

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the six months ended
30 June 2021**

*English version of the original in Polish, which is ultimately the only
binding document*

13 August 2021

Condensed consolidated statement of financial position

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
	<i>review</i>	<i>audit</i>	<i>review</i>
Assets			
Property, plant and equipment	407 966	397 398	382 816
Intangible assets	15 917	18 100	24 642
Investment property	120	7 136	7 147
Investment in associates	969	1 195	1 152
Other investments	-	-	-
Other receivables	10 083	8 938	6 357
Perpetual usufruct of land	30 574	32 371	26 253
Deferred tax assets	34 486	49 380	46 941
Total non-current assets	500 115	514 518	495 308
Inventories	343 692	274 101	239 935
Other investments	121	121	127
Current income tax receivables	38	226	38
Trade and other receivables	245 397	141 678	188 946
Cash and cash equivalents	77 962	100 555	69 953
Assets classified as held for sale	7 005	-	-
Total current assets	674 215	516 681	498 999
Total assets	1 174 330	1 031 199	994 307

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

	30.06.2021 <i>review</i>	31.12.2020 <i>audit</i>	30.06.2020 <i>review</i>
Equity			
Issued share capital	257 131	185 911	185 911
Reserves	31 265	101 373	101 373
Foreign currency translation reserves	73	96	79
Retained earnings	92 066	380	(6 552)
Total equity attributable to owners of the Parent Company	380 535	287 760	280 811
Non-controlling interests	26 455	19 254	19 181
Total equity	406 990	307 014	299 992
Liabilities			
Interest-bearing loans, borrowings and other	181 348	207 658	232 798
Employee benefits obligation	11 963	13 011	11 796
Other payables	2 116	22 784	19 565
Government grants and other deferred income	917	984	566
Deferred tax liabilities	-	-	-
Total non-current liabilities	196 344	244 437	264 725
Bank overdraft	8 227	-	7 178
Interest-bearing loans, borrowings and other	65 102	56 882	55 981
Employee benefits obligation	1 352	1 583	2 107
Derivatives	2 521	4 011	5 028
Current income tax payables	5 598	460	141
Provisions for payables	25	25	25
Trade and other payables	480 451	411 846	348 770
Government grants and other deferred income	6 173	4 941	10 360
Liabilities of disposal assets held for sale	1 547	-	-
Total current liabilities	570 996	479 748	429 590
Total liabilities	767 340	724 185	694 315
Total equity and liabilities	1 174 330	1 031 199	994 307

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 profit or loss and other comprehensive income

in PLN thousand

	01.04.2021 - 30.06.2021	01.04.2020 - 30.06.2020	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
	out of the scope of review	out of the scope of review <i>*restated</i>	review	review <i>*restated</i>
Revenue	716 127	455 955	1 300 203	916 066
Cost of sales	(576 216)	(408 559)	(1 063 324)	(823 131)
Gross profit	139 911	47 396	236 879	92 935
Other income	5 928	14 375	12 101	18 156
Distribution expenses	(26 628)	(20 722)	(51 851)	(40 131)
Administrative expenses	(15 238)	(10 477)	(29 603)	(22 323)
Other (losses)/gains - net	(2 106)	(1 204)	2 088	1 262
Other expenses	(819)	(2 226)	(1 794)	(3 689)
Operating profit before financing costs	101 048	27 142	167 820	46 210
Financial income	2 529	-	3 356	-
Financial expenses	(4 939)	(4 112)	(13 870)	(20 774)
Net financing costs	(2 410)	(4 112)	(10 514)	(20 774)
Share of profit of associates	(172)	-	(225)	17
Profit before tax	98 466	23 030	157 081	25 453
Income tax expense	(19 629)	(1 156)	(32 387)	(823)
Profit for the period	78 837	21 874	124 694	24 630
Profit for the period attributable to:				
Owners of the Parent Company	74 430	20 923	117 467	23 832
Non-controlling interests	4 407	951	7 227	798
Profit for the period	78 837	21 874	124 694	24 630
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met				
Foreign currency translation differences	(17)	(13)	(23)	29
Total comprehensive income for the period	78 820	21 861	124 671	24 659
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	74 413	20 910	117 444	23 861
Non-controlling interests	4 407	951	7 227	798
Total comprehensive income for the period	78 820	21 861	124 671	24 659
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,43	0,17	0,72	0,19
- from continuing operations	0,43	0,17	0,72	0,19
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,43	0,12	0,68	0,14
- from continuing operations	0,43	0,12	0,68	0,14

* details note no. 4

Przemysław Sztuczkowski
President of the Management Board

Krzysztof Zoła
Member of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Dominik Barszcz
Member of the Management Board

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

	01.07.2020 - 30.06.2021 <i>out of the scope of review</i>	01.07.2019 - 30.06.2020 <i>out of the scope of review</i> <i>*restated</i>
Revenue	2 117 358	1 781 651
Cost of sales	(1 814 517)	(1 627 947)
Gross profit	302 841	153 704
Other income	35 138	24 388
Distribution expenses	(93 473)	(75 570)
Administrative expenses	(53 975)	(45 199)
Other (losses)/gains - net	2 060	2 833
Other expenses	(4 454)	(6 020)
Operating profit before financing costs	188 137	54 136
Financial income	3 356	(1 318)
Financial expenses	(27 413)	(36 734)
Net financing costs	(24 057)	(38 052)
Share of profit of associates	(182)	(1 374)
Gain on bargain purchase	-	-
Profit before tax	163 898	14 710
Income tax expense	(30 288)	3 432
Profit for the period	133 610	18 142
Profit for the period attributable to:		
Owners of the Parent Company	126 370	17 981
Non-controlling interests	7 240	161
Profit for the period	133 610	18 142

* details note no. 4

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

	01.07.2020 - 30.06.2021	01.07.2019 - 30.06.2020
	<i>out of the scope of review</i>	<i>out of the scope of review</i> <i>*restated</i>
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	(6)	43
Total comprehensive income for the period	133 604	18 185
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	126 364	18 024
Non-controlling interests	7 240	161
Total comprehensive income for the period	133 604	18 185
Basic earnings per share (PLN) attributable to the owners of the Parent Company	0,88	0,15
- from continuing operations	0,88	0,15
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	0,74	0,11
- from continuing operations	0,74	0,11

* details note no. 4

Przemysław Sztuczkowski
President of the Management Board

Krzysztof Zoła
Member of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Dominik Barszcz
Member of the Management Board

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

Condensed consolidated statement of cash flows

in PLN thousand

	01.01.2021 - 30.06.2021 <i>review</i>	01.01.2020 - 30.06.2020 <i>review</i> <i>*restated</i>
Profit/(loss) before tax from continuing operations	157 081	25 453
Adjustments		
Depreciation	25 763	22 686
Amortization	592	575
Impairment losses and valuation allowances of property, plant and equipment, intangible assets	-	(4)
Foreign exchange (gains)/losses	(2 324)	4 956
Net (gains)/losses on disposal of property, plant and equipment, intangible assets	(3 311)	(488)
Interest, transaction costs (related to loans and borrowings) and dividends, net	10 424	13 168
Change in receivables and prepayments	(107 407)	(3 527)
Change in inventories	(69 547)	57 066
Change in trade and other payables	28 762	(24 170)
Change in provisions	-	(201)
Change in employee benefits obligation	(1 279)	486
Change in government grants and other deferred income	31	(277)
Share of profit/(loss) of associates	226	(18)
Other adjustments	2 337	-
Cash generated/(outflows) from operating activities	41 348	95 705
Income tax (paid)/returned, incl.	(12 167)	(736)
Net cash from operating activities	29 181	94 969
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4 328	534
Proceeds from sale of intangibles	-	9
Proceeds from sale of perpetual usufruct	1 579	-
Acquisition of shares in consolidated companies (net of cash acquired)	(3)	-
Interest received	-	-
Repayment of loans granted	-	19
Acquisition of property, plant and equipment	(32 479)	(35 725)
Acquisition of intangible assets	(797)	(2 110)
Prepaid perpetual usufruct of land	-	(75)
Received grants - investing activities	1 134	1 261
Net cash from investing activities	(26 238)	(36 087)
Cash flows from financing activities		
Net cash receipts from share issue	2 914	-
Proceeds from interest-bearing loans and borrowings	6 500	-
Repayment of interest-bearing loans and borrowings	(19 244)	(20 144)
Payment of lease liabilities	(10 669)	(9 000)
Dividends and interests on exchangeable notes paid	(1 974)	(36 412)
Interest and transaction costs (related to loans and borrowings) paid	(7 366)	(9 507)
Fee relating to withholding tax relating to financing activities	(924)	-
Other transactions with the Owner	(3 000)	-
Net cash from financing activities	(33 763)	(75 063)
Net increase / (decrease) in cash and cash equivalents	(30 820)	(16 181)
Cash and cash equivalents net of bank overdraft, at 1 January	100 555	78 956
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	69 735	62 775
- including cash restricted for use	2 967	-

