

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the nine months ended
30 September 2020**

30 October 2020

Condensed consolidated statement of financial position

in PLN thousand

	Note	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Assets					
Property, plant and equipment	6	386 665	382 816	375 581	342 465
Intangible assets		17 637	24 642	22 296	20 533
Investment property		7 141	7 147	121	122
Investment in associates		1 195	1 152	1 134	2 532
Other investments		-	-	-	55
Other receivables	7	6 981	6 357	4 293	-
Prepaid perpetual usufruct of land		26 140	26 253	36 618	33 362
Deferred tax assets		46 743	46 941	47 206	46 108
Total non-current assets		492 502	495 308	487 249	445 177
Inventories	8	252 697	239 935	297 001	346 072
Other investments		122	127	145	138
Current income tax receivables		183	38	38	11
Trade and other receivables	7	166 247	188 946	188 342	181 740
Cash and cash equivalents	15	69 252	69 953	78 956	29 616
Total current assets		488 501	498 999	564 482	557 577
Total assets		981 003	994 307	1 051 731	1 002 754

Przemysław Sztuczkowski
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Vice President of the Management Board

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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

<i>in PLN thousand</i>	<i>Note</i>	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Equity					
Issued share capital	10	185 911	185 911	185 911	184 605
Reserves		101 373	101 373	87 035	88 341
Foreign currency translation reserves		87	79	50	62
Retained earnings		(6 686)	(6 552)	(14 188)	(9 079)
Total equity attributable to owners of the Parent Company		280 685	280 811	258 808	263 929
Non-controlling interests		18 944	19 181	18 383	18 807
Total equity		299 629	299 992	277 191	282 736
Liabilities					
Interest-bearing loans and borrowings	12	208 341	232 798	249 669	250 230
Employee benefits obligation		12 655	11 796	11 071	11 613
Other payables	9	20 109	19 565	18 558	18 054
Government grants and other deferred income		547	566	618	80
Deferred tax liabilities		-	-	-	-
Total non-current liabilities		241 652	264 725	279 916	279 977
Bank overdraft	12	9 459	7 178	-	5 210
Interest-bearing loans and borrowings	12	69 722	55 981	55 170	59 823
Employee benefits obligation		2 106	2 107	2 346	1 844
Other financial liabilities		6 436	5 028	2 869	3 859
Current income tax payables		-	141	319	-
Provisions for payables		25	25	226	226
Trade and other payables	9	347 141	348 770	424 370	361 100
Government grants and other deferred income		4 833	10 360	9 324	7 979
Total current liabilities		439 722	429 590	494 624	440 041
Total liabilities		681 374	694 315	774 540	720 018
Total equity and liabilities		981 003	994 307	1 051 731	1 002 754

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constituting part of the consolidated financial statements

Condensed consolidated statement of profit or loss and other comprehensive income

<i>in PLN thousand</i>	<i>Note</i>	01.07.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Revenue	4	372 293	399 511	1 288 359	1 435 530
Cost of sales		(348 656)	(364 456)	(1 171 787)	(1 290 194)
Gross profit		23 637	35 055	116 572	145 336
Other income		16 598	3 518	34 754	10 346
Distribution expenses		(19 120)	(22 193)	(59 251)	(62 015)
Administrative expenses		(10 955)	(11 171)	(33 278)	(36 435)
Other (losses)/gains - net		344	1 415	1 606	761
Other expenses		(1 476)	(1 252)	(5 165)	(5 955)
Operating profit before financing costs		9 028	5 372	55 238	52 038
Financial income		-	(1 741)	-	504
Financial expenses		(7 470)	(8 069)	(28 244)	(23 840)
Net financing costs		(7 470)	(9 810)	(28 244)	(23 336)
Share of profit of associates		43	7	60	(57)
Profit before tax		1 601	(4 431)	27 054	28 645
Income tax expense		(61)	3 475	(884)	(3 341)
Profit for the period		1 540	(956)	26 170	25 304
Profit for the period attributable to:					
Owners of the Parent Company		1 777	(683)	25 609	24 218
Non-controlling interests		(237)	(273)	561	1 086
Profit for the period		1 540	(956)	26 170	25 304
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met					
Foreign currency translation differences		8	26	37	22
Total comprehensive income for the period		1 548	(930)	26 207	25 326
Total comprehensive income for the period attributable to:					
Owners of the Parent Company		1 785	(657)	25 646	24 240
Non-controlling interests		(237)	(273)	561	1 086
Total comprehensive income for the period		1 548	(930)	26 207	25 326
Basic earnings per share (PLN) attributable to the owners of the Parent Company	11	0,01	(0,01)	0,21	0,20
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	11	0,01	-	0,15	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

