

**Condensed Consolidated
Interim Financial Statements**

Cognor Holding S.A.

**as at and for the nine months ended
30 September 2021**

29 October 2021

Condensed consolidated statement of financial position

in PLN thousand

	Note	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Assets					
Property, plant and equipment	7	442 581	407 966	397 398	386 665
Intangible assets		15 550	15 917	18 100	17 637
Investment property		119	120	7 136	7 141
Investment in associates		917	969	1 195	1 195
Other receivables	8	12 409	10 083	8 938	6 981
Prepaid perpetual usufruct of land		30 414	30 574	32 371	26 140
Deferred tax assets	16	28 762	34 486	49 380	46 743
Total non-current assets		530 752	500 115	514 518	492 502
Inventories	9	415 694	343 692	274 101	252 697
Other investments		104	121	121	122
Current income tax receivables		38	38	226	183
Trade and other receivables	8	306 679	245 397	141 678	166 247
Cash and cash equivalents	19	97 826	77 962	100 555	69 252
Assets classified as held for sale	14	7 000	7 005	-	-
Total current assets		827 341	674 215	516 681	488 501
Total assets		1 358 093	1 174 330	1 031 199	981 003

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

<i>in PLN thousand</i>	<i>Note</i>	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Equity					
Issued share capital	11	257 131	257 131	185 911	185 911
Reserves		30 081	31 265	101 373	101 373
Foreign currency translation reserves		89	73	96	87
Retained earnings		199 018	92 066	380	(6 686)
Total equity attributable to owners of the Parent Company		486 319	380 535	287 760	280 685
Non-controlling interests		32 983	26 455	19 254	18 944
Total equity		519 302	406 990	307 014	299 629
Liabilities					
Interest-bearing loans and borrowings	13	238 979	181 348	207 658	208 341
Employee benefits obligation		12 189	11 963	13 011	12 655
Other payables	10	-	2 116	22 784	20 109
Government grants and other deferred income		3 240	917	984	547
Total non-current liabilities		254 408	196 344	244 437	241 652
Bank overdraft	13	-	8 227	-	9 459
Interest-bearing loans and borrowings	13	64 863	65 102	56 882	69 722
Employee benefits obligation		1 295	1 352	1 583	2 106
Other financial liabilities		184	2 521	4 011	6 436
Current income tax payables		5 319	5 598	460	-
Provisions for payables	15	25	25	25	25
Trade and other payables	10	507 274	480 451	411 846	347 141
Government grants and other deferred income		3 897	6 173	4 941	4 833
Liabilities of disposal assets held for sale	14	1 526	1 547	-	-
Total current liabilities		584 383	570 996	479 748	439 722
Total liabilities		838 791	767 340	724 185	681 374
Total equity and liabilities		1 358 093	1 174 330	1 031 199	981 003

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

<i>in PLN thousand</i>	<i>Note</i>	01.07.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Revenue	5	716 900	372 293	2 017 103	1 288 359
Cost of sales		(556 036)	(348 656)	(1 619 360)	(1 171 787)
Gross profit		160 864	23 637	397 743	116 572
Other income		25 070	16 598	37 171	34 754
Distribution expenses		(22 673)	(19 120)	(74 524)	(59 251)
Administrative expenses		(17 157)	(10 955)	(46 760)	(33 278)
Other (losses)/gains - net		3 823	344	5 911	1 606
Other expenses		(1 005)	(1 476)	(2 799)	(5 165)
Operating profit before financing costs		148 922	9 028	316 742	55 238
Financial income		3 467	-	6 823	-
Financial expenses		(13 171)	(7 470)	(27 041)	(28 244)
Net financing costs		(9 704)	(7 470)	(20 218)	(28 244)
Share of profit of associates		117	43	(108)	60
Profit before tax		139 335	1 601	296 416	27 054
Income tax expense		(25 855)	(61)	(58 242)	(884)
Profit for the period		113 480	1 540	238 174	26 170
Profit for the period attributable to:					
Owners of the Parent Company		106 952	1 777	224 419	25 609
Non-controlling interests		6 528	(237)	13 755	561
Profit for the period		113 480	1 540	238 174	26 170
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met					
Foreign currency translation differences		16	8	(7)	37
Total comprehensive income for the period		113 496	1 548	238 167	26 207
Total comprehensive income for the period attributable to:					
Owners of the Parent Company		106 968	1 785	224 412	25 646
Non-controlling interests		6 528	(237)	13 755	561
Total comprehensive income for the period		113 496	1 548	238 167	26 207
Basic earnings per share (PLN) attributable to the owners of the Parent Company	12	0,62	0,01	1,35	0,21
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	12	0,62	0,01	1,31	0,15

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

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

in PLN thousand

	Note	01.10.2020 - 30.09.2021	01.10.2019 - 30.09.2020
Revenue		2 461 965	1 754 433
Cost of sales		(2 021 897)	(1 612 147)
Gross profit		440 068	142 286
Other income		43 610	37 468
Distribution expenses		(97 026)	(72 497)
Administrative expenses		(60 177)	(44 983)
Other (losses)/gains - net		5 539	1 762
Other expenses		(3 983)	(6 244)
Operating profit before financing costs		328 031	57 792
Financial income		6 823	423
Financial expenses		(33 114)	(36 135)
Net financing costs		(26 291)	(35 712)
Share of profit of associates		(108)	(1 338)
Profit before tax		301 632	20 742
Income tax expense		(56 082)	(104)
Profit for the period		245 550	20 638
Profit for the period attributable to:			
Owners of the Parent Company		231 485	20 501
Non-controlling interests		14 065	137
Profit for the period		245 550	20 638