* details note no. 4

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

	01.07.2020 - 30.06.2021	01.07.2019 - 30.06.2020
	<i>out of the scope of review</i>	<i>out of the scope of review</i>
(Loss)/profit before tax from continuing operations	163 898	14 710
Adjustments		
Depreciation	49 583	45 284
Amortization	1 219	1 122
Impairment losses and valuation allowances	-	(1 408)
Foreign exchange (gains)/losses	(58)	5 292
Net (gains)/losses on investment activities	-	(143)
Net (gains)/losses on disposal of property, plant and equipment	(3 401)	194
Interest, transaction costs (related to loans and borrowings) and dividends, net	19 115	21 862
Change in receivables	(69 760)	8 029
Change in inventories	(103 713)	99 674
Change in trade and other payables	94 107	10 681
Change in provisions	-	(201)
Change in employee benefits obligation	(588)	1 042
Change in government grants and other deferred income	121	(1 274)
Share of profit of associates	183	1 373
Other adjustments	1 971	502
Cash generated/(outflows) from operating activities	152 677	206 739
Cash generated from operating activities	152 677	206 739
Income tax (paid)/returned, incl.	(12 376)	(86)
- continuing operations	(12 376)	(86)
- discontinued operations	-	-
Net cash from operating activities	140 301	206 653

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

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

<i>in PLN thousand</i>	01.07.2020 - 30.06.2021	01.07.2019 - 30.06.2020
	<i>out of the scope of review</i>	<i>out of the scope of review</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4 653	2 765
Proceeds from sale of intangibles	11	30
Proceeds from sale of perpetual usufruct	1 579	49
Proceeds from sale of other investments	-	171
Interest received	-	8
Dividends received	20	-
Repayment of loans granted	6	19
Acquisition of property, plant and equipment	(52 738)	(65 175)
Acquisition of intangible assets	(3 045)	(2 900)
Acquisition of investment properties	-	-
Prepaid perpetual usufruct of land	-	(75)
Received grants - investing activities	2 256	3 194
Acquisition of shares in consolidated companies	(3)	(1)
Loans granted	-	(36)
Cash generated on investing activities from continuing operations	(47 261)	(61 951)
Cash generated on investing activities from discontinued operations	-	-
Net cash from investing activities	(47 261)	(61 951)
Cash flows from financing activities		
Net cash receipts from share issue	2 914	-
Proceeds from interest-bearing loans and borrowings	6 500	-
Repayment of interest-bearing loans and borrowings	(51 832)	(40 008)
Payment of lease liabilities	(18 731)	(17 549)
Dividends and interests on exchangeable notes paid	(3 885)	(38 300)
Interest and transaction costs (related to loans and borrowings) paid	(17 122)	(9 282)
Fee relating to withholding tax relating to financing activities	(924)	(10 085)
Other transactions with the Owner	(3 000)	-
Cash outflows on financing activities from continuing operations	(86 080)	(115 224)
Cash outflows from discontinued operations	-	-
Net cash from financing activities	(86 080)	(115 224)
Net increase / (decrease) in cash and cash equivalents	6 960	29 478
Cash and cash equivalents net of bank overdraft, at 1 July	62 775	33 297
- effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents net of bank overdraft, at 30 June	69 735	62 775
- including cash restricted for use	2 967	-

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				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
- (loss)/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)
Creation of other reserves from profit	-	14 338	-	(14 338)	-	-	-
Equity as at 30 June 2020	185 911	101 373	79	(6 552)	280 811	19 181	299 992
Equity as at 1 January 2020	185 911	87 035	50	(14 188)	258 808	18 383	277 191
Total comprehensive income	-	-	46	32 675	32 721	871	33 592
- (loss)/profit	-	-	-	32 675	32 675	871	33 546
- foreign currency translation differences relating to foreign operations	-	-	46	-	46	-	46
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 31 December 2020	185 911	101 373	96	380	287 760	19 254	307 014

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 2021	185 911	101 373	96	380	287 760	19 254	307 014
Total comprehensive income	-	-	(23)	117 467	117 444	7 227	124 671
- profit	-	-	-	117 467	117 467	7 227	124 694
- foreign currency translation differences relating to foreign operations	-	-	(23)	-	(23)	-	(23)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	71 220	(72 014)	-	(23 898)	(24 692)	-	(24 692)
Dividends	-	(3 789)	-	(21 924)	(25 713)	-	(25 713)
Conversion of exchangeable notes	68 429	(68 429)	-	-	-	-	-
Issue of shares	2 791	204	-	-	2 995	-	2 995
Interests on exchangeable notes in the period	-	-	-	(1 974)	(1 974)	-	(1 974)
Change in ownership interests	-	-	-	23	23	(26)	(3)
Changes in minority after acquisition	-	-	-	23	23	(26)	(3)
Transfer of profit	-	1 906	-	(1 906)	-	-	-
Equity as at 30 June 2021	257 131	31 265	73	92 066	380 535	26 455	406 990

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

This financial statement is English version of the original in Polish, which is ultimately the only binding document.

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 six months ended 30 June 2021 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 2021 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	94.39%	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	94.39%	24.10.2013
4 GROUPS Sp. z o.o.	Poland	28.32% (associate)	21.01.2013
KDPP DORADZTWO BIZNESOWE Sp. z o.o.	Poland	28.32% (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 2021

In the first half of 2021, Cognor Holding S.A. purchased shares of Cognor S.A. worth PLN 3 thousand. This resulted in an increase in the share in Cognor S.A. from 94.38% to 94.39%. Thus, the indirect share in owned by Cognor S.A. companies increased.

Business combinations planned in 2021

Cognor Holding S.A. plans a merger with the subsidiary Cognor Blachy Dachowe S.A., in which it holds 100% of shares. Cognor Blachy Dachowe S.A. currently it does not conduct operating activities. The planned merger will not affect the Group's consolidated financial statements. Until the date of this report, the above merger has not been registered by the court.

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 2020.

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 August 2021.

b) Ongoing basis

The condensed consolidated financial statements as of and for the period ended 30 June 2021 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 2020, 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, 2021:

- a) Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leasing" - Reform of the Reference Interest Rate - Stage 2 (effective for annual periods beginning on or after 1 January 2021)
- b) Amendments to IFRS 4 "Insurance Contracts" - extension of the temporary exemption from the application of IFRS 9

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) Amendments to IFRS 3 "Business Combinations"
- b) Amendments to IAS 16 "Property, plant and equipment" (income received before acceptance of the asset for use)
- c) Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (onerous contracts - the cost of fulfilling the contract)
- d) Amendments to various standards "Improvements to IFRS (2018-2020 cycle)" (changes made as part of the procedure of introducing annual improvements to IFRS-IFRS 1, IFRS 9, IFRS 16 and IAS 41; aimed mainly at resolving inconsistencies and clarifying the vocabulary)

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

New standards and amendments to existing standards issued by the IASB but not yet endorsed for use in the EU

The IFRS as approved by the EU do not currently differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards and amendments to standards which, as at the date of publication of the financial statements, have not yet been approved for use in EU.

