3 334	290	835	892	58	1 762	14 375
Distribution and administrative expenses	(3 356)	(3 745)	(1 095)	(8 121)	(7 717)	(698)	(1 862)	(667)	(4 694)	166	(31 789)
Other gain/(losses) net	9	(64)	(59)	(263)	(632)	-	(81)	(69)	1 778	(1 823)	(1 204)
Other expenses	(28)	(482)	(173)	(1 608)	(431)	(7)	(27)	(129)	(96)	755	(2 226)
Operating profit/(loss)	1 415	885	5 463	7 793	509	506	1 188	4 657	(956)	7 010	28 470
Net financing costs									(3 733)	(379)	(4 112)
Share of profit of associates, net of tax											-
Income tax expense											(1 408)
Profit for the period											22 950

in PLN thousand

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

Business segments (for the six months ended 30 June)

<i>in PLN thousand</i>	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
01.01.2020 - 30.06.2020											
Revenue from external customers	60 156	94 012	92 117	245 934	341 010	20 334	38 983	18 910	4 579		
Inter-segment revenue	72 179	25 052	10 095	3 884	41 348	10 048	1 071	2 982	3 557		
Total revenue	132 335	119 064	102 212	249 818	382 358	30 382	40 054	21 892	8 136	(170 185)	916 066
Cost of sales to external customers	(56 502)	(88 368)	(82 737)	(220 736)	(326 732)	(18 888)	(34 422)	(10 581)	(4 109)		
Inter-segment cost of sales	(67 021)	(23 068)	(9 618)	(3 445)	(39 518)	(9 568)	(987)	(1 769)	(499)		
Total cost of sales	(123 523)	(111 436)	(92 355)	(224 181)	(366 250)	(28 456)	(35 409)	(12 350)	(4 608)	177 355	(821 213)
Segment result	8 812	7 628	9 857	25 637	16 108	1 926	4 645	9 542	3 528	7 170	94 853
Other income	1 380	1 319	1 083	4 203	3 712	324	865	973	79	4 218	18 156
Distribution and administrative expenses	(7 611)	(6 024)	(1 914)	(16 735)	(15 918)	(1 756)	(2 946)	(2 017)	(9 546)	1 423	(63 044)
Other gain/(losses) net	14	86	157	290	538	3	111	131	1 795	(1 863)	1 262
Other expenses	(56)	(661)	(253)	(2 268)	(869)	(14)	(44)	(213)	(101)	790	(3 689)
Operating profit/(loss)	2 539	2 348	8 930	11 127	3 571	483	2 631	8 416	(4 245)	11 738	47 538
Net financing costs									(26 578)	5 804	(20 774)
Share of profit of associates, net of tax											17
Income tax expense											(1 075)
Profit for the period											25 706

<i>in PLN thousand</i>	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
01.01.2019 - 30.06.2019											
Revenue from external customers	74 964	74 358	121 284	343 939	313 763	31 118	40 151	36 395	23		
Inter-segment revenue	89 405	18 063	-	1 766	21 117	10 641	1 619	3 318	3 892		
Total revenue	164 369	92 421	121 284	345 705	334 880	41 759	41 770	39 713	3 915	(149 797)	1 036 019
Cost of sales to external customers	(70 000)	(71 358)	(107 263)	(297 526)	(289 876)	(29 369)	(36 905)	(30 274)	(9)		
Inter-segment cost of sales	(85 690)	(17 690)	-	(1 528)	(20 333)	(10 193)	(1 535)	(2 201)	(964)		
Total cost of sales	(155 690)	(89 048)	(107 263)	(299 054)	(310 209)	(39 562)	(38 440)	(32 475)	(973)	146 976	(925 738)
Segment result	8 679	3 373	14 021	46 651	24 671	2 197	3 330	7 238	2 942	(2 821)	110 281
Other income	768	535	722	1 999	2 346	199	400	360	4	(505)	6 828
Distribution and administrative expenses	(7 964)	(6 579)	(2 034)	(18 237)	(15 464)	(2 028)	(2 294)	(2 855)	(10 596)	2 965	(65 086)
Other gain/(losses) net	232	(110)	(144)	(411)	(466)	57	(11)	93	55	51	(654)
Other expenses	(344)	(381)	(308)	(1 422)	(1 000)	(87)	(65)	(978)	(759)	641	(4 703)
Operating profit	1 371	(3 162)	12 257	28 580	10 087	338	1 360	3 858	(8 354)	331	46 666
Net financing costs									(14 953)	1 427	(13 526)
Share of profit of associates, net of tax											(64)
Income tax expense											(6 816)
Profit for the period											26 260