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

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

<i>in PLN thousand</i>	<i>Note</i>	01.10.2020 - 30.09.2021	01.10.2019 - 30.09.2020
Other comprehensive income - that will be classified subsequently to profit or loss when specific conditions are met			
Foreign currency translation differences		2	25
Total comprehensive income for the period		245 552	20 663
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		231 487	20 526
Non-controlling interests		14 065	137
Total comprehensive income for the period		245 552	20 663
Basic earnings per share (PLN) attributable to the owners of the Parent Company	<i>12</i>	1,49	0,17
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	<i>12</i>	1,35	0,12

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

<i>in PLN thousand</i>	<i>Note</i>	01.07.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Profit/(loss) before tax from continuing operations		139 335	1 601	296 416	27 054
Adjustments					
Depreciation		12 330	11 884	38 093	34 570
Amortization		294	327	886	902
Impairment losses and valuation allowances		-	-	-	(4)
Foreign exchange (gains)/losses		(3 634)	1 255	(5 958)	6 211
Net (gains)/losses on investment activities		(13)	-	(13)	-
Net (gains)/losses on disposal of property, plant and equipment		(447)	(82)	(3 758)	(570)
Interest, transaction costs (related to loans and borrowings) and dividends, net		4 054	5 123	14 478	18 291
Change in receivables		(48 175)	16 464	(155 582)	12 937
Change in inventories		(71 921)	(12 762)	(141 468)	44 304
Change in trade and other payables		11 567	2 289	40 329	(21 881)
Change in provisions		-	-	-	(201)
Change in employee benefits obligation		169	858	(1 110)	1 344
Change in government grants and other deferred income		(98)	(36)	(67)	(313)
Share of profit of associates		(118)	(43)	108	(61)
Other adjustments		(883)	-	1 454	-
Cash generated/(outflows) from operating activities		42 460	26 878	83 808	122 583
Income tax (paid)/returned, incl.		(20 410)	(149)	(32 577)	(885)
Net cash from operating activities		22 050	26 729	51 231	121 698
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		425	269	4 753	803
Proceeds from sale of intangibles		-	6	-	15
Proceeds from sale of perpetual usufruct		1	-	1 580	-
Acquisition of shares in consolidated companies (net of cash acquired)		-	-	(3)	-
Proceeds from sale of other investments		183	-	183	-
Dividends received		-	20	-	20
Repayment of loans granted		87	5	87	24
Acquisition of property, plant and equipment		(29 372)	(9 181)	(61 851)	(44 906)
Acquisition of intangible assets		(131)	(1 047)	(928)	(3 157)
Prepaid perpetual usufruct of land		-	-	-	(75)
Grants received for investing activities		145	703	1 279	1 964
Loans granted		(60)	-	(60)	-
Net cash from investing activities		(28 722)	(9 225)	(54 960)	(45 312)
Cash flows from financing activities					
Net cash receipts from share issue		-	-	2 914	-
Proceeds from interest-bearing loans and borrowings		200 000	-	206 500	-
Repayment of interest-bearing loans and borrowings		(139 897)	(9 827)	(159 141)	(29 971)
Payment of lease liabilities	20	(5 437)	(4 296)	(16 106)	(13 296)
Dividends and interests on exchangeable notes paid		-	(1 911)	(1 974)	(38 323)
Interest and transaction costs (related to loans and borrowings) paid	20	(9 653)	(4 452)	(17 019)	(13 959)
Fee relating to withholding tax relating to financing activities		-	-	(924)	-
Other transactions with the Owner		(10 250)	-	(13 250)	-
Net cash from financing activities		34 763	(20 486)	1 000	(95 549)
Net increase / (decrease) in cash and cash equivalents		28 091	(2 982)	(2 729)	(19 163)
Cash and cash equivalents net of bank overdraft, at 1 January/1 July		69 735	62 775	100 555	78 956
- effect of exchange rate fluctuations on cash held		-	-	-	-
Cash and cash equivalents net of bank overdraft, at 30 September	19	97 826	59 793	97 826	59 793
- including cash restricted for use	19	6 591	2 271	6 591	2 271

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

Condensed consolidated statement of cash flows (last twelve months)

<i>in PLN thousand</i>	<i>Note</i>	01.10.2020 - 30.09.2021	01.10.2019 - 30.09.2020
(Loss)/profit before tax		301 632	20 742
Adjustments			
Depreciation		50 029	45 916
Amortization		1 186	1 173
Impairment losses and valuation allowances		-	(1 287)
Foreign exchange (gains)/losses		(4 947)	3 393
Net (gains)/losses on investment activities		(13)	(143)
Net (gains)/losses on disposal of property, plant and equipment		(3 766)	516
Interest, transaction costs (related to loans and borrowings) and dividends, net		18 046	20 594
Change in receivables		(134 399)	(10 741)
Change in inventories		(162 872)	89 330
Change in trade and other payables		103 385	34 393
Change in provisions		-	(200)
Change in employee benefits obligation		(1 277)	1 304
Change in government grants and other deferred income		59	(1 516)
Share of profit of associates		108	1 337
Other adjustments		1 088	(222)
Cash generated/(outflows) from operating activities		168 259	204 589
Cash generated from operating activities		168 259	204 589
Income tax (paid)/returned, incl.		(32 637)	(885)
Net cash from operating activities		135 622	203 704