- a) IFRS 14 "Regulatory deferral accounts"
- b) IFRS 17 "Insurance Contracts"
- c) Amendments to IAS 1 "Presentation of Financial Statements" (classification of liabilities as short-term or long-term, disclosures on the applied accounting policy)
- d) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- e) Amendments to IAS 12 "Income Taxes"
- f) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (sale or contribution of assets between an investor and its associate or joint venture)
- g) Amendments to IFRS 16 "Leasing" (allowances for rent payments due to COVID-19)

According to the Group's estimates, the above-mentioned new standards and changes to the existing standards would not have a significant impact on the consolidated financial statements, if they had been applied by the Group as at the balance sheet date.

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 2020.

When preparing the interim condensed consolidated financial statements, accounting estimates and assumptions were made, in particular in determining the expected revenues from compensation for the increase in quotations of CO2 emission rights, assets and liabilities relating to leases, settlements with the owner, depreciation costs of fixed and intangible assets, inventory valuation, valuation of receivables and derivatives, determination of the value of provisions and valuation of assets and provisions for deferred tax and asset impairment analysis.

e) Additional comparative periods

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, 2021 and contain comparative data for the six months ended June 30, 2020 and as at December 31, 2020 - 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 2021 and comparative data for the 3 months ended 30 June 2020, as well as for the 12 months ended 30 June 2021 and data comparative for the period of 12 months ended 30 June 2020 - they were not reviewed or audited by a certified auditor.

4 Transformation of comparative data in the consolidated financial statements

a) in consolidated statement of cash flows

Due to the subsidies the Group receives (mainly from the National Center for Research and Development), the Group decided to change the presentation of the received subsidies in the statement of cash flows. Grants for capital expenditure will henceforth be reported in investing activities, while grants related to operating activities will be disclosed in operating activities. Below, restatement of comparative data in terms of changes in the presentation of individual items in the statement of cash flows.

Moreover, as a result of an arithmetic error, the items relating to the change in inventories and cash at the end of the period changed.

Extract from the consolidated statement of cash flows for the period 01.01.2020-30.06.2020

<i>in PLN thousand</i>	01.01.2020- 30.06.2020	Adjustments	Restated data
Change in inventories	55 738	1 328	57 066
Other adjustments	(690)	690	-
Cash generated from continuing operations	93 687	2 018	95 705
Net cash from operating activities	92 951	2 018	94 969
Received grants for investing activities	-	1 261	1 261
Cash generated on investing activities from continuing operations	(37 348)	1 261	(36 087)
Received grants for investing activities	1 261	(1 261)	-
Other received grants	690	(690)	-
Cash outflows on financing activities from continuing operations	(73 112)	(1 951)	(75 063)
Net change in cash and cash equivalents	(17 509)	1 328	(16 181)
Cash and cash equivalents net of bank overdraft, at 1 January	78 956	-	78 956
Cash and cash equivalents net of bank overdraft, at 30 June	61 447	1 328	62 775

Extract from the consolidated statement of cash flows for the period 01.06.2019-30.06.2020 (LTM)

<i>in PLN thousand</i>	01.06.2019- 30.06.2020	Adjustments	Restated data
(Loss)/profit before tax from continuing operations	16 038	(1 328)	14 710
Change in inventories	98 346	1 328	99 674
Other adjustments	(1 440)	1 942	502
Cash generated from continuing operations	204 797	1 942	206 739
Net cash from operating activities	204 711	1 942	206 653
Received grants for investing activities	-	3 194	3 194
Cash generated on investing activities from continuing operations	(65 145)	3 194	(61 951)
Received grants for investing activities	3 194	(3 194)	-
Other received grants	1 942	(1 942)	-
Cash outflows on financing activities from continuing operations	(110 088)	(5 136)	(115 224)
Net change in cash and cash equivalents	29 478	-	29 478

b) in note 'Inventories'

The entire production of cast steel mills (billets, ingots) has been presented by the Group so far under semi-finished products and work in progress. As a rule, these products are intended for further processing in rolling mills, but some of them are produced according to customer orders and are sold. This portion of billets and ingots sold without further processing will be presented under finished goods. The transformed values for December 31, 2020 and June 30, 2020 are presented below.

<i>in PLN thousand</i>	31.12.2020	Adjustments	Restated data
Semi-finished goods and work in progress	101 988	(27 994)	73 994
Finished products	66 434	27 994	94 428

<i>in PLN thousand</i>	30.06.2020	Adjustments	Restated data
Semi-finished goods and work in progress	84 865	(16 235)	68 630
Finished products	72 620	16 235	88 855

c) as a result of arithmetic error

Extract from consolidated statement of profit or loss and other comprehensive income

<i>in PLN thousand</i>	01.04.2020 - 30.06.2020	Adjustments	Restated data	01.01.2020 - 30.06.2020	Adjustments	Restated data
Profit for the period attributable to:	21 874	-	21 874	24 630	-	24 630
Owners of the Parent Company	20 863	60	20 923	23 772	60	23 832
Non-controlling interests	1 011	(60)	951	858	(60)	798
Total comprehensive income for the period attributable to:	21 861	-	21 861	24 659	-	24 659
Owners of the Parent Company	20 850	60	20 910	23 801	60	23 861
Non-controlling interests	1 011	(60)	951	858	(60)	798

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

<i>in PLN thousand</i>	01.07.2019 - 30.06.2020	Adjustments	Restated data
Cost of sales	(1 626 029)	(1 918)	(1 627 947)
Gross profit	155 622	(1 918)	153 704
Administrative expenses	(45 789)	590	(45 199)
Operating profit before financing costs	55 464	(1 328)	54 136
Profit before tax	16 038	(1 328)	14 710
Income tax expense	3 180	252	3 432
Profit for the period attributable to:	19 218	(1 076)	18 142
Owners of the Parent Company	19 057	(1 076)	17 981
Non-controlling interests	161	-	161
Total comprehensive income for the period attributable to:	19 261	(1 076)	18 185
Owners of the Parent Company	19 100	(1 076)	18 024
Non-controlling interests	161	-	161

5 Revenues from contracts with customers

in PLN thousand

	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020
Revenue from sale goods or services transferred to customers at a point in time	1 298 732	913 832
Revenue from sale goods or services transferred to customers over time	1 471	2 234
	1 300 203	916 066
Revenues from sale of products	1 076 495	793 639
Revenues from sale of services	19 774	12 756
Revenues from sale of goods	124 659	103 292
Revenues from sale of raw materials	79 275	6 379
	1 300 203	916 066

The comparative revenue figures from sold of goods or services transferred to customers over time have been adjusted due to the fact that they had represented all revenues from sales of services and sales of energy.

6 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.