Business segments (for the twelve months ended 30 June)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
01.07.2019 - 30.06.2020											
Revenue from external customers	117 144	185 733	174 766	434 143	695 756	49 021	69 176	46 736	9 086		
Inter-segment revenue	138 813	52 034	21 876	7 246	67 996	20 092	2 144	5 709	8 685		
Total revenue	255 957	237 767	196 642	441 389	763 752	69 113	71 320	52 445	17 771	(324 505)	1 781 651
Cost of sales to external customers	(109 323)	(183 899)	(155 192)	(394 252)	(665 957)	(45 863)	(60 613)	(33 926)	(7 895)		
Inter-segment cost of sales	(130 585)	(50 080)	(20 319)	(6 637)	(64 817)	(19 221)	(2 031)	(3 005)	(669)		
Total cost of sales	(239 908)	(233 979)	(175 511)	(400 889)	(730 774)	(65 084)	(62 644)	(36 931)	(8 564)	328 255	(1 626 029)
Segment result	16 049	3 788	21 131	40 500	32 978	4 029	8 676	15 514	9 207	3 750	155 622
Other income	2 883	1 877	1 654	6 047	5 596	766	1 444	1 490	1 361	1 270	24 388
Distribution and administrative expenses	(14 563)	(10 814)	(3 971)	(29 427)	(31 356)	(3 916)	(5 366)	(5 697)	(21 241)	4 992	(121 359)
Other gain/(losses) net	183	72	134	264	459	56	105	640	(801)	1 721	2 833
Other expenses	(525)	(1 052)	(676)	(3 560)	(2 261)	(153)	(140)	302	(4 577)	6 622	(6 020)
Operating profit/(loss)	4 027	(6 129)	18 272	13 824	5 416	782	4 719	12 249	(16 051)	18 355	55 464
Net financing costs									(41 129)	3 077	(38 052)
Share of profit of associates, net of tax											(1 374)
Income tax expense											3 180
Profit for the period											19 218

in PLN thousand

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

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.06.2020											
Segment assets	67 910	79 779	53 459	225 357	326 309	20 471	27 854	33 362	218 582	(57 700)	995 383
Segment liabilities	22 467	40 144	35 783	116 094	139 595	17 075	6 158	3 554	376 064	(62 619)	694 315

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
31.12.2019											
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

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

Unallocated assets

in PLN thousand

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

30.06.2020	31.12.2019	30.06.2019
1 279	1 279	2 682
46 941	47 206	44 045
7 147	121	122
38	38	661
69 953	78 956	39 379
70 383	62 467	50 397
30 119	26 423	9 716
225 860	216 490	147 002

Unallocated liabilities

in PLN thousand

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

30.06.2020	31.12.2019	30.06.2019
288 779	304 839	319 275
7 178	-	6 082
-	-	1 413
25	226	226
10 926	9 942	7 804
141	319	-
52 465	80 456	43 148
5 028	2 869	3 578
11 522	7 638	4 094
376 064	406 289	385 620

6 Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of PLN 25 175 thousand (six months ended 30 June 2019: PLN 38 672 thousand) and recognized right-of-use assets at a cost of PLN 1 115 thousand (six months ended 30 June 2019: PLN 43 458 thousand). Assets with a net book value of PLN 53 thousand were disposed during the six months of 2020 (six months ended 30 June 2019: PLN 1 342 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 485 thousand (six months ended 30 June 2019: a net loss on disposal of PLN 213 thousand).

During the twelve months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of PLN 80 238 thousand (twelve months ended 30 June 2019: PLN 68 753 thousand) and recognized right-of-use assets at a cost of PLN 1 115 thousand (twelve months ended 30 June 2019: PLN 43 458 thousand). Assets with a net book value of PLN 806 thousand were disposed of during the twelve months ended 30 June 2020 (twelve months ended 30 June 2019: PLN 2 165 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 1 965 thousand (twelve months ended 30 June 2019: a net gain on disposal of PLN 331 thousand).