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>	<i>Note</i>	01.10.2020 - 30.09.2021	01.10.2019 - 30.09.2020
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4 809	1 264
Proceeds from sale of intangibles		5	36
Proceeds from sale of perpetual usufruct		1 580	-
Acquisition of shares in consolidated companies		(3)	(1)
Proceeds from sale of other investments		183	171
Interest received		-	(4)
Dividends received		-	20
Repayment of loans granted		88	24
Acquisition of property, plant and equipment		(72 929)	(59 087)
Acquisition of intangible assets		(2 129)	(3 573)
Prepaid perpetual usufruct of land		-	(75)
Grants received for investing activities		1 698	4 572
Loans granted		(60)	-
Net cash from investing activities		(66 758)	(56 653)
Cash flows from financing activities			
Net cash receipts from share issue		2 914	-
Proceeds from interest-bearing loans and borrowings		206 500	-
Repayment of interest-bearing loans and borrowings		(181 902)	(39 690)
Payment of lease liabilities	20	(19 872)	(17 322)
Dividends and interests on exchangeable notes paid		(1 974)	(38 323)
Interest and transaction costs (related to loans and borrowings) paid	20	(22 323)	(6 244)
Fee relating to withholding tax relating to financing activities		(924)	(10 085)
Other transactions with the Owner		(13 250)	-
Net cash from financing activities		(30 831)	(111 664)
Net increase / (decrease) in cash and cash equivalents		38 033	35 387
Cash and cash equivalents net of bank overdraft, at 1 October		59 793	24 406
- effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents net of bank overdraft, at 30 September	19	97 826	59 793
- including cash restricted for use	19	6 591	2 271

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

Condensed consolidated statement of changes in equity

	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Issued capital	Reserves (incl. treasury shares)	Foreign currency translation reserves	Retained earnings	Total			
<i>in PLN thousand</i>								
Equity as at 1 January 2020	185 911	87 035	50	(14 188)	258 808	18 383	277 191	
Total comprehensive income	-	-	37	25 609	25 646	561	26 207	
- (loss)/profit	-	-	-	25 609	25 609	561	26 170	
- foreign currency translation differences relating to foreign operations	-	-	37	-	37	-	37	
Transactions with owners of the Company, recognised in equity								
Contribution by and distributions to owners of the Company	-	-	-	(3 769)	(3 769)	-	(3 769)	
Interests on exchangeable notes in the period	-	-	-	(3 769)	(3 769)	-	(3 769)	
Creation of other reserves from profit	-	14 338	-	(14 338)	-	-	-	
Equity as at 30 September 2020	185 911	101 373	87	(6 686)	280 685	18 944	299 629	
Equity as at 1 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	-	-	(7)	224 419	224 412	13 755	238 167
- profit	-	-	-	224 419	224 419	13 755	238 174
- foreign currency translation differences relating to foreign operations	-	-	(7)	-	(7)	-	(7)
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	71 220	(73 198)	-	(23 898)	(25 876)	-	(25 876)
Dividends	-	(3 789)	-	(21 924)	(25 713)	-	(25 713)
Conversion of exchangeable notes	68 505	(68 505)	-	-	-	-	-
Interests on exchangeable notes in the period	-	-	-	(1 974)	(1 974)	-	(1 974)
Redemption of exchangeable notes	-	(1 103)	-	-	(1 103)	-	(1 103)
Issue of shares	2 715	199	-	-	2 914	-	2 914
Change in ownership interests	-	-	-	23	23	(26)	(3)
Changes in minority after acquisition	-	-	-	23	23	(26)	(3)
Creation of other reserves from profit	-	1 906	-	(1 906)	-	-	-
Equity as at 30 September 2021	257 131	30 081	89	199 018	486 319	32 983	519 302
Equity as at 1 July 2021	257 131	31 265	73	92 066	380 535	26 455	406 990
Total comprehensive income	-	-	16	106 952	106 968	6 528	113 496
- profit	-	-	-	106 952	106 952	6 528	113 480
- foreign currency translation differences relating to foreign operations	-	-	16	-	16	-	16
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	(1 184)	-	-	(1 184)	-	(1 184)
Conversion of exchangeable notes	76	(76)	-	-	-	-	-
Redemption of exchangeable notes	-	(1 103)	-	-	(1 103)	-	(1 103)
Issue of shares	(76)	(5)	-	-	(81)	-	(81)
Equity as at 30 September 2021	257 131	30 081	89	199 018	486 319	32 983	519 302

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

1 Parent entity

Cognor Holding S.A. - previously Cognor S.A. (“Cognor Holding”, “the Company”, “the Parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Until 29 August 2011, the Parent Company of the Group was Zlomrex 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: trade in scrap, casting steel billets from scrap and production of long steel products from billets.

2 Cognor Holding S.A. Group

The condensed consolidated interim financial statements as at and for the nine months ended 30 September 2021 comprise the Parent Company and its subsidiaries (“the Group”). Details of the subsidiaries that comprise the Group as at 30 September 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 INTERNATIONAL FINANCE plc	Great Britain	94.39%	24.10.2013
MADROHUT Sp. z o.o.	Poland	23.6% (associate)	11.04.2014

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

Acquisitions in 2021

In 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 in 2021

On August 31, 2021, the District Court in Częstochowa registered the merger of Cognor Holding S.A. with the subsidiary Cognor Blachy Dachowe S.A. The merger took place through the transfer of all assets of Cognor Blachy Dachowe S.A. for Cognor Holding S.A. The merger has no impact on these consolidated financial statements.

Disposal of Group companies in 2021

On August 23, 2021, Cognor S.A. sold 30% of its shares in the associated company 4Groups Sp. z o.o. to 4Workers Sp. z o.o. Thus, the associated companies 4Groups Sp. z o.o. and KDPP Doradztwo Biznesowe Sp. z o.o. z o.o. (in which 4Groups Sp.z o.o. was a 100% shareholder) were removed from the consolidated financial statements of the Cognor Holding Capital Group.

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 29 October 2021.

b) Ongoing basis

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

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.