6 Segment reporting - continued

Business segments (for the three months ended 30 June)

in PLN thousand

01.04.2021 - 30.06.2021	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	61 836	58 708	55 331	185 851	276 644	24 598	17 614	33 115	2 405		
Inter-segment revenue	68 448	18 824	8 035	2 102	18 430	4 849	-	3 103	2 481		
Total revenue	130 284	77 532	63 366	187 953	295 074	29 447	17 614	36 218	4 886	(126 247)	716 127
Cost of sales to external customers	(54 778)	(51 699)	(46 541)	(150 703)	(224 663)	(21 913)	(14 615)	(30 492)	(2 220)		
Inter-segment cost of sales	(63 812)	(15 862)	(6 516)	(1 681)	(13 894)	(4 389)	-	(2 410)	(412)		
Total cost of sales	(118 590)	(67 561)	(53 057)	(152 384)	(238 557)	(26 302)	(14 615)	(32 902)	(2 632)	130 384	(576 216)
Segment result	11 694	9 971	10 309	35 569	56 517	3 145	2 999	3 316	2 254	4 137	139 911
Other income	(6)	414	544	1 414	2 968	(1)	15	613	3	(36)	5 928
Distribution and administrative expenses	(6 496)	(3 340)	(1 701)	(10 813)	(10 392)	(1 424)	(1 284)	(694)	(5 660)	(62)	(41 866)
Other gain/(losses) net	34	(277)	(136)	(1 064)	(514)	5	(57)	(87)	(186)	176	(2 106)
Other expenses	(12)	(143)	(18)	(472)	(77)	(2)	1	(86)	(31)	21	(819)
Operating profit/(loss)	5 214	6 625	8 998	24 634	48 502	1 723	1 674	3 062	(3 620)	4 236	101 048
Net financing costs									(2 304)	(106)	(2 410)
Share of profit of associates, net of tax											(172)
Income tax expense											(19 629)
Profit for the period											78 837

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	43 373	68 739	117 232	164 986	8 684	15 888	7 719	3 119		
Inter-segment revenue	31 821	8 821	10 095	1 419	28 885	3 229	315	1 836	6 802		
Total revenue	58 017	52 194	78 834	118 651	193 871	11 913	16 203	9 555	9 921	(93 204)	455 955
Cost of sales to external customers	(26 020)	(39 247)	(63 433)	(101 330)	(161 066)	(8 010)	(13 609)	(7 199)	(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)	(47 340)	(73 051)	(102 648)	(188 478)	(10 992)	(13 883)	(8 538)	(3 332)	94 173	(408 559)
Segment result	3 547	4 854	5 783	16 003	5 393	921	2 320	1 017	6 589	969	47 396
Other income	1 243	1 091	1 118	3 752	3 390	290	779	892	58	1 762	14 375
Distribution and administrative expenses	(3 356)	(3 166)	(1 674)	(8 121)	(8 024)	(698)	(1 555)	(667)	(9 285)	5 347	(31 199)
Other gain/(losses) net	9	(66)	(57)	(263)	(632)	-	(81)	(69)	1 778	(1 823)	(1 204)
Other expenses	(28)	(477)	(178)	(1 608)	(433)	(7)	(25)	(129)	(96)	755	(2 226)
Operating profit	1 415	2 236	4 992	9 763	(306)	506	1 438	1 044	(956)	7 010	27 142
Net financing costs									(3 733)	(379)	(4 112)
Share of profit of associates, net of tax											-
Income tax expense											(1 156)
Profit for the period											21 874

* due to the changes described in note 4, the data concerning the segments were appropriately restated

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
01.01.2021 - 30.06.2021											
Revenue from external customers	114 255	103 865	109 273	361 536	470 802	45 820	35 830	55 677	3 095		
Inter-segment revenue	134 038	32 871	8 035	5 755	28 563	10 193	-	5 210	4 246		
Total revenue	248 293	136 736	117 308	367 291	499 365	56 013	35 830	60 887	7 341	(228 861)	1 300 203
Cost of sales to external customers	(102 155)	(95 004)	(90 440)	(299 924)	(386 676)	(40 660)	(30 032)	(50 709)	(2 853)		
Inter-segment cost of sales	(126 094)	(27 961)	(6 516)	(4 909)	(22 387)	(9 310)	-	(3 835)	(459)		
Total cost of sales	(228 249)	(122 965)	(96 956)	(304 833)	(409 063)	(49 970)	(30 032)	(54 544)	(3 312)	236 600	(1 063 324)
Segment result	20 044	13 771	20 352	62 458	90 302	6 043	5 798	6 343	4 029	7 739	236 879
Other income	21	767	1 384	2 881	5 956	8	109	1 034	30	(89)	12 101
Distribution and administrative expenses	(12 149)	(5 492)	(3 498)	(23 381)	(18 161)	(2 775)	(2 646)	(1 973)	(11 442)	63	(81 454)
Other gain/(losses) net	36	(212)	(29)	(796)	(133)	8	10	1 257	(167)	2 114	2 088
Other expenses	(51)	(305)	(29)	(1 147)	(116)	(11)	(9)	(125)	(52)	51	(1 794)
Operating profit/(loss)	7 901	8 529	18 180	40 015	77 848	3 273	3 262	6 536	(7 602)	9 878	167 820
Net financing costs									(5 745)	(4 769)	(10 514)
Share of profit of associates, net of tax											(225)
Income tax expense											(32 387)
Profit for the period											124 694

<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	83 910	102 218	245 935	346 428	20 334	33 634	18 841	4 579		
Inter-segment revenue	72 179	25 052	10 095	3 884	41 348	10 048	1 071	2 982	8 148		
Total revenue	132 335	108 962	112 313	249 819	387 776	30 382	34 705	21 823	12 727	(174 776)	916 066
Cost of sales to external customers	(56 502)	(77 392)	(92 832)	(218 767)	(332 712)	(18 888)	(29 076)	(14 125)	(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)	(100 460)	(102 450)	(222 212)	(372 230)	(28 456)	(30 063)	(15 894)	(4 608)	176 765	(823 131)
Segment result	8 812	8 502	9 863	27 607	15 546	1 926	4 642	5 929	8 119	1 989	92 935
Other income	1 380	1 214	1 188	4 203	3 768	324	809	973	79	4 218	18 156
Distribution and administrative expenses	(7 611)	(5 445)	(2 493)	(16 735)	(16 225)	(1 756)	(2 639)	(2 017)	(14 137)	6 604	(62 454)
Other gain/(losses) net	14	84	159	290	538	3	111	131	1 795	(1 863)	1 262
Other expenses	(56)	(656)	(258)	(2 268)	(871)	(14)	(42)	(213)	(101)	790	(3 689)
Operating profit	2 539	3 699	8 459	13 097	2 756	483	2 881	4 803	(4 245)	11 738	46 210
Net financing costs									(26 578)	5 804	(20 774)
Share of profit of associates, net of tax											17
Income tax expense											(823)
Profit for the period											24 630

* due to the changes described in note 4, the data concerning the segments were appropriately restated

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
01.07.2020 - 30.06.2021											
Revenue from external customers	177 502	179 998	153 677	584 492	794 889	76 734	51 821	95 089	3 061		
Inter-segment revenue	212 864	65 712	11 523	11 671	63 682	18 570	1	7 957	7 007		
Total revenue	390 366	245 710	165 200	596 163	858 571	95 304	51 822	103 046	10 068	(398 892)	2 117 358
Cost of sales to external customers	(157 703)	(168 936)	(130 018)	(497 225)	(692 512)	(68 844)	(42 776)	(88 997)	(2 329)		
Inter-segment cost of sales	(203 682)	(59 385)	(9 613)	(10 361)	(56 021)	(17 039)	(1)	(5 829)	(834)		
Total cost of sales	(361 385)	(228 321)	(139 631)	(507 586)	(748 533)	(85 883)	(42 777)	(94 826)	(3 163)	397 588	(1 814 517)
Segment result	28 981	17 389	25 569	88 577	110 038	9 421	9 045	8 220	6 905	(1 304)	302 841
Other income	502	2 237	4 508	7 626	21 515	184	692	3 481	94	(5 701)	35 138
Distribution and administrative expenses	(20 374)	(12 526)	(5 266)	(40 104)	(34 993)	(5 076)	(4 330)	(5 430)	(19 871)	522	(147 448)
Other gain/(losses) net	(10)	(236)	(98)	(878)	(250)	4	158	1 339	(95)	2 126	2 060
Other expenses	(96)	(845)	(67)	(2 913)	(577)	(25)	(81)	(282)	(149)	581	(4 454)
Operating profit/(loss)	9 003	6 019	24 646	52 308	95 733	4 508	5 484	7 328	(13 116)	(3 776)	188 137
Net financing costs									(24 188)	131	(24 057)
Share of profit of associates, net of tax											(182)
Income tax expense											(30 288)
Profit for the period											133 610