	Note	01.10.2019 - 30.09.2020	01.10.2018 - 30.09.2019
Revenue		1 754 433	1 906 772
Cost of sales		(1 612 147)	(1 717 372)
Gross profit		142 286	189 400
Other income		37 468	14 263
Distribution expenses		(72 497)	(82 855)
Administrative expenses		(44 983)	(49 038)
Other (losses)/gains - net		1 762	1 501
Other expenses		(6 244)	(8 197)
Operating profit before financing costs		57 792	65 074
Financial income		423	504
Financial expenses		(36 135)	(36 554)
Net financing costs		(35 712)	(36 050)
Share of profit of associates		(1 338)	(731)
Profit before tax		20 742	28 293
Income tax expense		(104)	(8 653)
Profit for the period		20 638	19 640
Profit for the period attributable to:			
Owners of the Parent Company		20 501	19 260
Non-controlling interests		137	380
Profit for the period		20 638	19 640

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

<i>in PLN thousand</i>	<i>Note</i>	01.10.2019 - 30.09.2020	01.10.2018 - 30.09.2019
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		25	32
Total comprehensive income for the period		20 663	19 672
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		20 526	19 292
Non-controlling interests		137	380
Total comprehensive income for the period		20 663	19 672
Basic earnings per share (PLN) attributable to the owners of the Parent Company	<i>11</i>	0,17	0,16
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	<i>11</i>	0,12	0,13

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Condensed consolidated statement of cash flows

<i>in PLN thousand</i>	<i>Note</i>	01.07.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Profit/(loss) before tax from continuing operations		1 601	(4 431)	27 054	28 645
Adjustments					
Depreciation		11 884	11 252	34 570	33 895
Amortization		327	276	902	724
Impairment losses and valuation allowances		-	(121)	(4)	(883)
Foreign exchange (gains)/losses		1 255	3 154	6 211	1 957
Net (gains)/losses on disposal of property, plant and equipment		(82)	(404)	(570)	(217)
Interest, transaction costs (related to loans and borrowings) and dividends, net		5 123	6 391	18 291	22 868
Change in receivables		16 464	35 234	12 937	8 746
Change in inventories		(12 762)	(2 418)	44 304	30 897
Change in trade and other payables		2 289	(21 423)	(21 881)	(56 070)
Change in provisions		-	(1)	(201)	(4 169)
Change in employee benefits obligation		858	596	1 344	(4 478)
Change in government grants and other deferred income		(36)	206	(313)	(207)
Share of profit of associates		(43)	(7)	(61)	57
Other adjustments		(46)	(52)	(736)	(1 464)
Cash generated/(outflows) from operating activities		26 832	28 252	121 847	60 301
Income tax (paid)/returned, incl.		(149)	650	(885)	649
Net cash from operating activities		26 683	28 902	120 962	60 950
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		269	1 770	803	2 901
Proceeds from sale of intangibles		6	-	15	35
Proceeds from sale of perpetual usufruct		-	49	-	49
Acquisition of shares in consolidated companies (net of cash acquired)		-	-	-	(4)
Interest received		-	12	-	25
Dividends received		20	-	20	-
Repayment of loans granted		5	-	24	-
Acquisition of property, plant and equipment		(9 181)	(15 269)	(44 906)	(41 786)
Acquisition of intangible assets		(1 047)	(374)	(3 157)	(3 298)
Prepaid perpetual usufruct of land		-	-	(75)	-
Loans granted		-	(36)	-	(126)
Net cash from investing activities		(9 928)	(13 848)	(47 276)	(42 204)
Cash flows from financing activities					
Repayment of interest-bearing loans and borrowings		(9 827)	(10 145)	(29 971)	(30 436)
Payment of lease liabilities		(3 228)	(3 407)	(9 998)	(12 401)
Payment of lease liabilities (operational leases and other leases not previously recognised)		(1 068)	(1 116)	(3 298)	(2 828)
Dividends and interests on exchangeable notes paid		(1 911)	(1 888)	(38 323)	(3 917)
Interest and transaction costs (related to loans and borrowings) paid		(3 807)	(7 436)	(11 428)	(25 155)
Interests on lease liabilities (other rent and lease agreements not previously recognized - IFRS 16)		(645)	(54)	(2 531)	(139)
Grants received for investing activities		703	49	1 964	2 613
Other grants received		46	52	736	1 464
Net cash from financing activities		(19 737)	(23 945)	(92 849)	(70 799)
Net increase / (decrease) in cash and cash equivalents		(2 982)	(8 891)	(19 163)	(52 053)
Cash and cash equivalents net of bank overdraft, at 1 January/1 July		62 775	33 297	78 956	76 459
- effect of exchange rate fluctuations on cash held		-	-	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	<i>15</i>	59 793	24 406	59 793	24 406
- including cash restricted for use	<i>15</i>	2 271	50	2 271	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)