Considering the arguments contained in note 20, the Group's Management Board does not see any indications of impairment of property, plant and equipment as a result of the COVID 19 pandemic.

Capital commitments

As at 30 June 2020 the Group had capital commitments in the amount of PLN 6 790 thousand (31 December 2019: PLN 22 845 thousand; 30 June 2019: PLN 13 329 thousand).

7 Trade and other receivables

Short-term receivables

in PLN thousand

	30.06.2020	31.12.2019	30.06.2019
Trade receivables	92 429	101 740	122 980
Statutory receivables excluding income tax	36 507	18 404	16 660
Prepayments for services and inventories	4 798	5 781	27 917
Prepayments for fixed assets	14 930	15 032	-
Factoring receivables	31 847	42 217	32 933
Other receivables	8 435	5 168	7 519
	188 946	188 342	208 009

Long-term receivables

in PLN thousand

	30.06.2020	31.12.2019	30.06.2019
Trade receivables	6 217	4 293	-
Other receivables	140	-	376
	6 357	4 293	376

The Group regularly uses factoring facilities to improve liquidity. Handing over receivables to factoring results in ceasing their recognition in the financial statements according to IFRS 9. Therefore, all trade receivables that the Group provides to the factor do not meet the criteria of the model "hold to collect" and "hold for the purpose of collection and sale" are therefore classified as "measured at fair value through profit or loss". The application of IFRS 9 changed therefore the method of measurement of these receivables from amortized cost at fair value. The effects of fair value measurement is recognized in the financial result. As at June 30, 2020 the Group discloses PLN 31,847 thousand PLN of factoring receivables (as at December 31, 2019: PLN 42,217 thousand, as at June 30, 2019: PLN 32,933 thousand). The fair value of factoring receivables has been estimated based on provisions of factoring and insurance agreements.

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:

	30.06.2020	31.12.2019	30.06.2019
Trade receivables in total	282 030	301 679	304 639
Factoring receivables derecognised from statement of financial position	(157 754)	(157 722)	(148 726)
Factoring receivables	(31 847)	(42 217)	(32 933)
Trade receivables net	92 429	101 740	122 980

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

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

The analysis conducted by the Group shows that the write-down on this account do not significantly affect the consolidated financial statements and amounted as at June 30, 2020: PLN 222 thousand (as at December 31, 2019: PLN 192 thousand, as at June 30, 2019: PLN 275 thousand).

8 Inventories

in PLN thousand

	30.06.2020	31.12.2019	30.06.2019
Raw materials	67 114	65 174	69 453
Semi-finished goods and work in progress	84 865	95 267	163 946
Finished products	72 620	117 651	94 000
Goods for resale	15 336	18 909	16 255
	239 935	297 001	343 654

As at June 30, 2020 the Group created an allowance for finished products to the net realisable value of PLN 1 328 thousand.

9 Trade and other payables

Short term

in PLN thousand

	30.06.2020	31.12.2019	30.06.2019
Trade payables	289 654	324 561	295 994
Statutory payables	23 865	19 868	15 884
Dividend payables	-	34 556	-
Investment payables	6 790	22 845	13 329
Prepayments for services and deliveries of goods	911	770	4 123
Liabilities due to Shareholder	26	26	-
Payroll liabilities	6 861	7 118	7 733
Accrued expenses relating to employees	7 387	5 064	-
Accrued expenses	11 128	9 232	9 306
Other payables	2 148	330	1 967
	348 770	424 370	348 336

Long term

in PLN thousand

	30.06.2020	31.12.2019	30.06.2019
Liabilities due to Shareholder	19 565	18 558	17 564
	19 565	18 558	17 564

10 Equity

Issued share capital

	30.06.2020	31.12.2019	30.06.2019
Registered shares number at reporting date	123 940 417	123 940 417	121 655 478
Number of issued warrants	51 030 446	51 030 446	53 315 385
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN

At 30 June 2020, the parent Company's share capital comprised 123 940 417 ordinary shares with a nominal value of PLN 1,5 each (31 December 2019: 123 940 417 ordinary shares with a nominal value of PLN 1,5 each; 30 June 2019: 121 655 478 with a nominal value of PLN 1,5 each).