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	175 631	184 867	434 144	701 174	49 021	63 827	46 667	9 086		
Inter-segment revenue	138 813	52 034	21 876	7 246	67 996	20 092	2 144	5 709	13 276		
Total revenue	255 957	227 665	206 743	441 390	769 170	69 113	65 971	52 376	22 362	(329 096)	1 781 651
Cost of sales to external customers	(109 323)	(172 923)	(165 287)	(392 283)	(671 937)	(45 863)	(55 267)	(37 470)	(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)	(223 003)	(185 606)	(398 920)	(736 754)	(65 084)	(57 298)	(40 475)	(8 564)	327 665	(1 627 947)
Segment result	16 049	4 662	21 137	42 470	32 416	4 029	8 673	11 901	13 798	(1 431)	153 704
Other income	2 883	1 772	1 759	6 047	5 652	766	1 388	1 490	1 361	1 270	24 388
Distribution and administrative expenses	(14 563)	(10 235)	(4 550)	(29 427)	(31 663)	(3 916)	(5 059)	(5 697)	(25 832)	10 173	(120 769)
Other gain/(losses) net	183	70	136	264	459	56	105	640	(801)	1 721	2 833
Other expenses	(525)	(1 047)	(681)	(3 560)	(2 263)	(153)	(138)	302	(4 577)	6 622	(6 020)
Operating profit	4 027	(4 778)	17 801	15 794	4 601	782	4 969	8 636	(16 051)	18 355	54 136
Net financing costs									(41 129)	3 077	(38 052)
Share of profit of associates, net of tax											(1 374)
Income tax expense											3 432
Profit for the period											18 142

* due to the changes described in note 4, the data concerning the segments were appropriately restated

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
30.06.2021											
Segment assets	94 631	73 536	52 603	258 706	408 866	21 834	26 241	62 252	225 429	(49 768)	1 174 330
Segment liabilities	45 647	38 463	35 995	135 271	158 775	10 345	7 818	30 763	441 572	(137 309)	767 340

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
31.12.2020											
Segment assets	64 418	81 577	43 665	230 341	334 549	16 636	22 568	42 932	237 686	(43 173)	1 031 199
Segment liabilities	32 629	40 864	34 485	118 001	168 851	8 263	5 196	23 907	343 449	(51 460)	724 185

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	74 598	58 640	225 357	329 048	20 471	25 115	33 362	225 860	(66 054)	994 307
Segment liabilities*	22 467	38 429	37 498	116 094	140 503	17 075	5 250	3 554	376 064	(62 619)	694 315

* due to the changes described in note 4, the data concerning the segments were appropriately restated

Unallocated assets

in PLN thousand

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

30.06.2021	31.12.2020	30.06.2020
1 090	1 316	1 279
34 486	49 380	46 941
120	7 136	7 147
38	226	38
77 962	100 555	69 953
7 005	-	-
79 019	57 760	70 383
25 709	21 313	30 119
225 429	237 686	225 860

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 disposal assets held for sale	
Liabilities of central office	

30.06.2021	31.12.2020	30.06.2020
246 450	264 540	288 779
8 227	-	7 178
-	-	-
25	25	25
7 090	5 925	10 926
5 598	460	141
81 966	47 158	52 465
2 521	4 011	5 028
1 547	-	-
88 148	21 330	11 522
441 572	343 449	376 064

7 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of PLN 35 821 thousand (six months ended 30 June 2020: PLN 25 175 thousand) and recognized right-of-use assets at a cost of PLN 1 479 thousand (six months ended 30 June 2020: PLN 1 115 thousand). Assets with a net book value of PLN 1 330 thousand were disposed during the six months of 2021 (six months ended 30 June 2020: PLN 53 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 2 998 thousand (six months ended 30 June 2020: a net loss on disposal of PLN 485 thousand).

During the twelve months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of PLN 72 023 thousand (twelve months ended 30 June 2020: PLN 80 238 thousand) and recognized right-of-use assets at a cost of PLN 4 201 thousand (twelve months ended 30 June 2020: PLN 1 115 thousand). Assets with a net book value of PLN 1 662 thousand were disposed of during the twelve months ended 30 June 2021 (twelve months ended 30 June 2020: PLN 806 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 2 991 thousand (twelve months ended 30 June 2020: a net gain on disposal of PLN 1 965 thousand).

Capital commitments

As at 30 June 2021 the Group had capital commitments in the amount of PLN 6 148 thousand (31 December 2020: PLN 7 590 thousand; 30 June 2020: PLN 6 790 thousand).

On May 20, 2021, the subsidiary Cognor S.A. concluded with Danieli & C. Officine Meccaniche S.p.a. based in Buttrio, Italy, a Supply Agreement under which Danieli undertook to deliver to Cognor's production facilities:

- a complete production line for the production of hot-rolled bars, which is to replace the current rolling line in Zawiercie and
- a device for winding ribbed bars into coils (spooler) to be located in Krakow.

The total value of the contract is EUR 38 208 thousand.

The aforementioned investments are to result in: (i) an increase in the Group's production capacity in the scope of manufacturing final products, (ii) a decrease in production costs and (iii) an expansion of the product portfolio.

8 Trade and other receivables

Short-term receivables

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Trade receivables	143 142	71 666	92 429
Statutory receivables excluding income tax (including recognized receivables due to CO2 compensation)	41 888	37 253	36 507
Prepayments for services and inventories	5 410	1 890	4 798
Prepayments for fixed assets	10 511	8 444	14 930
Factoring receivables	35 818	19 639	31 847
Other receivables	8 628	2 786	8 435
	245 397	141 678	188 946

Long-term receivables

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Trade receivables	9 861	8 648	6 217
Other receivables	222	290	140
	10 083	8 938	6 357

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". As at June 30, 2021 the Group discloses PLN 35,818 thousand PLN of factoring receivables (as at December 31, 2020: PLN 19,639 thousand, as at June 30, 2020: PLN 31,847 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:

	30.06.2021	31.12.2020	30.06.2020
Trade receivables in total	364 035	240 751	282 030
Factoring receivables derecognised from statement of financial position	(185 075)	(149 446)	(157 754)
Factoring receivables	(35 818)	(19 639)	(31 847)
Trade receivables net	143 142	71 666	92 429

Trade receivables (not transferred to the factor) are classified as measured at amortized cost and are subject to impairment loss. The calculation of the impairment loss is based on the 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 Group uses a write-off matrix in which the impairment allowances are calculated for trade receivables classified as different age ranges or past due periods.

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, 2021: PLN 231 thousand (as at December 31, 2020: PLN 219 thousand, as at June 30, 2020: PLN 222 thousand).

In 2020, the Group's Management Board decided to include PLN 12,033 thousand in other operating income, which the Group expects to obtain for this period in 2021 as compensation for the increase in quotations of CO2 emission rights, which was regulated in the act adopted by the Polish parliament last year. On the basis of it, some carbon dioxide emitters will be able to claim partial compensation for its higher prices. The final amount will be determined in the second half of 2021 depending on: (i) the prices of CO2 emission rights throughout 2020 and (ii) the degree of reduction of the compensation granted if the total value of compensation claims exceeds PLN 0.9 billion. When calculating the amount of PLN 12,033 thousand The Management Board adopted the following: (i) the average price of CO2 emission rights in 2020 announced by the President of the ERO in the amount of PLN 108.3 per tonne, and (ii) the degree of reduction by approximately 40%. In the opinion of the Management Board, this is a conservative estimate.

In 2021, the Group's Management Board in relation to the amounts of compensation for the year 2021, recognized PLN 7,620 thousand in other operating income. When calculating this amount, the Management Board assumed: (i) the average price of CO2 emission rights in the amount of PLN 108.3 per ton from the agreed price for the previous year, and (ii) a reduction degree of approximately 30%. In the opinion of the Management Board, this is a conservative estimate.