<i>in PLN thousand</i>	<i>Note</i>	01.10.2019 - 30.09.2020	01.10.2018 - 30.09.2019
(Loss)/profit before tax		20 742	28 293
Adjustments			
Depreciation		45 916	44 471
Amortization		1 173	1 153
Impairment losses and valuation allowances		(1 287)	(1 200)
Foreign exchange (gains)/losses		3 393	2 131
Net (gains)/losses on investment activities		(143)	-
Net (gains)/losses on disposal of property, plant and equipment		516	(253)
Interest, transaction costs (related to loans and borrowings) and dividends, net		20 594	32 291
Change in receivables		(10 741)	55 319
Change in inventories		89 330	(64 541)
Change in trade and other payables		34 393	75 107
Change in provisions		(200)	(3 455)
Change in employee benefits obligation		1 304	(859)
Change in government grants and other deferred income		(1 516)	1 893
Share of profit of associates		1 337	731
Other adjustments		(1 434)	6 085
Cash generated/(outflows) from operating activities		203 377	177 166
Cash generated from operating activities		203 377	177 166
Income tax (paid)/returned, incl.		(885)	1 285
Net cash from operating activities		202 492	178 451

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

<i>in PLN thousand</i>	<i>Note</i>	01.10.2019 - 30.09.2020	01.10.2018 - 30.09.2019
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1 264	3 131
Proceeds from sale of intangibles		36	36
Proceeds from sale of perpetual usufruct		-	445
Acquisition of shares in consolidated companies		(1)	(454)
Proceeds from sale of other investments		171	-
Interest received		(4)	49
Dividends received		20	25
Repayment of loans granted		24	-
Acquisition of property, plant and equipment		(59 087)	(56 684)
Acquisition of intangible assets		(3 573)	(8 965)
Prepaid perpetual usufruct of land		(75)	-
Loans granted		-	(126)
Net cash from investing activities		(61 225)	(62 543)
Cash flows from financing activities			
(Paid emission costs)/ Net cash receipts from share issue		-	(1 060)
Proceeds from interest-bearing loans and borrowings		-	613
Proceeds from factoring		-	(1 439)
Repayment of interest-bearing loans and borrowings		(39 690)	(80 580)
Payment of lease liabilities		(14 221)	(15 732)
Payment of lease liabilities (operational leases and other leases not previously recognised)		(3 101)	(2 828)
Dividends and interests on exchangeable notes paid		(38 323)	(3 782)
Interest and transaction costs (related to loans and borrowings) paid		(11 651)	(22 744)
Interests on lease liabilities (other rent and lease agreements not previously recognized - IFRS 16)		(4 678)	(139)
Fee relating to withholding tax relating to financing activities		-	(10 085)
Grants received for investing activities		4 572	3 922
Other grants received		1 212	1 693
Net cash from financing activities		(105 880)	(132 161)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents net of bank overdraft, at 1 October		24 406	40 659
- effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents net of bank overdraft, at 30 September	<i>15</i>	59 793	24 406
- including cash restricted for use	<i>15</i>	2 271	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	-	-	22	24 218	24 240	1 086	25 326	
- (loss)/profit	-	-	-	24 218	24 218	1 086	25 304	
- foreign currency translation differences relating to foreign operations	-	-	22	-	22	-	22	
Transactions with owners of the Company, recognised in equity								
Contribution by and distributions to owners of the Company	3 979	(3 979)	-	(38 471)	(38 471)	-	(38 471)	
Dividends	-	-	-	(34 554)	(34 554)	-	(34 554)	
Conversion of exchangeable notes	3 979	(3 979)	-	-	-	-	-	
Interests on exchangeable notes in the period	-	-	-	(3 917)	(3 917)	-	(3 917)	
Change in ownership interests	-	-	-	(4)	(4)	-	(4)	
Changes in minority after acquisition	-	-	-	(4)	(4)	-	(4)	
Creation of other reserves from profit	-	5 603	-	(5 603)	-	-	-	
Equity as at 30 September 2019	184 605	88 341	62	(9 079)	263 929	18 807	282 736	
Equity as at 1 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	-	-	37	25 609	25 646	561	26 207
- profit	-	-	-	25 609	25 609	561	26 170
- foreign currency translation differences relating to foreign operations	-	-	37	-	37	-	37
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	(3 769)	(3 769)	-	(3 769)
Interests on exchangeable notes in the period	-	-	-	(3 769)	(3 769)	-	(3 769)
Creation of other reserves from profit	-	14 338	-	(14 338)	-	-	-
Equity as at 30 September 2020	185 911	101 373	87	(6 686)	280 685	18 944	299 629
Equity as at 1 July 2020	185 911	101 373	79	(6 552)	280 811	19 181	299 992
Total comprehensive income	-	-	8	1 777	1 785	(237)	1 548
- profit	-	-	-	1 777	1 777	(237)	1 540
- foreign currency translation differences relating to foreign operations	-	-	8	-	8	-	8
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	-	-	(1 911)	(1 911)	-	(1 911)
Interests on exchangeable notes in the period	-	-	-	(1 911)	(1 911)	-	(1 911)
Equity as at 30 September 2020	185 911	101 373	87	(6 686)	280 685	18 944	299 629