The total principal value of Exchangeable Notes remaining to be settled as at 30 June 2020 was 17 356 604 EUR. In the first half of 2020, there was no conversion of the Exchangeable Notes. Details of the conversions made so far have been presented in the annual consolidated financial statements for 2019.

The ownership structure as at 30 June 2020 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 Sztuczowski 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 Sztuczowski in Cognor Holding S.A.

The ownership structure as at the date of previous corrected report's publication (April 30, 2020) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	92 430 239	76,16%	92 430 239	74,58%
Other shareholders	31 510 178	25,96%	31 510 178	25,42%
Total	121 360 369	100,00%	123 940 417	100,00%

* Przemysław Sztuczowski 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 Sztuczowski in Cognor Holding S.A.

The ownership structure as at the date of current report's publication (August 17, 2020) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on General Shareholders' Meeting %
PS HoldCo Sp. z o.o.*	92 430 239	75,10%	92 430 239	74,58%
Other shareholders	31 510 178	25,60%	31 510 178	25,42%
Total	123 070 319	100,00%	123 940 417	100,00%

* Przemysław Sztuczowski 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 Sztuczowski in Cognor Holding S.A.

The company PS HoldCo Sp. z o.o. on June 30, 2020, it held Exchangeable Notes for Cognor Holding's shares with a nominal value of EUR 5 438 906, which in the future as a result of conversion will allow for the acquisition of 14 526 269 shares of Cognor Holding S.A.

11 Earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2020 was based on the profit attributable to ordinary shareholders of PLN 23 832 thousand (the six-month period ended 30 June 2019: profit PLN 24 901 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2020 of 123 940 thousand (the six-month period ended 30 June 2019: 121 144 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 6 months period ended June 30, 2020 was 171 649 thousand (30 June 2019: 152 998 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2020 was based on the profit attributable to ordinary shareholders of PLN 18 041 thousand (the twelve-month period ended 30 June 2019: profit PLN 52 214 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2020 of 123 634 thousand (the twelve-month period ended 30 June 2019: 120 204 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2020 was 169 717 thousand (30 June 2019: 153 237 thousand).

As at 30 June 2020, 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.

The calculation of diluted earnings per share at 30 June 2020 was based on the number of ordinary shares and the number of potential ordinary shares that would have been issued upon the conversion of the nominal value of convertible bonds and interest attributable to these bonds in the period January - June 2020 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.

12 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.06.2020	31.12.2019	30.06.2019
Bank overdraft	7 178	-	6 082
Non-current liabilities			
Secured bank loans	154 102	168 725	185 853
Lease liabilities	31 340	32 532	26 339
Lease liabilities (operational leases and other leases not previously recognised)	46 618	47 299	44 864
Other borrowings	738	1 113	1 464
	232 798	249 669	258 520
Current liabilities			
Current portion of secured bank loans	37 941	36 907	37 256
Current portion of lease liabilities	12 563	12 505	13 208
Current portion of lease liabilities (operational leases and other leases not previously recognised)	4 747	4 879	8 233
Factoring liabilities	-	166	211
Other borrowings	730	713	1 847
	55 981	55 170	60 755

Dual currency term and revolving facilities

On July 12, 2018 the facility agreement has been signed between subsidiary Cognor S.A. and consortium of four banks (mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego and European Bank for Reconstruction and Development) under which banks committed to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The 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). In the reporting period, the revolving limit was used as an overdraft facility.

Liability from Senior Secured Notes and Exchangeable Notes

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

Details on the terms of the Exchangeable Notes are presented in the Cognor Group's consolidated financial statements for 2019. 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 30 June 2020 was 17 356 604 EUR.

13 Contingencies, guarantees and other commitments

The Group has no the contingent liabilities.