Compensation receivable for 2020-2021 in the total amount of PLN 19,653 thousand as at June 30, 2021 was presented by the Group in short-term receivables under 'Statutory receivables excluding income tax'.

9 Inventories

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Raw materials	94 738	*restated 87 566	*restated 67 114
Semi-finished goods and work in progress	107 236	73 994	68 630
Finished products	106 932	94 428	88 855
Goods for resale	34 786	18 113	15 336
	343 692	274 101	239 935

Movements in allowances for inventories

in PLN thousand

	01.01.2021- 30.06.2021	01.01.2020- 31.12.2020	01.01.2020 - 30.06.2020
Opening balance	(16 759)	(17 799)	(17 799)
Recognition	-	(889)	(2)
Utilization	-	-	-
Reversal	338	1 929	1 389
Closing balance	(16 421)	(16 759)	(16 412)

In semi-finished goods and work in progress, the Group presents PLN 28 977 thousand as a development project implemented by a subsidiary Cognor Holding S.A. Sp.k..

* The Group changed the presentation of billets between semi-finished and finished products - details in note 4

10 Trade and other payables

Short term

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Trade payables	365 684	345 586	289 654
Statutory payables	13 068	12 655	23 865
Bills of exchange payables	22	-	-
Dividend payables	25 713	-	-
Investment payables	6 148	7 590	6 790
Prepayments for services and deliveries of goods	26 085	10 142	911
Liabilities due to Shareholder	10 257	-	26
Payroll liabilities	8 139	8 318	6 861
Accrued expenses relating to employees	9 057	6 654	7 387
Accrued expenses	4 522	15 384	11 128
Other payables	11 756	5 517	2 148
	480 451	411 846	348 770

Long term

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Liabilities due to Shareholder	-	20 668	19 565
Bills of exchange payables	2 116	2 116	-
	2 116	22 784	19 565

11 Equity

Issued share capital

	30.06.2021	31.12.2020	30.06.2020
Registered shares number at reporting date	171 420 663	123 940 417	123 940 417
Number of issued warrants	200	51 030 446	51 030 446
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN

At 30 June 2021, the parent Company's share capital comprised 171 420 663 ordinary shares with a nominal value of PLN 1,5 each (31 December 2020: 123 940 417 ordinary shares with a nominal value of PLN 1,5 each; 30 June 2020: 123 940 417 with a nominal value of PLN 1,5 each).

On June 30, 2021, the General Meeting of Shareholders of Parent Company adopted a resolution on the payment of dividends in the amount of PLN 0.15 per share. For the payment of the dividend PLN 25,713 thousand was allocated, of which PLN 21 924 thousand comes from the net profit for 2020, while PLN 3 789 thousand from the other reserves of the Parent Company.

Liability due to purchase of Zlomrex S.A. shares

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

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

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

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

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand. The value of this liability as at 30 June 2021 amounted to PLN 10 231 thousand (as at 31 December 2020: PLN 20 668 thousand, as at 30 June 2020: PLN 19 565 thousand).

As a consequence of the above, the liability to PS HoldCo Sp. z o.o. in the amount of PLN 106 780 thousand for the acquisition of shares in Złomrex S.A. is presented in equity, as its payment depends on an equivalent recapitalization of the Parent Entity through the rights resulting from series C warrants (following the expiry of series B warrants, which can no longer be used for this settlement).

Exchangeable Notes (EN)

By the end of December 2020, the holders of Exchangeable Notes were required to notify their willingness to convert these securities into shares of Cognor Holding S.A. As a result of the submitted reports EUR 14 770 thousand of Exchangeable Notes were converted for 39,447,312 shares of Cognor Holding S.A. The warrants, in the amount of 6 222 934 items, remaining after this conversion, due to the expiring period of their validity, were purchased from Cognor International Finance plc by PS HoldCo Sp. z o.o. and converted into shares of Cognor Holding S.A. in this amount, while PS HoldCo Sp. z o.o. committing to transfer these shares to the holders of the Exchangeable Notes who would have requested to convert these securities by August 1, when all Cognor International Finance plc's obligations under the Exchangeable Notes to the bondholders expired.

After the first application period, by June 30, 2021, bondholders reported to Cognor International Finance plc, requesting the conversion of EUR 2 311 thousand of Exchangeable Notes for 6,171,729 shares. These shares were issued to bondholders by PS HoldCo Sp. z o.o. As a result, in the first half of 2021, holders of Exchangeable Notes with a nominal value of EUR 17,081 thousand, who volunteered to convert, received in return 45,619,041 shares of Cognor Holding S.A. As a result, the amount of PLN 68,429 thousand was transferred from other capital to share capital. The total nominal value of the Exchangeable Notes (EN) outstanding as at June 30, 2021 is EUR 282 thousand.

As a result of the payment of 1,810,000 warrants by individual investors and 51,205 warrants by PS HoldCo Sp. z o.o. (PS HoldCo Sp. z o.o. is obliged to issue the shares covered by these warrants to the bondholders who still report to convert the Exchangeable Notes into the Company's shares), the share capital was increased by PLN 2,791 thousand and other capital (aggio) by PLN 205 thousand.

After the balance sheet date, there was another request for the release of Cognor Holding S.A. shares in exchange for EUR 32 thousand in nominal of Exchangeable Notes (85,212 shares of Cognor Holding S.A.). As a result, the amount of PLN 128 thousand will be transferred from other capital to share capital. After the date of this report, the Group will fulfill these demands by issuing the shares it will purchase at the price of PLN 1.61 per share from PS Holdco in the exercise of the buy-back option. Due to the above, the final satisfaction of the holders of the Exchangeable Notes will not affect the number of shares in Cognor Holding S.A., but due to the fact that the holders of bonds with a value of PLN 250 thousand do not report to the conversion date the Group will recognize a gain on the redemption of this liability in the second half of 2021.

Warrants

As of June 30, 2021, there are still 200 series C warrants owned by PS HoldCo Sp. z o.o. These warrants entitle to take up shares of Cognor Holding S.A. with the issue price of PLN 1 million each. Due to the small number of potential shares resulting from the conversion of the above-mentioned warrants, it will not have a noticeable effect on the dilution of the consolidated results of the Group.

The ownership structure as at 30 June 2021 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.*	116 784 714	68,13%	116 784 714	68,37%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Other shareholders	54 018 168	31,51%	54 018 168	31,63%
Total	171 420 663	100,00%	170 802 882	100,00%

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

The ownership structure as at the date of previous corrected report's publication (April 30, 2021) 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.*	113 749 983	66,36%	113 749 983	66,36%
The Troesh Family Foundation	19 227 196	11,22%	19 227 196	11,22%
Other shareholders	38 443 484	22,43%	38 443 484	22,43%
Total	171 420 663	100,00%	171 420 663	100,00%

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

The ownership structure as at the date of current report's publication (August 13, 2021) 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.*	119 482 266	69,70%	119 482 266	69,70%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Other shareholders	51 320 616	29,94%	51 320 616	29,94%
Total	171 420 663	100,00%	171 420 663	100,00%

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

12 Earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2021 was based on the profit attributable to ordinary shareholders of PLN 117 467 thousand (the six-month period ended 30 June 2020: profit PLN 23 832 thousand) and a weighted average number of ordinary shares outstanding during the six-month period ended 30 June 2021 of 162 907 thousand (the six-month period ended 30 June 2020: 123 940 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 6 months period ended June 30, 2021 was 171 620 thousand (30 June 2020: 171 649 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 June 2021 was based on the profit attributable to ordinary shareholders of PLN 126 370 thousand (the twelve-month period ended 30 June 2020: profit PLN 17 981 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 June 2021 of 143 424 thousand (the twelve-month period ended 30 June 2020: 123 038 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 June 2021 was 171 634 thousand (30 June 2020: 169 717 thousand).