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

1 Parent entity

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

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

2 Cognor Holding S.A. Group

The condensed consolidated interim financial statements as at and for the nine months ended 30 September 2020 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 September 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 30 October 2020.

b) Ongoing basis

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

4 Revenues from sale

in PLN thousand

	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019
Revenue from sale goods or services transferred to customers at a point in time	1 251 584	1 392 790
Revenue from sale goods or services transferred to customers over time	36 775	42 740
	1 288 359	1 435 530
Revenues from sale of products	1 115 331	1 227 895
Revenues from sale of services	23 923	27 373
Revenues from sale of goods	136 132	163 170
Revenues from sale of raw materials	12 973	17 092
	1 288 359	1 435 530

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 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
- 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 September)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2020											
Revenue from external customers	28 843	36 275	11 987	106 459	148 235	13 173	11 478	17 630	(1 791)		
Inter-segment revenue	31 848	13 843	-	2 960	21 661	3 565	-	1 265	1 347		
Total revenue	60 691	50 118	11 987	109 419	169 896	16 738	11 478	18 895	(444)	(76 485)	372 293
Cost of sales to external customers	(24 468)	(35 041)	(8 927)	(94 529)	(143 434)	(11 941)	(10 969)	(18 267)	1 810		
Inter-segment cost of sales	(32 477)	(13 099)	-	(2 902)	(20 974)	(3 216)	-	(1 070)	(199)		
Total cost of sales	(56 945)	(48 140)	(8 927)	(97 431)	(164 408)	(15 157)	(10 969)	(19 337)	1 611	71 047	(348 656)
Segment result	3 746	1 978	3 060	11 988	5 488	1 581	509	(442)	1 167	(5 438)	23 637
Other income	271	485	2 358	1 668	8 145	97	210	1 171	22	2 171	16 598
Distribution and administrative expenses	(3 839)	(3 261)	(852)	(7 912)	(8 049)	(1 062)	(942)	(1 433)	(2 960)	235	(30 075)
Other gain/(losses) net	118	(23)	50	(84)	161	31	(14)	114	(26)	17	344
Other expenses	35	(316)	(44)	(1 126)	(165)	7	(28)	(58)	(71)	290	(1 476)
Operating profit/(loss)	331	(1 137)	4 572	4 534	5 580	654	(265)	(648)	(1 868)	(2 725)	9 028
Net financing costs									(9 668)	2 198	(7 470)
Share of profit of associates, net of tax											43
Income tax expense											(61)
Profit for the period											1 540

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

Business segments (for the nine months ended 30 September)

in PLN thousand

	30.09.2020	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers		88 999	120 185	114 205	352 394	494 663	33 507	45 112	36 471	2 788		
Inter-segment revenue		104 027	38 895	10 095	6 844	63 009	13 613	1 071	4 247	9 495		
Total revenue		193 026	159 080	124 300	359 238	557 672	47 120	46 183	40 718	12 283	(251 261)	1 288 359
Cost of sales to external customers		(80 970)	(112 433)	(101 759)	(313 296)	(476 146)	(30 829)	(40 045)	(32 392)	(2 299)		
Inter-segment cost of sales		(99 498)	(36 167)	(9 618)	(6 347)	(60 492)	(12 784)	(987)	(2 839)	(698)		
Total cost of sales		(180 468)	(148 600)	(111 377)	(319 643)	(536 638)	(43 613)	(41 032)	(35 231)	(2 997)	247 812	(1 171 787)
Segment result		12 558	10 480	12 923	39 595	21 034	3 507	5 151	5 487	9 286	(3 449)	116 572
Other income		1 651	1 699	3 546	5 871	11 913	421	1 019	2 144	101	6 389	34 754
Distribution and administrative expenses		(11 450)	(8 706)	(3 345)	(24 647)	(24 274)	(2 818)	(3 581)	(3 450)	(17 097)	6 839	(92 529)
Other gain/(losses) net		132	61	209	206	699	34	97	245	1 769	(1 846)	1 606
Other expenses		(21)	(972)	(302)	(3 394)	(1 036)	(7)	(70)	(271)	(172)	1 080	(5 165)
Operating profit/(loss)		2 870	2 562	13 031	17 631	8 336	1 137	2 616	4 155	(6 113)	9 013	55 238
Net financing costs										(36 246)	8 002	(28 244)
Share of profit of associates, net of tax												60
Income tax expense												(884)
Profit for the period												26 170