Extract from the consolidated statement of cash flows for the period 01.01.2020-30.09.2020

	01.01.2020- 30.09.2020	Adjustments	Restated data
<i>in PLN thousand</i>			
Other adjustments	(736)	736	-
Cash generated from continuing operations	121 847	736	122 583
Net cash from operating activities	120 962	736	121 698
Received grants for investing activities	-	1 964	1 964
Cash generated on investing activities from continuing operations	(47 276)	1 964	(45 312)
Received grants for investing activities	1 964	(1 964)	-
Other received grants	736	(736)	-
Cash outflows on financing activities from continuing operations	(92 849)	(2 700)	(95 549)
Net change in cash and cash equivalents	(19 163)	-	(19 163)

Extract from the consolidated statement of cash flows for the period 01.10.2019-30.09.2020 (LTM)

<i>in PLN thousand</i>	01.10.2019- 30.09.2020	Adjustments	Restated data
Other adjustments	(1 434)	1 212	(222)
Cash generated from continuing operations	203 377	1 212	204 589
Net cash from operating activities	202 492	1 212	203 704
Received grants for investing activities	-	4 572	4 572
Cash generated on investing activities from continuing operations	(61 225)	4 572	(56 653)
Received grants for investing activities	4 572	(4 572)	-
Other received grants	1 212	(1 212)	-
Cash outflows on financing activities from continuing operations	(105 880)	(5 784)	(111 664)
Net change in cash and cash equivalents	35 387	-	35 387

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

<i>in PLN thousand</i>	31.12.2020	Adjustments	Restated
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>	30.09.2020	Adjustments	Restated
Semi-finished goods and work in progress	85 003	(18 242)	66 761
Finished products	63 973	18 242	82 215

5 Revenues from sale

in PLN thousand

Revenue from sale goods or services transferred to customers at a point in time
Revenue from sale goods or services transferred to customers over time

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Revenue from sale goods or services transferred to customers at a point in time	2 013 230	1 285 240
Revenue from sale goods or services transferred to customers over time	3 873	3 119
	2 017 103	1 288 359
Revenues from sale of products	1 667 643	1 115 331
Revenues from sale of services	30 128	23 923
Revenues from sale of goods	271 173	136 132
Revenues from sale of raw materials	48 159	12 973
	2 017 103	1 288 359

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 following main activities have been distinguished:

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

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

6 Segment reporting - continued

Business segments (for the three months ended 30 September)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2021											
Revenue from external customers	64 207	45 911	74 628	193 970	256 889	24 875	21 280	31 823	3 292		
Inter-segment revenue	95 800	21 588	-	5 096	25 684	4 275	-	2 242	2 313		
Total revenue	160 007	67 499	74 628	199 066	282 573	29 150	21 280	34 065	5 605	(156 973)	716 900
Cost of sales to external customers	(58 087)	(43 609)	(52 471)	(154 792)	(191 049)	(22 321)	(17 603)	(29 808)	(2 294)		
Inter-segment cost of sales	(89 372)	(19 041)	-	(3 755)	(18 126)	(3 916)	-	(1 541)	(121)		
Total cost of sales	(147 459)	(62 650)	(52 471)	(158 547)	(209 175)	(26 237)	(17 603)	(31 349)	(2 415)	151 870	(556 036)
Segment result	12 548	4 849	22 157	40 519	73 398	2 913	3 677	2 716	3 190	(5 103)	160 864
Other income	62	1 278	1 889	8 710	11 659	15	55	1 416	12	(26)	25 070
Distribution and administrative expenses	(6 324)	(1 680)	(924)	(10 557)	(9 463)	(1 125)	(2 030)	(976)	(6 745)	(6)	(39 830)
Other gain/(losses) net	23	564	128	2 248	557	9	120	(957)	3 091	(1 960)	3 823
Other expenses	(168)	(38)	(65)	(269)	(290)	(35)	(17)	(20)	(154)	51	(1 005)
Operating profit/(loss)	6 141	4 973	23 185	40 651	75 861	1 777	1 805	2 179	(606)	(7 044)	148 922
Net financing costs									(9 606)	(98)	(9 704)
Share of profit of associates, net of tax											117
Income tax expense											(25 855)
Profit for the period											113 480

in PLN thousand

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

Business segments (for the nine months ended 30 September)

in PLN thousand

	30.09.2021	Scrap metal	Billets HSJ	Billets FER	Finished products	Finished products	Non-ferrous	Non-ferrous	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers		178 462	149 776	183 901	555 506	727 691	70 695	57 110	87 500	6 387		
Inter-segment revenue		229 838	54 459	8 035	10 851	54 247	14 468	-	7 452	6 559		
Total revenue		408 300	204 235	191 936	566 357	781 938	85 163	57 110	94 952	12 946	(385 834)	2 017 103
Cost of sales to external customers		(160 242)	(138 613)	(142 911)	(454 716)	(577 725)	(62 981)	(47 635)	(80 517)	(5 147)		
Inter-segment cost of sales		(215 466)	(47 002)	(6 516)	(8 664)	(40 513)	(13 226)	-	(5 376)	(580)		
Total cost of sales		(375 708)	(185 615)	(149 427)	(463 380)	(618 238)	(76 207)	(47 635)	(85 893)	(5 727)	388 470	(1 619 360)
Segment result		32 592	18 620	42 509	102 977	163 700	8 956	9 475	9 059	7 219	2 636	397 743
Other income		83	2 045	3 273	11 591	17 615	23	164	2 450	42	(115)	37 171
Distribution and administrative expenses		(18 473)	(7 172)	(4 422)	(33 938)	(27 624)	(3 900)	(4 676)	(2 949)	(18 187)	57	(121 284)
Other gain/(losses) net		59	352	99	1 452	424	17	130	300	2 924	154	5 911
Other expenses		(219)	(343)	(94)	(1 416)	(406)	(46)	(26)	(145)	(206)	102	(2 799)
Operating profit/(loss)		14 042	13 502	41 365	80 666	153 709	5 050	5 067	8 715	(8 208)	2 834	316 742
Net financing costs										(15 351)	(4 867)	(20 218)
Share of profit of associates, net of tax												(108)
Income tax expense												(58 242)
Profit for the period												238 174