13 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Bank overdraft	8 227	-	7 178
Non-current liabilities			
Secured bank loans	103 199	123 139	154 102
Lease liabilities	28 476	32 598	31 340
Lease liabilities (operational leases and other leases not previously recognised)	49 527	51 742	46 618
Other borrowings	146	179	738
	181 348	207 658	232 798
Current liabilities			
Current portion of secured bank loans	38 338	38 650	37 941
Current portion of lease liabilities	15 734	13 269	12 563
Current portion of lease liabilities (operational leases and other leases not previously recognised)	4 318	4 697	4 747
Factoring liabilities	57	-	-
Other borrowings	6 655	266	730
	65 102	56 882	55 981

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 was to be repaid on the 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.

Under the above-mentioned agreement, an overdraft facility was granted in the amount of up to PLN 40 million, valid until October 31, 2021. As at 30 June 2021, the overdraft amounted to PLN 8 227 thousand.

On July 22, 2021, the above-mentioned the long-term facility has been fully repaid early, with the proceeds from the bond issue in the total amount of PLN 200 million (referred to in the last paragraph of this note). The repayment concerned EUR 16,296 thousand (part in EUR) of the loan and PLN 69 837 thousand (part in PLN) and the current balance of overdraft.

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.

In connection with the request of the holders of Exchangeable Notes (EN) to the subsidiary company Cognor International Finance plc to convert their bonds into shares of Cognor Holding S.A., a series of conversions of the above-mentioned ENs took place in previous years. Until December 31, 2020, the National Depository for Securities (KDPW) admitted to trading 15 189 754 shares of Cognor Holding S.A., on February 16, 2021, the National Depository for Securities admitted another 45 680 246 shares to trading, and on April 12, 2021, the last 1 800 000 shares. In April 2021, bondholders with EUR 138 thousand of EN requested the conversion of ENs into Cognor Holding shares, in June 2021 another request for the release of Cognor Holding shares was received in exchange for EUR 42 thousand of EN.

After the above-mentioned conversions, as of June 30, 2021, there were still EUR 282 thousand exchangeable notes (EN). After the balance sheet date, there was another request for the release of Cognor Holding S.A. shares in exchange for EUR 32 thousand of the nominal value of ENs. On August 1, 2021, all liabilities of CIF and PS Holdco Sp. z o.o. due to the issue of EN against the bondholders expired, thus the amount of EUR 250 thousand of the non-converted EN bonds will be written off. The internal bonds will be cleared at the same time.

Bonds issue

On July 21, 2021, the subsidiary Cognor S.A. issued 200,000 series 1/2021 secured bonds with a nominal value of PLN 1,000 each. The bond redemption date is July 15, 2026. The bonds bear interest at the interest rate equal to WIBOR for 6-month deposits plus a margin. Interest will be payable in six-month periods (the date of payment of interest was set on January 15 and July 15 of each year). The bonds will be subject to early redemption in proportion to 20% of their original par value on July 15 of each year during the 5-year bond period.

The funds from the bond issue were used to repay the loan agreement (referred to in this note above) in full - made on July 22, 2021 and to finance investment plans (temporarily supply the Company's working capital).

14 Assets classified as held for sale and related liabilities

Subsidiary of Cognor S.A. decided to sell the right of perpetual usufruct of land to the real estate located in Chorzów, previously leased and presented as an investment property. On July 14, 2021, a preliminary sales agreement was signed, which specified the net sale price of PLN 5,532 thousand. The net value of the asset as at June 30, 2021 amounted to PLN 7,005 thousand, while the discounted payments related to the perpetual usufruct fees of land (in accordance with IFRS16) amounted to PLN 1,547 thousand.

In the first half of 2021, the Company incurred 11 PLN thousand depreciation costs of the said asset, recognized 44 PLN thousand interest costs due to the settlement of the discounted liability, and incurred property tax costs in the amount of PLN 68 thousand. During this period, it recognized PLN 41 thousand revenues from lease of the real estate in question.

15 Provisions for payables

As at June 30, 2021, the Group recognized PLN 25 thousand with the title provisions for a labor court case (December 31, 2020: PLN 25 thousand, June 30, 2020: PLN 25 thousand). No changes in the presented periods.

16 Deferred tax assets and liabilities

In the current period, there was a decrease in net deferred tax in the amount of PLN 14.8 million. The decrease in the net asset was due to the use of the asset for R&D relief in the amount of approximately PLN 2.6 million, in connection with the settlement of internal bonds (interest and exchange rate differences), the previously created asset in the amount of approximately PLN 6.6 million was settled, and as a result of the repayment of a part of the interest liability to the shareholder, approx. PLN 2 million. In connection with the recognition of compensation for CO2 deferred tax liability was recognized in the amount of approximately PLN 1.4 million, which decreased the presented deferred tax. In addition, due to the change in provisions for the costs of CO2 emission rights, the asset decreased by another PLN 2.1 million. The increase in the deferred tax asset was due to the recognition of a tax loss of PLN 0.3 million and assets due to costs of intangible services and debt financing costs not deducted beyond the limit in the amount of approximately PLN 0.5 million.

17 Contingencies, guarantees and other commitments

The Group has no the contingent liabilities.

18 Transactions with related parties

Identity of related parties

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

Controlling entities

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

Associates are as follows;

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

Short and long-term liabilities

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

	30.06.2021	31.12.2020	30.06.2020
- associates	405	319	289
- controlling entities	113	48	4
- related companies to the controlling entities	-	-	2
- controlling entities	34 797	23 658	21 547
- related companies to the controlling entities	1	1	-
- associates	5 689	761	551

* liability to PS HoldCo Sp. z o.o. due to the acquisition of shares in Zlomrex S.A. in the amount of PLN 106 780 thousand is presented in equity - see note 11 for details

<i>in PLN thousand</i>	01.04.2021- 30.06.2021	01.04.2020- 30.06.2020	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020	01.07.2020- 30.06.2021	01.07.2019- 30.06.2020
<i>Revenues from sale of services</i>						
- associates	461	311	930	799	2 025	1 275
- controlling entities	24	18	43	29	61	51
- related companies to the controlling entities	1	2	3	2	7	3
<i>Revenues from sale of raw materials and commodities</i>						
- associates	65	31	118	82	232	173
- related companies to the controlling entities	-	-	-	-	-	36
<i>Purchase of commodities and raw materials</i>						
- controlling entities	263	500	946	869	2 342	1 444
<i>Purchase of services</i>						
- associates	1 464	680	5 877	914	9 429	1 297
- related companies to the controlling entities	-	1 941	-	3 219	-	5 775
- controlling entities	1 189	734	2 032	1 686	3 461	3 295
<i>Other expenses</i>						
- controlling entities	-	-	-	-	(13)	-
<i>Financial income</i>						
- controlling entities	-	-	-	-	-	(995)
<i>Financial costs</i>						
- controlling entities	(562)	(510)	(3 050)	(1 006)	(5 089)	(2 137)

Transactions with the members of the Management and Supervisory Boards

<i>in PLN thousand</i>	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020
The remuneration of Management Board of the Parent Company		
-received from the Parent Company (appointment, consulting agreements)	2 465	96
- including the premium paid for 2020	2 369	-
-received from the subsidiaries (appointment, consulting agreements)	3 424	3 308
- including the premium paid for 2020	598	-
Supervisory Board of the Parent Company	189	189

The table above does not include the provision for the bonus for the Management Board in the amount of PLN 3 946 thousand established in accordance with the Regulations of the Incentive Program adopted by the Supervisory Board for the Group's results in 2021. The Supervisory Board determines the final amount of this bonus and its division into individual members of the management board after receiving the audited financial statement for the entire year along with the audit report of the statutory auditor. The above mentioned provision was recognized in administrative expenses.