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

Business segments (for the twelve months ended 30 September)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2020											
Revenue from external customers	113 135	192 945	165 812	414 643	708 663	49 100	58 908	43 888	7 290		
Inter-segment revenue	139 221	52 847	21 876	8 262	73 786	19 265	1 737	5 528	13 158		
Total revenue	252 356	245 792	187 688	422 905	782 449	68 365	60 645	49 416	20 448	(335 631)	1 754 433
Cost of sales to external customers	(103 080)	(183 348)	(148 688)	(364 240)	(688 900)	(45 400)	(51 374)	(44 067)	(6 490)		
Inter-segment cost of sales	(133 003)	(50 199)	(20 319)	(7 596)	(71 421)	(18 165)	(1 634)	(3 631)	(866)		
Total cost of sales	(236 083)	(233 547)	(169 007)	(371 836)	(760 321)	(63 565)	(53 008)	(47 698)	(7 356)	330 274	(1 612 147)
Segment result	16 273	12 245	18 681	51 069	22 128	4 800	7 637	1 718	13 092	(5 357)	142 286
Other income	3 124	1 886	3 989	6 271	12 682	849	1 384	2 492	1 383	3 408	37 468
Distribution and administrative expenses	(14 742)	(11 882)	(4 959)	(30 559)	(31 636)	(3 984)	(4 747)	10 597	(34 466)	8 898	(117 480)
Other gain/(losses) net	142	(43)	85	(156)	331	44	44	450	(871)	1 736	1 762
Other expenses	141	(1 263)	(661)	(4 279)	(1 916)	17	(109)	3 545	(5 330)	3 611	(6 244)
Operating profit/(loss)	4 938	943	17 135	22 346	1 589	1 726	4 209	18 802	(26 192)	12 296	57 792
Net financing costs									(41 054)	5 342	(35 712)
Share of profit of associates, net of tax											(1 338)
Income tax expense											(104)
Profit for the period											20 638

in PLN thousand

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

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2020											
Segment assets	66 825	73 651	47 687	218 965	328 984	16 523	23 690	37 182	212 003	(44 507)	981 003
Segment liabilities	28 469	34 548	30 102	102 799	141 443	6 900	5 018	19 359	352 793	(40 057)	681 374

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
30.09.2019											
Segment assets	82 506	62 654	56 815	219 275	388 128	21 516	29 314	44 000	144 104	(45 558)	1 002 754
Segment liabilities	26 521	27 409	41 035	96 156	139 965	6 899	8 406	16 558	405 709	(48 640)	720 018

Unallocated assets

in PLN thousand

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

30.09.2020	31.12.2019	30.09.2019
1 317	1 279	2 725
46 743	47 206	46 108
7 141	121	122
183	38	11
69 252	78 956	29 616
59 036	62 467	42 860
28 331	26 423	22 662
212 003	216 490	144 104

Unallocated liabilities

in PLN thousand

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

30.09.2020	31.12.2019	30.09.2019
278 063	304 839	310 053
9 459	-	5 210
25	226	226
5 380	9 942	8 059
-	319	-
42 865	80 456	74 268
6 436	2 869	3 859
10 565	7 638	4 034
352 793	406 289	405 709

6 Property, plant and equipment

During the three months ended 30 September 2020, the Group acquired property, plant and equipment at a cost of PLN 36 513 thousand (three months ended 30 September 2019: PLN 10 489 thousand) and recognized right-of-use assets at a cost of PLN 115 thousand (three months ended 30 September 2019: PLN 0 thousand). Assets with a net book value of PLN 190 thousand were disposed during the three months of 2020 (three months ended 30 September 2019: PLN 1 369 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 230 thousand (three months ended 30 September 2019: a net gain on disposal of PLN 403 thousand).

During the nine months ended 30 September 2020, the Group acquired property, plant and equipment at a cost of PLN 40 861 thousand (nine months ended 30 September 2019: PLN 49 161 thousand) and recognized right-of-use assets at a cost of PLN 1 230 thousand (nine months ended 30 September 2019: PLN 43 458 thousand). Assets with a net book value of PLN 240 thousand were disposed during the nine months of 2020 (nine months ended 30 September 2019: PLN 2 711 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 567 thousand (nine months ended 30 September 2019: a net gain on disposal of PLN 190 thousand).

During the twelve months ended 30 September 2020, the Group acquired property, plant and equipment at a cost of PLN 85 435 thousand (twelve months ended 30 September 2019: PLN 68 747 thousand) and recognized right-of-use assets at a cost of PLN 1 230 thousand (twelve months ended 30 September 2019: PLN 43 458 thousand). Assets with a net book value of PLN 750 thousand were disposed of during the twelve months ended 30 September 2020 (twelve months ended 30 September 2019: PLN 3 294 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 1 644 thousand (twelve months ended 30 September 2019: a net gain on disposal of PLN 151 thousand).