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

Business segments (for the twelve months ended 30 September)

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2021											
Revenue from external customers	212 866	189 634	216 318	672 003	903 543	88 436	61 623	109 282	8 144		
Inter-segment revenue	276 816	73 457	11 523	13 807	67 705	19 280	1	8 934	7 973		
Total revenue	489 682	263 091	227 841	685 810	971 248	107 716	61 624	118 216	16 117	(479 380)	2 461 965
Cost of sales to external customers	(191 322)	(177 504)	(173 562)	(557 488)	(740 127)	(79 224)	(49 410)	(100 538)	(6 433)		
Inter-segment cost of sales	(260 577)	(65 327)	(9 613)	(11 214)	(53 173)	(17 739)	(1)	(6 300)	(756)		
Total cost of sales	(451 899)	(242 831)	(183 175)	(568 702)	(793 300)	(96 963)	(49 411)	(106 838)	(7 189)	478 411	(2 021 897)
Segment result	37 783	20 260	44 666	117 108	177 948	10 753	12 213	11 378	8 928	(969)	440 068
Other income	293	3 030	4 039	14 668	25 029	102	537	3 726	84	(7 898)	43 610
Distribution and administrative expenses	(22 859)	(10 945)	(5 338)	(42 749)	(36 407)	(5 139)	(5 418)	(4 973)	(23 656)	281	(157 203)
Other gain/(losses) net	(105)	351	(20)	1 454	146	(18)	292	268	3 022	149	5 539
Other expenses	(299)	(567)	(88)	(2 056)	(702)	(67)	(70)	(244)	(232)	342	(3 983)
Operating profit/(loss)	14 813	12 129	43 259	88 425	166 014	5 631	7 554	10 155	(11 854)	(8 095)	328 031
Net financing costs									(24 126)	(2 165)	(26 291)
Share of profit of associates, net of tax											(108)
Income tax expense											(56 082)
Profit for the period											245 550

in PLN thousand

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

in PLN thousand

	Scrap metal	Billets HSJ	Billets FER	Finished products HSJ	Finished products FER	Non-ferrous scrap metal	Non-ferrous finished products	Other	Unallocated	Eliminations	Consolidated
30.09.2021											
Segment assets	96 294	68 810	56 850	262 904	527 129	20 686	33 079	72 371	276 195	(56 225)	1 358 093
Segment liabilities	48 138	27 682	49 213	105 747	202 516	10 173	12 037	62 529	454 437	(133 681)	838 791

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
30.09.2020											
Segment assets	66 825	73 651	47 687	218 965	328 984	16 523	23 690	37 182	212 003	(44 507)	981 003
Segment liabilities	28 469	34 548	30 102	102 799	141 443	6 900	5 018	19 359	352 793	(40 057)	681 374

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	

30.09.2021	31.12.2020	30.09.2020
1 021	1 316	1 317
28 762	49 380	46 743
119	7 136	7 141
38	226	183
97 826	100 555	69 252
7 000	-	-
114 020	57 760	59 036
27 409	21 313	28 331
276 195	237 686	212 003

Unallocated liabilities

in PLN thousand

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

30.09.2021	31.12.2020	30.09.2020
303 842	264 540	278 063
-	-	9 459
25	25	25
7 137	5 925	5 380
5 319	460	-
59 566	47 158	42 865
184	4 011	6 436
1 526	-	-
76 838	21 330	10 565
454 437	343 449	352 793

7 Property, plant and equipment

During the three months ended 30 September 2021, the Group acquired property, plant and equipment at a cost of PLN 46 749 thousand (three months ended 30 September 2020: PLN 36 513 thousand) and recognized right-of-use assets at a cost of PLN 25 thousand (three months ended 30 September 2020: PLN 115 thousand). Assets with a net book value of PLN 9 thousand were disposed during the three months of 2021 (three months ended 30 September 2020: PLN 190 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 446 thousand (three months ended 30 September 2020: a net gain on disposal of PLN 230 thousand).

During the nine months ended 30 September 2021, the Group acquired property, plant and equipment at a cost of PLN 82 570 thousand (nine months ended 30 September 2020: PLN 40 861 thousand) and recognized right-of-use assets at a cost of PLN 1 504 thousand (nine months ended 30 September 2020: PLN 1 230 thousand). Assets with a net book value of PLN 1 339 thousand were disposed during the nine months of 2021 (nine months ended 30 September 2020: PLN 240 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 3 444 thousand (nine months ended 30 September 2020: a net gain on disposal of PLN 567 thousand).

During the twelve months ended 30 September 2021, the Group acquired property, plant and equipment at a cost of PLN 103 086 thousand (twelve months ended 30 September 2020: PLN 85 435 thousand) and recognized right-of-use assets at a cost of PLN 4 111 thousand (twelve months ended 30 September 2020: PLN 1 230 thousand). Assets with a net book value of PLN 1 484 thousand were disposed of during the twelve months ended 30 September 2021 (twelve months ended 30 September 2020: PLN 750 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 3 355 thousand (twelve months ended 30 September 2020: a net gain on disposal of PLN 1 644 thousand).

Capital commitments

As at 30 September 2021 the Group had capital commitments in the amount of PLN 27 442 thousand (30 June 2021: PLN 6 148 thousand, 31 December 2020: PLN 7 590 thousand, 30 September 2020: PLN 3 436 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 installed in a rolling mill in Krakow.

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

The aforementioned investments are aimed at: (i) increasing the Group's production capacity in terms of manufacturing final products, (ii) reducing unit production costs, and (iii) expanding the product portfolio.