On 23-05-2019, the subsidiary Cognor S.A. has concluded a contract with a general contractor worth PLN 10,190 thousand and began building an exhibition and conference center in the vicinity of Krakow. This object is being implemented by the group at the request of the main (indirectly) shareholder of the Parent Entity, and at the same time the President of the Management Board, i.e. Przemysław Sztuczowski. In the provisions of the agreement concluded between the parties, Cognor S.A. undertook to build the said facility in a standard 'move-in ready', and Przemysław Sztuczowski undertook to purchase it immediately after commissioning at a price in the amount of costs actually incurred by the Company increased by a 15% margin. As at the balance sheet date, the value of expenditure incurred cumulatively by the Group in this respect is PLN 8 575 thousand (in first half of 2021: PLN 1 055 thousand). In accordance with the requirements of IFRS 15, the Group recognized income and receivables from the owner in the amount of PLN 9 861 thousand in the financial statements (in first half of 2021: PLN 1 213 thousand), which is equivalent to the expenditure incurred increased by margin PLN 1 286 thousand (in first half of 2021: PLN 158 thousand).

19 Cash and cash equivalents presented in cash flow statements

in PLN thousand

	30.06.2021	31.12.2020	30.06.2020
Cash in bank	74 796	96 270	69 619
Cash in bank restricted in use	2 967	4 099	-
Cash in hand	199	186	257
Short-term bank deposit	-	-	-
Other	-	-	77
Cash and cash equivalents	77 962	100 555	69 953
Bank overdrafts	(8 227)	-	(7 178)
Cash and cash equivalents in the statement of cash flows	69 735	100 555	62 775

20 Explanatory note to the statement of cash flows

In the following items in the consolidated statement of cash flows, the Group recognized the following values resulting from the implementation of IFRS 16 from January 1, 2019.

in PLN thousand	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020	01.07.2020 - 30.06.2021	01.07.2019 - 30.06.2020
Payment of lease liabilities	(10 669)	(9 000)	(18 731)	(17 549)
-including payment of lease liabilities (not previously recognized - IFRS 16)	(2 325)	(2 230)	(4 379)	(3 149)
Interest and transaction costs (related to loans and borrowings) paid	(7 366)	(9 507)	(17 122)	(9 282)
-including interests on lease liabilities (not previously recognized - IFRS 16)	(2 220)	(1 886)	(3 561)	(4 172)

21 Financial instruments

Financial instruments measured at fair values

As at 30 June 2021 the fair value relating to IRS amounted PLN 2 521 thousand (31 December 2020: PLN 4 011 thousand, 30 June 2020: PLN 5 028 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 2021 the fair value relating to IRS amounted PLN 2 521 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.

22 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.

23 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:

-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 September 29, 2020 the Director of the Tax Chamber in Katowice filed a cassation complaint. On November 12, 2020 the company filed a response to the cassation appeal and expects a hearing date to be set.

-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, the Group paid a total of PLN 9 650 thousand tax with interest in the amount of PLN 1 470 thousand. 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. 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.

As the deadlines for considering cassation complaints are distant, the Management Board of Cognor S.A. without waiting for the verdict, he decided to start the procedure for overpayment and on May 18, 2021, he submitted an application to the Head of the First Masovian Tax Office in Warsaw for the return of unduly paid tax with interest in the amount of PLN 11,120 thousand. This proceeding is pending. In this report, the Group covered the above-mentioned receivable with a write-off in the amount of PLN 5,560 thousand PLN (of which PLN 462 thousand was recognized in the first half of 2021 as an increase in interest expense, while the amount of PLN 5,098 thousand was recognized in interest expense in previous years). Net receivable in the amount of PLN 5,560 thousand is presented as tax receivables.

-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. With regard to settlements related to the provision of intangible assets, the Management Board did not agree with the position of the authority and therefore, on January 11, 2021, an appeal was filed against this decision. The proceedings are in progress.

-on December 22, 2020 Cognor S.A. received a decision on the initiation by the Office of Competition and Consumer Protection (hereinafter: UOKIK) of proceedings for the period of the third quarter of 2020 under the Act of March 8, 2013 on counteracting excessive delays in commercial transactions. As part of these proceedings, on December 29, 2020, the Company received a request to submit relevant documentation and explanations. The company submitted the required documentation and explanations on January 28, 2021. Considering the materials and information presented to the President of the Office of Competition and Consumer Protection, the Management Board of the Company concluded that there were premises for a positive conclusion of the proceedings in question and therefore there was no need to create a provision for a possible penalty on this account in the financial statement.

24 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.

25 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.

Despite the uncertainty related to the COVID-19 pandemic, we have not observed significant changes in the risk or threat to our business. Thus, we maintain our position expressed in this regard in the annual report.

26 Subsequent events

On July 21, 2021, the Subsidiary Cognor S.A. issued bonds (the National Depository for Securities settled the bond purchase transaction) worth PLN 200 million, and on July 22, 2021, it repaid the long term facility with funds from the issue. Details in note 13.

Poraj, 13 August 2021

Przemysław Sztuczkowski
President of the Management Board

Krzysztof Zoła
Member of the Management Board

Przemysław Grzesiak
Vice President of the Management Board

Dominik Barszcz
Member of the Management Board

Selected consolidated financial data

	in PLN thousand		in EUR thousand	
	30.06.2021	Comparative data*	30.06.2021	Comparative data*
I. Revenue	1 300 203	916 066	285 935	206 261
II. Operating profit before financing costs	167 820	46 210	36 906	10 405
III. Profit before tax	157 081	25 453	34 545	5 731
IV. Profit for the period	117 467	23 832	25 833	5 366
V. Net cash from operating activities	29 181	94 969	6 417	21 383
VI. Net cash from investing activities	-26 238	-36 087	-5 770	-8 125
VII. Net cash from financing activities	-33 763	-75 063	-7 425	-16 901
VIII. Net increase / (decrease) in cash and cash equivalents	-30 820	-16 181	-6 778	-3 643
IX. Total assets	1 174 330	1 031 199	259 762	223 455
X. Total liabilities	767 340	724 185	169 735	156 927
XI. Total non-current liabilities	196 344	244 437	43 431	52 968
XII. Total current liabilities	570 996	479 748	126 304	103 959
XIII. Total equity	406 990	307 014	90 026	66 528
XIV. Issued share capital	257 131	185 911	56 877	40 286
XV. Number of shares (in thousands)	171 421	123 940		
XVI. Basic earnings per share (PLN/EUR)	0,72	0,19	0,16	0,04
XVII. Diluted earnings per share (PLN/EUR)	0,68	0,14	0,15	0,03
XVIII. Book value per share (PLN/EUR)	2,37**	2,48***	0,53	0,54
XIX. Diluted book value per share (PLN/EUR)	2,37**	1,79***	0,52	0,39
XX. Declared or paid dividend per share (PLN / EUR)	0,15	0,00	0,03	0,00

*Data for the items relating to the statement of financial position are presented as at December 31, 2020, while for the items relating to the statement of comprehensive income and the statement of cash flows for the period from January 1 to June 30, 2020.

** as at June 30, 2021, the number of shares used to calculate the book value per share was 171,421 thousand shares and the diluted book value per share was 171,421 thousand shares

*** as at December 31, 2020, the number of shares used to calculate the book value per share was 123,940 thousand shares and the diluted book value per share was 171,649 thousand shares

The selected financial data was converted into the EURO currency as follows:

The items of assets and liabilities in the statement of financial position were converted into EUR at the average exchange rate announced by the National Bank of Poland on June 30, 2021 at 4.5208 PLN / EUR and for comparative data as at December 31, 2020 - 4.6148 PLN / EUR.

Individual items concerning the profit and loss account and cash flows were converted according to the exchange rate being the arithmetic average of NBP exchange rates as of the last calendar day of individual months, which amounted to PLN / EUR 4.5472 (6 months of 2021), PLN / EUR 4.4413 respectively (6 months of 2020).