Capital commitments

As at 30 September 2020 the Group had capital commitments in the amount of PLN 3 436 thousand (30 June 2020: PLN 6 790 thousand, 31 December 2019: PLN 22 845 thousand, 30 September 2019: PLN 12 599 thousand).

7 Trade and other receivables

Short-term receivables

in PLN thousand

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade receivables	89 293	92 429	101 740	96 162
Statutory receivables excluding income tax	31 821	36 507	18 404	23 781
Prepayments for services and inventories	4 373	4 798	5 781	36 491
Prepayments for fixed assets	9 339	14 930	15 032	-
Factoring receivables	24 483	31 847	42 217	18 519
Other receivables	6 938	8 435	5 168	6 787
	166 247	188 946	188 342	181 740

Long-term receivables

in PLN thousand

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade receivables	6 923	6 217	4 293	-
Other receivables	58	140	-	-
	6 981	6 357	4 293	-

The Group regularly uses factoring facilities to improve liquidity. Handing over receivables to factoring results in ceasing their recognition in the financial statements according to IFRS 9. Therefore, all trade receivables that the Group provides to the factor do not meet the criteria of the model "hold to collect" and "hold for the purpose of collection and sale" are therefore classified as "measured at fair value through profit or loss". The application of IFRS 9 changed therefore the method of measurement of these receivables from amortized cost at fair value. The effects of fair value measurement is recognized in the financial result. As at September 30, 2020 the Group discloses PLN 24,483 thousand PLN of factoring receivables (as at June 30, 2020: PLN 31,847 thousand, December 31, 2019: PLN 42,217 thousand, as at September 30, 2019: PLN 18,519 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:

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade receivables in total	213 702	282 030	301 679	233 064
Factoring receivables derecognised from statement of financial position	(99 926)	(157 754)	(157 722)	(118 383)
Factoring receivables	(24 483)	(31 847)	(42 217)	(18 519)
Trade receivables net	89 293	92 429	101 740	96 162

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

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

The analysis conducted by the Group shows that the write-down on this account do not significantly affect the consolidated financial statements and amounted as at September 30, 2020: PLN 158 thousand (as at June 30, 2020: PLN 222 thousand, as at December 31, 2019: PLN 192 thousand, as at September 30, 2019: PLN 284 thousand).

8 Inventories

in PLN thousand

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Raw materials	83 768	67 114	65 174	87 488
Semi-finished goods and work in progress	85 003	84 865	95 267	132 337
Finished products	63 973	72 620	117 651	105 828
Goods for resale	19 953	15 336	18 909	20 419
	252 697	239 935	297 001	346 072

9 Trade and other payables

Short term

in PLN thousand

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade payables	294 965	289 654	324 561	275 324
Statutory payables	14 063	23 865	19 868	12 300
Investment payables	3 436	6 790	22 845	12 599
Prepayments for services and deliveries of goods	8 345	911	770	7 633
Liabilities due to Shareholder	-	26	26	-
Dividend payables	-	-	34 556	34 554
Payroll liabilities	7 244	6 861	7 118	7 867
Accrued expenses relating to employees	5 430	7 387	5 064	-
Accrued expenses	12 209	11 128	9 232	9 330
Other payables	1 449	2 148	330	1 493
	347 141	348 770	424 370	361 100

Long term

in PLN thousand

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Liabilities due to Shareholder	20 109	19 565	18 558	18 054
	20 109	19 565	18 558	18 054

10 Equity

Issued share capital

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Registered shares number at reporting date	123 940 417	123 940 417	123 940 417	123 070 319
Number of issued warrants	51 030 446	51 030 446	51 030 446	51 900 544
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN	1,5 PLN

At 30 September 2020, the parent Company's share capital comprised 123 940 417 ordinary shares with a nominal value of PLN 1,5 each (30 June 2020: 123 940 417 ordinary shares with a nominal value of PLN 1,5 PLN each, 31 December 2019: 123 940 417 ordinary shares with a nominal value of PLN 1,5 each; 30 September 2019: 123 070 319 with a nominal value of PLN 1,5 each).

The total principal value of Exchangeable Notes remaining to be settled as at 30 September 2020 was 17 356 604 EUR. In 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 September 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 (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	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 current report's publication (October 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	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 company PS HoldCo Sp. z o.o. on September 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 three-month period ended 30 September 2020 was based on the profit attributable to ordinary shareholders of PLN 1 777 thousand (the three-month period ended 30 September 2019: loss PLN 683 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 September 2020 of 123 940 thousand (the three-month period ended 30 September 2019: 123 070 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 3 months period ended September 30, 2020 was 171 455 thousand (30 September 2019: 154 704 thousand).