8 Trade and other receivables

Short-term receivables

in PLN thousand

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Trade receivables	164 696	143 142	71 666	89 293
Statutory receivables excluding income tax (including recognized receivables due to CO2 compensation)	72 523	41 888	37 253	31 821
Prepayments for services and inventories	4 248	5 410	1 890	4 373
Prepayments for fixed assets	19 582	10 511	8 444	9 339
Factoring receivables	39 947	35 818	19 639	24 483
Other receivables	5 683	8 628	2 786	6 938
	306 679	245 397	141 678	166 247

Long-term receivables

in PLN thousand

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Trade receivables	12 100	9 861	8 648	6 923
Other receivables	309	222	290	58
	12 409	10 083	8 938	6 981

The Group regularly uses factoring facilities to improve liquidity. Handing over receivables to factoring results in ceasing their recognition in the financial statements according to IFRS 9. Therefore, all trade receivables that the Group provides to the factor do not meet the criteria of the model "hold to collect" and "hold for the purpose of collection and sale" are therefore classified as "measured at fair value through profit or loss". The application of IFRS 9 changed therefore the method of measurement of these receivables from amortized cost at fair value. The effects of fair value measurement is recognized in the financial result. As at September 30, 2021 the Group discloses PLN 39 947 thousand PLN of factoring receivables (as at June 30, 2021: PLN 35 818 thousand, December 31, 2020: PLN 19 639 thousand, as at September 30, 2020: PLN 24 483 thousand). The fair value of factoring receivables has been estimated based on provisions of factoring and insurance agreements.

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

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Trade receivables in total	409 989	364 035	240 751	213 702
Factoring receivables derecognised from statement of financial position	(205 346)	(185 075)	(149 446)	(99 926)
Factoring receivables	(39 947)	(35 818)	(19 639)	(24 483)
Trade receivables net	164 696	143 142	71 666	89 293

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

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

The analysis conducted by the Group shows that the write-down on this account do not significantly affect the consolidated financial statements and amounted as at September 30, 2021: PLN 191 thousand (as at June 30, 2021: PLN 231 thousand, as at December 31, 2020: PLN 219 thousand, as at September 30, 2020: PLN 158 thousand).

In 2020, the Management Board of the subsidiary Cognor S.A. decided to include PLN 12,033 thousand in other operating income, which the Company expected to obtain for this period in 2021 as compensation for the increase in quotations of CO2 emission rights. This compensation was estimated on the basis of the provisions of the Act of 19 July 2019 on the compensation system for energy-intensive sectors and subsectors, according to which some energy-intensive enterprises, including Cognor S.A. can apply for partial compensation for the increase in quotations of CO2 rights, prices, and thus the cost of electricity. When estimating the compensation due to the Company for 2020, the Management Board assumed: (i) the average price of CO2 emission rights in 2020 announced by the President of the ERO of PLN 108.3 per tonne, and (ii) a reduction degree of approximately 40%. On September 30, 2021, the President of the ERO issued a decision granting Cognor S.A. as compensation for 2020, the amount of PLN 24,139 thousand PLN, with no reduction.

In 2021, the Management Board of the Company recognized the above-mentioned compensation due for 2021 in other operating income in amount of PLN 18,104 thousand. This estimate was based on the value of received compensations granted to the Company for 2020. This is a precautionary approach because both the quotations of CO2 rights significantly increased in 2021 compared to the previous year, as well as the budget allocated to compensation for 2021 has increased by about two times. However, the Management Board of the Company decided that due to the appearance of the draft amendment to the act in recent weeks, there are significant uncertainties and risks in estimating higher amounts.

Compensation receivables for 2020-2021 in the total amount of PLN 42 243 thousand as at September 30, 2021 was presented by the Group in short-term receivables under "Statutory receivables excluding income tax". The compensations are recognised in other operating income in the amount of PLN 30,210 thousand (PLN 12,106 thousand relating to the compensation for 2020, and PLN 18,104 thousand relating to the compensation for 2021).

9 Inventories

in PLN thousand

	30.09.2021	30.06.2021	31.12.2020 *restated	30.09.2020 *restated
Raw materials	111 287	94 738	87 566	83 768
Semi-finished goods and work in progress	112 943	107 236	73 994	66 761
Finished products	156 787	106 932	94 428	82 215
Goods for resale	34 677	34 786	18 113	19 953
	415 694	343 692	274 101	252 697

In semi-finished goods and work in progress, the Group presents PLN 36 302 thousand as a development project implemented by a subsidiary Cognor Holding S.A. Sp.k. (30 June 2021: PLN 28 977 thousand, 31 December 2020: PLN 12 138 thousand, 30 September 2020: PLN 9 123 thousand).

* 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

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Trade payables	382 763	365 684	345 586	294 965
Statutory payables	13 490	13 068	12 655	14 063
Bills of exchange payables	-	22	-	-
Investment payables	27 442	6 148	7 590	3 436
Prepayments for services and deliveries of goods	24 015	26 085	10 142	8 345
Liabilities due to Shareholder	2 233	10 257	-	-
Dividend payables	25 713	25 713	-	-
Payroll liabilities	8 795	8 139	8 318	7 244
Accrued expenses relating to employees	11 245	9 057	6 654	5 430
Accrued expenses	2 243	4 522	15 384	12 209
Other payables	9 335	11 756	5 517	1 449
	507 274	480 451	411 846	347 141

Long term

in PLN thousand

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Liabilities due to Shareholder	-	-	20 668	20 109
Bills of exchange payables	-	2 116	2 116	-
	-	2 116	22 784	20 109