14 Transactions with related parties

Identity of related parties

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

Controlling entities

- PS Holdco Sp. z o.o.
- 4 Workers Sp. z o.o. (previously 4Workers Przemysł Sztuczki)

Associates are as follows;

- 4 Groups Sp. z o.o. (from January 21st, 2013)
- Madrohut Sp. z o.o. (from April 11, 2014)
- KDPP Doradztwo Biznesowe Sp. z o.o. (from May 25, 2020)

Related companies to the controlling entities:

- KDPP Doradztwo Biznesowe Sp. z o.o. (until May 25, 2020)
- czystyefekt.pl Sp. z o.o.

in PLN thousand

Short-term receivables:

- associates
- controlling entities
- related companies to the controlling entities

Liabilities

- controlling entities
- related companies to the controlling entities
- associates

	30.06.2020	31.12.2019	30.06.2019
- associates	289	266	259
- controlling entities	4	1	90
- related companies to the controlling entities	2	-	3
- controlling entities	21 547	45 837	18 218
- related companies to the controlling entities	-	524	524
- associates	551	-	75

<i>in PLN thousand</i>	01.04.2020- 30.06.2020	01.04.2019- 30.06.2019	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019	01.07.2019- 30.06.2020	01.07.2018- 30.06.2019
<i>Revenues from sale of services</i>						
- associates	311	189	799	414	1 275	429
- controlling entities	18	13	29	19	51	31
- related companies to the controlling entities	2	4	2	4	3	3
<i>Revenues from sale of raw materials and commodities</i>						
- associates	31	46	82	99	173	99
- related companies to the controlling entities	-	1	-	1	36	1
<i>Purchase of commodities and raw materials</i>						
- controlling entities	500	384	869	785	1 444	320
<i>Purchase of services</i>						
- associates	680	308	914	417	1 297	783
- related companies to the controlling entities	1 941	1 277	3 219	3 476	5 775	11 146
- controlling entities	734	793	1 686	1 555	3 295	4 167
<i>Financial income</i>						
- controlling entities	-	(457)	-	995	(995)	995
<i>Financial costs</i>						
- controlling entities	(510)	(3)	(1 006)	(3)	(2 137)	(2 319)

15 Cash and cash equivalents presented in cash flow statements

<i>in PLN thousand</i>	30.06.2020	31.12.2019	30.06.2019
Cash in bank	69 619	78 703	39 033
Cash in bank restricted in use	-	50	50
Cash in hand	257	181	279
Short-term bank deposit	-	-	-
Other	77	22	17
Cash and cash equivalents	69 953	78 956	39 379
Bank overdrafts	(7 178)	-	(6 082)
Cash and cash equivalents in the statement of cash flows	62 775	78 956	33 297

16 Financial instruments

Financial instruments measured at fair values

As at 30 June 2020 the fair value relating to IRS amounted PLN 5 028 thousand (31 December 2019: PLN 2 869 thousand, 30 June 2019: PLN 3 578 thousand).

Fair values

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

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

- Fixed rate instruments. The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which was similar to the interest rate applicable for liabilities with similar risk.
- The fair value of IRS has been estimated on the base of valuation model taking into consideration the future cash flows in fixed and variable interest rate. As at 30 June 2020 the fair value relating to IRS amounted PLN 5 028 thousand.

Factoring receivables and interest rate swaps in the fair value hierarchy are classified at level 2. In the current period, there were no reclassifications between the levels of the hierarchy.

17 Seasonability

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

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

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

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

a) the company *Złomrex Metal Sp. z o.o.* (currently branch of Cognor S.A.) filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015. on November 17, 2017, a hearing was held, ending with a valid judgement for setting aside the judgment under appeal: annulment of the decision of the Director of Tax Chamber in Katowice of September 19, 2014, and reconsideration of the case. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The dispute concerns the assessment of whether *Złomrex Metal Sp. z o.o.* exercised due diligence in verifying the legality of the activities of his suppliers. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by *Złomrex Metal Sp. z o.o.* in 2014. As a result of the reconsideration of the case, the Tax Office authorities, on May 23, 2019, issued a decision in which they partially upheld their position regarding the questioning of the deduction of input tax from VAT invoices issued in 2008 by 7 suppliers of the Company. The amount of the disputed tax is PLN 762 thousand. The company filed a complaint with the Provincial Administrative Court in Gliwice against that decision. On July 21, 2020, a hearing was held and the sentence was passed which revoked the contested decision. The verdict is not final and the Company has requested a written justification. Case pending. Based on the estimation of the Management Board, the Group did not create a write-off for the above-mentioned disputed receivables. Based on the Management Board's estimate, the Group did not decrease the deferred tax asset by the questioned tax value. The proceedings are in progress.