The calculation of basic earnings per share for the nine-month period ended 30 September 2020 was based on the profit attributable to ordinary shareholders of PLN 25 609 thousand (the nine-month period ended 30 September 2019: profit PLN 24 218 thousand) and a weighted average number of ordinary shares outstanding during the nine-month period ended 30 September 2020 of 123 940 thousand (the nine-month period ended 30 September 2019: 121 786 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 9 months period ended September 30, 2020 was 171 584 thousand (30 September 2019: 153 567 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 September 2020 was based on the profit attributable to ordinary shareholders of PLN 20 501 thousand (the twelve-month period ended 30 September 2019: profit PLN 19 292 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 September 2020 of 123 851 thousand (the twelve-month period ended 30 September 2019: 121 302 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 September 2020 was 171 651 thousand (30 September 2019: 153 438 thousand).

As at 30 September 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 September 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 - September 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

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Bank overdraft	9 459	7 178	-	5 210
Non-current liabilities				
Secured bank loans	131 120	154 102	168 725	180 357
Lease liabilities	30 974	31 340	32 532	25 147
Lease liabilities (operational leases and other leases not previously recognised)	45 709	46 618	47 299	43 438
Other borrowings	538	738	1 113	1 288
	208 341	232 798	249 669	250 230
Current liabilities				
Current portion of secured bank loans	51 642	37 941	36 907	36 948
Current portion of finance lease liabilities	12 624	12 563	12 505	12 737
Current portion of lease liabilities (operational leases and other leases not previously recognised)	4 703	4 747	4 879	8 543
Factoring liabilities	-	-	166	177
Other borrowings	753	730	713	1 418
	69 722	55 981	55 170	59 823

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 September 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 Przemysław Sztuczkowski (previous name Wiedza i Praca Sp. z o.o.)

Associates are as follows;

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

<i>in PLN thousand</i>	30.09.2020	30.06.2020	31.12.2019	30.09.2019
<i>Short-term receivables:</i>				
- associates	340	289	266	316
- controlling entities	1	4	1	87
- related companies to the controlling entities	-	2	-	-
<i>Short-term and long-term liabilities</i>				
- controlling entities	21 758	21 547	45 837	44 504
- associates	-	-	-	-
- related companies to the controlling entities	746	551	-	89

<i>in PLN thousand</i>	01.07.2020- 30.09.2020	01.07.2019- 30.09.2019	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019	01.10.2019- 30.09.2020	01.10.2018- 30.09.2019
<i>Revenues from sale of services</i>						
- associates	584	233	1 383	647	1 626	654
- controlling entities	1	11	30	30	41	34
- related companies to the controlling entities	3	(1)	5	3	7	1
<i>Revenues from sale of raw materials and commodities</i>						
- associates	51	46	133	145	178	145
- controlling entities	-	35	-	36	1	36
<i>Purchase of commodities and raw materials</i>						
- controlling entities	336	308	1 205	1 093	1 472	253
<i>Purchase of services</i>						
- associates	625	329	1 539	746	1 593	926
- related companies to the controlling entities	-	1 278	3 219	4 754	4 497	8 514
- controlling entities	1 009	793	2 695	2 348	3 511	4 261
<i>Other costs</i>						
- controlling entities	-	-	(11)	-	(11)	-
<i>Financial income</i>						
- controlling entities	-	(491)	-	504	(504)	504
<i>Financial costs</i>						
- controlling entities	(545)	3	(1 551)	-	(2 685)	(1 738)

15 Cash and cash equivalents presented in cash flow statements

<i>in PLN thousand</i>	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Cash in bank	66 702	69 619	78 703	26 753
Cash in bank restricted in use	2 271	-	50	50
Cash in hand	258	257	181	250
Short-term bank deposit	-	-	-	-
Other	21	77	22	2 563
Cash and cash equivalents	69 252	69 953	78 956	29 616
Bank overdrafts	(9 459)	(7 178)	-	(5 210)
Cash and cash equivalents in the statement of cash flows	59 793	62 775	78 956	24 406

16 Financial instruments

Financial instruments measured at fair values

As at 30 September 2020 the fair value relating to IRS amounted PLN 6 435 thousand (30 June 2020: 5 028 PLN, 31 December 2019: PLN 2 869 thousand, 30 September 2019: PLN 3 859 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 September 2020 the fair value relating to IRS amounted PLN 6 435 thousand.

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 Management Board's position on the possibility of implementing previously published forecasts for the year, in light of the results presented in the quarterly report

Management Board didn't publish forecasts.