11 Equity

Issued share capital

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Registered shares number at reporting date	171 420 663	171 420 663	123 940 417	123 940 417
Number of issued warrants	200	200	51 030 446	51 030 446
Nominal value of 1 share	1,5 PLN	1,5 PLN	1,5 PLN	1,5 PLN

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

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

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

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

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

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand. The value of this liability as at 30 September 2021 amounted to PLN 2 233 thousand (as at 30 June 2021: PLN 10 231 thousand, as at 31 December 2020: PLN 20 668 thousand, as at 30 September 2020: PLN 20 109 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, bondholders reported to Cognor International Finance plc, requesting the conversion of EUR 2 345 thousand of Exchangeable Notes for 6,256,941 shares. These shares were issued to bondholders by PS HoldCo Sp. z o.o. As a result, in 2021, holders of Exchangeable Notes with a nominal value of EUR 17,113 thousand, who volunteered to convert, received in return 45,704,253 shares of Cognor Holding S.A. As a result, the amount of PLN 68,505 thousand was transferred from other capital to share capital. Due to the deadline for notifying the conversion on August 1, 2021, the remaining quantity of ENs with a nominal value of EUR 250 thousand has been submitted for redemption. The redemption was disclosed in other capitals in the amount of PLN 1 103 thousand

As a result of the payment of 1,810,000 warrants by individual investors the share capital was increased by PLN 2,715 thousand and other capital (aggio) by PLN 199 thousand.

Warrants

As of September 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 September 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.*	120 725 820	70,43%	120 725 820	70,43%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Other shareholders	50 077 062	29,21%	50 077 062	29,21%
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 previous corrected 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%
Pozostali akcjonariusze	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.

The ownership structure as at the date of current report's publication (October 29, 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.*	120 725 820	70,43%	120 725 820	70,43%
Przemysław Sztuczkowski	617 781	0,36%	617 781	0,36%
Pozostali akcjonariusze	50 077 062	29,21%	50 077 062	29,21%
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 three-month period ended 30 September 2021 was based on the profit attributable to ordinary shareholders of PLN 106 952 thousand (the three-month period ended 30 September 2020: profit PLN 1 777 thousand) and a weighted average number of ordinary shares outstanding during the three-month period ended 30 September 2021 of 171 421 thousand (the three-month period ended 30 September 2020: 171 455 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 3 months period ended September 30, 2021 was 171 421 thousand (30 September 2020: 171 455 thousand).

The calculation of basic earnings per share for the nine-month period ended 30 September 2021 was based on the profit attributable to ordinary shareholders of PLN 224 419 thousand (the nine-month period ended 30 September 2020: profit PLN 25 609 thousand) and a weighted average number of ordinary shares outstanding during the nine-month period ended 30 September 2021 of 165 745 thousand (the nine-month period ended 30 September 2020: 123 940 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the 9 months period ended September 30, 2021 was 171 553 thousand (30 September 2020: 171 584 thousand).

The calculation of basic earnings per share for the twelve-month period ended 30 September 2021 was based on the profit attributable to ordinary shareholders of PLN 231 485 thousand (the twelve-month period ended 30 September 2020: profit PLN 20 526 thousand) and a weighted average number of ordinary shares outstanding during the twelve-month period ended 30 September 2021 of 155 294 thousand (the twelve-month period ended 30 September 2020: 123 851 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the twelve months ended 30 September 2021 was 171 626 thousand (30 September 2020: 171 651 thousand).

13 Interest-bearing loans and borrowings and bank overdraft

in PLN thousand

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Bank overdraft	-	8 227	-	9 459
Non-current liabilities				
Secured bank loans	-	103 199	123 139	131 120
Secured bond liabilities	157 389	-	-	-
Lease liabilities	32 918	28 476	32 598	30 974
Lease liabilities (operational leases and other leases not previously recognised)	48 542	49 527	51 742	45 709
Other borrowings	130	146	179	538
	238 979	181 348	207 658	208 341
Current liabilities				
Current portion of secured bank loans	-	38 338	38 650	51 642
Current portion of secured bond liabilities	40 459	-	-	-
Current portion of finance lease liabilities	13 589	15 734	13 269	12 624
Current portion of lease liabilities (operational leases and other leases not previously recognised)	4 222	4 318	4 697	4 703
Factoring liabilities	-	57	-	-
Other borrowings	6 593	6 655	266	753
	64 863	65 102	56 882	69 722

Dual currency term and revolving facilities

On July 12, 2018 the facility agreement has been signed between subsidiary Cognor S.A. and consortium of four banks (mBank S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego and European Bank for Reconstruction and Development) under which banks committed to provide Cognor S.A. with a term loan facility of up to EUR 60 million and a revolving facility up to PLN 40 million. The long-term facility was intended for the full repayment of Senior Secured Notes. The companies from the capital group i.e.: Cognor Holding S.A., Cognor International Finance plc, Odlewnia Metali Szopienice Sp. z o.o. (currently branch of Cognor S.A.), Cognor Blachy Dachowe S.A., Business Support Services Sp. z o.o. (currently branch of Cognor S.A.), Cognor Holding S.A. Sp. k., Przedsiębiorstwo Transportu Samochodowego S.A. (currently branch of Cognor S.A.) joined the facility agreement as guarantors.

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

Under the above-mentioned agreement, an overdraft facility was granted in the amount of up to PLN 40 million, valid until October 31,

On July 22, 2021, the above-mentioned the long-term facility was 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 overdraft in the current account.

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 Cognor International Finance plc to convert their bonds into shares of Cognor Holding S.A., there were series of conversions of the above-mentioned ENs into shares in previous years. Until December 31, 2020, the National Depository for Securities admitted to trading 15,189,754 shares of Cognor Holding S.A., and in 2021 45,670,246 shares.