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

Management Board of Cognor S.A. estimating the risk of Cognor S.A. relating to withholding tax obligation regarding the interest and discount paid to Cognor International Finance plc, found it reasonable to take advantage of the option of choosing a flat-rate tax. As a result, by the balance sheet date, the Group paid the amount of PLN 10,197 thousand as a flat-rate tax with interest. This cost is not transferable to the bondholders, therefore it economically increases the interest cost of the issued bonds. At the same time, the Management Board of Cognor S.A. questions the legitimacy of the obligation to collect withholding tax in connection with payments to Cognor International Finance plc and asked the Director of the National Tax Information for an interpretation whether Cognor S.A. was subject to the obligation to collect withholding tax on the above transaction, which in the future will open the way to apply for a refund of the flat-rate tax paid. On April 1, 2019, the Director of the National Tax Information issued an interpretation in which he considered the Company's position inappropriate. The company appealed against this interpretation on May 8, 2020 to the Provincial Administrative Court. By the sentence of November 26, 2019, the Provincial Administrative Court dismissed the complaint of Cognor S.A., as a result of which, on January 23, 2020, Cognor S.A. filed a cassation appeal to the Supreme Administrative Court, requesting that the sentence to be revoked. This proceeding is pending. Based on the estimation of the Management Board, the Group created a write-off for the above-mentioned disputed receivable in the amount of PLN 5,099 thousand.

c) on July 1, 2020, Cognor S.A. received the result of an inspection initiated by the Tax Office on February 26, 2018 regarding the correctness of the declared CIT for 2016, under which the authority questioned the recognition by Cognor S.A. to tax deductible costs of expenses made for Cognor Holding S.A. for access to trademarks and their depreciation in the total amount of PLN 5,549 thousand and interest on bonds in the amount of PLN 36 thousand. The total impact of the questioned elements on the income tax is PLN 1,061 thousand. As regards settlements relating to trademarks, the Management Board did not agree with the tax authority's position, and therefore did not use the right to submit a legally effective correction of the CIT declaration for the controlled period. In this situation, it is probable that tax proceedings will be initiated and the authority will issue a relevant decision.

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

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

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

The reports for 2019 and the first quarter of 2020 identified risk areas related to the COVID-19 pandemic along with the probability of their occurrence. Some of these risks have occurred, causing damage to the volume and value of our sales in individual months as well as reducing profitability. The impact of SARS-COV-2 peaked in the second quarter. There has been a significant drop in our activity, especially in relation to customers from the automotive industry. At the same time, the supply of scrap was reduced due to the reduction in the scale of the processing industry and as a result of restrictions on the movement of people. In response, we implemented restrictions on the working time of the staff and short downtime of most of our production plants. Perturbations and limitations in the sale of products and the purchase of raw materials caused by the pandemic were partially amortized by the aid obtained pursuant to Article 15g of the Act of March 2, 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and emergencies caused by them. Other operating income was recognized in amount of PLN 8 367 thousand in these consolidated financial statements due to received aid. Thanks to it, we were able to maintain the current scale of employment and limit the scale of the decline in operating profit.

Due to the fulfillment of budget assumptions and the observed relatively stable situation on the market, and in particular with the assumption that seems at the time of preparing this report, the most likely, that the pandemic situation will normalize further and there will not be a significant increase in the incidence or return to far-reaching restrictions on the movement of persons and the activities of enterprises, the Management Board of the Group does not see any premises that would pose a threat to the going concern, breach of covenants under concluded loan agreements, as well as the impairment of property, plant and equipment as a result of the COVID 19 pandemic.

We expect some improvement in the situation related to the coronavirus epidemic in the third quarter of this year, however, the conclusions regarding the risks to our business remain valid as long as effective prevention and control measures are not implemented. Therefore, we will maintain the sanitary regime for workplaces, but without a remote work where the nature of the benefit allows it, as was the case in the completed quarter.

21 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 17 August 2020

Przemysław Sztuczkowski
President of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Krzysztof Zoła
Member of the Management Board

Dominik Barszcz
Member of the Management Board