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

	As at the date of the current report		As at the date of the previous report	
	quantity	% in share capital	quantity	% in share capital
Management Board				
- Przemysław Sztuczkowski *	-	-	-	-
- Przemysław Grzesiak	40 018	0,03%	40 018	0,03%
- Krzysztof Zoła	250 000	0,20%	250 000	0,20%
- Dominik Barszcz	144 500	0,12%	144 500	0,12%
Supervisory Board				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew Łapiński	-	-	-	-

*Przemysław Sztuczkowski owns 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. Detailed information in note 10.

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

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

From the Group's point of view, we describe the following proceedings as important:

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 deductions of VAT from invoices issued in 2008 by 19 suppliers of the Company challenged by the Tax Control Office in Katowice. 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, Head of the Silesian Customs and Tax Office in Katowice, on May 23, 2019, issued a decision in which it partially upheld its 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. On October 1, the Director of the Tax Chamber in Katowice filed a cassation complaint with the Supreme Administrative Court. 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 Silesian Customs and 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. In regards to 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 statement for the controlled period. As a result, tax proceedings in this respect were initiated on August 26, 2020. The proceedings are in progress.

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

Not applicable.

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

Warranties and guarantees granted to subsidiaries by the Parent Company:

Subsidiary	Type of liability	Guarantee value (in PLN thousand)	Period of guarantee
Cognor S.A.*	Dual currency term	186 511	till 31.12.2022
Cognor S.A.*	Bank overdraft	40 000	till 31.10.2021
Cognor S.A.	Trade liability	1 822	without deadline
Cognor S.A.	Factoring	40 000	without deadline
Cognor S.A.	Contracts for co-financing the implementation of research projects	11 226	till 30.11.2020

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

Shares in consolidated companies and mortgages on Group properties are treated as a security for liabilities for the bank loan facilities. For details, see note 12.

23 Other information that the Parent Company is relevant to the assessment of its personnel, assets, financial position, financial performance and their changes and information that is relevant to the assessment of the Parent Company's capacity to meet obligation.

In our previous reports, we identified risk areas related to the COVID-19 pandemic along with the probability of their occurrence. Some of these risks did occur, causing damage to the volume and value of our sales in particular months as well as reducing profitability. These phenomena culminated in the second quarter. We recorded a significant drop in activity, especially in relation to customers from the automotive industry. The supply of scrap metal has decreased noticeably due to the reduction in the scale of the processing industry activity and as a result of restrictions on the movement of people. In the previous quarter, administrative restrictions were relaxed following the stabilization of the increase of number of SARS-Cov-2 infected people in Poland at a relatively low level of several hundred people per day. This resulted in stabilization of the situation in our business and organizational normalization in our Group. But as of the beginning of the fourth quarter of current year, the number of new cases in the country is growing dynamically, permanently exceeding the level of 10,000 people. The rate of absence of our employees due to infection, quarantine or isolation is correspondingly increasing. As of the date of the report, we noted an increase in absenteeism by approximately 50% compared to its usual levels. We are still talking about individual cases and not about disease outbreaks, which allows us to maintain the current level of production. But we are watching the development of pandemic with concern, and the risk of materialization of production restrictions is now at its highest level since the outbreak began, and we fear that it may increase further in the weeks or months to come.

While our preventive actions in the second quarter of this year resulted from demand shocks mainly from the automotive industry and disruptions of the continuity of scrap supplies, we are currently focusing on sealing the system to prevent the spread of the coronavirus among our staff and the increase in absenteeism. Therefore, we return to the highest level of restrictions in the field of: physical presence of people in our offices and production units, grouping of employees, disinfection and temperature measurement as well as the identification of potential other disease symptoms in people entering our premises.

The market downturn and the decline in sales revenues had a negative impact on the results, especially in the second quarter. Our losses have been limited to some extent through the assistance obtained on the basis of Art.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 the emergencies caused by them. Most of this amount increased the results of the second quarter, while the remaining amount - PLN 3,433 thousand - improved the results of the third quarter.

Although the current dynamics of Covid-19 development is disturbing, we assume that the return to the so-called closure of the economy will not result in such severe restrictions as occurred in Poland at the beginning of this crisis. Meanwhile, we are implementing our budget assumptions for year 2020 and we do not observe any premises threatening the continuity of operations, breach of covenants from concluded loan agreements, as well as regarding the impairment of property, plant and equipment due to the COVID 19 pandemic. We reckon with the fact that the pandemic risk to our operations will remain valid at least until the first half of next year, when - we hope - effective measures to prevent and combat this disease will be introduced.

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

The consolidated financial results of the Cognor Capital Group in the the prespective of the fourth quarter of 2020 will depend mainly

- the formation of relation of product prices to material prices, including especially steel scrap,
- the formation of the relations of the PLN to EUR and USD,
- the development of the pandemic, which may have a far-reaching impact on the level of demand and cause organizational perturbations resulting in a temporary limitation of our production capacity; more in note 23.

25 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 30 October 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