On August 1, 2021, all liabilities of CIF and PS Holdco Sp. z o.o. due to the issue of EN in relation to the bondholders expired, and thus the amount of EUR 250 thousand of the unconverted EN bonds was written off. As a result of the redemption of a part of the bonds, the Group recognized a profit in the amount of PLN 1 284 thousand in financial income in the consolidated financial statements.

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).

As of September 30, 2021, the secured bonds liability amounted to PLN 197 848 thousand.

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 September 30, 2021 amounted to PLN 7,000 thousand, while the discounted payments related to the perpetual usufruct fees of land (in accordance with IFRS16) amounted to PLN 1,526 thousand.

In 2021, the Company incurred 16 PLN thousand depreciation costs of the said asset, recognized 66 PLN thousand interest costs due to the settlement of the discounted liability, and incurred property tax costs in the amount of PLN 107 thousand. During this period, it recognized PLN 41 thousand revenues from lease of the real estate in question.

15 Provisions for payables

As at September 30, 2021, the Group recognized PLN 25 thousand with the title provisions for a labor court case (June 30, 2021: PLN 25 thousand, December 31, 2020: PLN 25 thousand, September 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 20.6 million. The decrease in net assets was due to the use of the asset for the R&D relief in the amount of approx. PLN 2.7 million, the use of the asset due to costs of intangible services and debt financing costs not deducted beyond the limit in the amount of approx. PLN 4 million and in connection with the settlement of internal bonds and a bank secured loan (interest and exchange rate differences), the previously created asset in the amount of approx. PLN 7.0 million was settled. In connection with the recognition of compensation for CO2 provision was recognized in the amount of approx. PLN 6.9 million, which decreased the presented deferred tax.

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 Przemysł Sztuczki (previous name Wiedza i Praca Sp. z o.o.)

Associates are as follows;

- 4 Groups Sp. z o.o. (from January 21st, 2013 - August 23, 2021)
- Madrohut Sp. z o.o. (from April 11, 2014)
- KDPP Doradztwo Biznesowe Sp. z o.o. (from May 25, 2020 - August 23, 2021)

Related companies to the controlling entities:

- 4 Groups Sp. z o.o. (from August 23, 2021)
- KDPP Doradztwo Biznesowe Sp. z o.o. (until May 25, 2020, from August 23, 2021)
- czystyefekt.pl Sp. z o.o.

in PLN thousand

	30.09.2021	30.06.2021	31.12.2020	30.09.2020
<i>Short-term receivables:</i>				
- associates	357	405	319	340
- controlling entities	7	113	48	1
<i>Loan received</i>				
- controlling entities	6 526	6 513	-	-
<i>Short-term and long-term liabilities</i>				
- controlling entities	21 079	34 797	23 658	21 758
- associates	-	-	-	-
- related companies to the controlling entities	-	5 689	761	746

in PLN thousand

	01.07.2021- 30.09.2021	01.07.2020- 30.09.2020	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020	01.10.2020- 30.09.2021	01.10.2019- 30.09.2020
<i>Revenues from sale of services</i>						
- associates	682	584	1 612	1 383	2 123	1 626
- controlling entities	16	1	59	30	76	41
- related companies to the controlling entities	3	3	6	5	7	7
<i>Revenues from sale of raw materials and commodities</i>						
- associates	87	51	205	133	268	178
- controlling entities	-	-	-	-	-	1
<i>Purchase of commodities and raw materials</i>						
- controlling entities	87	336	1 033	1 205	2 093	1 472
<i>Purchase of services</i>						
- associates	5 876	625	11 753	1 539	14 680	1 593
- related companies to the controlling entities	482	-	482	3 219	(1 033)	4 497
- controlling entities	1 302	1 009	3 334	2 695	3 754	3 511
<i>Other (losses)/gains - net</i>						
- associates	(95)	-	(95)	-	(95)	-
<i>Other costs</i>						
- controlling entities	(6)	-	(6)	(11)	(8)	(11)
<i>Financial income</i>						
- controlling entities	-	-	-	-	-	(504)
<i>Financial costs</i>						
- controlling entities	(2 288)	(545)	(5 338)	(1 551)	(6 832)	(2 685)

Transactions with the members of the Management and Supervisory Boards

<i>in PLN thousand</i>	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
The remuneration of Management Board of the Parent Company		
-received from the Parent Company (appointment, consulting agreements)	2 489	168
- including the premium paid for previous year	2 369	-
-received from the subsidiaries (appointment, consulting agreements)	4 747	4 636
- including the premium paid for previous year	580	486
Supervisory Board of the Parent Company	284	284

The table above does not include the provision for the bonus for the Management Board in the amount of PLN 7 128 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 10 521 thousand (in 2021: PLN 3 001 thousand). In accordance with the requirements of IFRS 15, the Group recognized income and receivables from the owner in the amount of PLN 12 107 thousand in the financial statements (in 2021: PLN 3 459 thousand), which is equivalent to the expenditure incurred increased by margin PLN 1 586 thousand (in 2021: PLN 458 thousand).

19 Cash and cash equivalents presented in cash flow statements

<i>in PLN thousand</i>	30.09.2021	30.06.2021	31.12.2020	30.09.2020
Cash in bank	91 000	74 796	96 270	66 702
Cash in bank restricted in use	6 591	2 967	4 099	2 271
Cash in hand	235	199	186	258
Short-term bank deposit	-	-	-	-
Other	-	-	-	21
Cash and cash equivalents	97 826	77 962	100 555	69 252
Bank overdrafts	-	(8 227)	-	(9 459)
Cash and cash equivalents in the statement of cash flows	97 826	69 735	100 555	59 793

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

<i>in PLN thousand</i>	01.07.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020	01.10.2020 - 30.09.2021	01.10.2019 - 30.09.2020
Payment of lease liabilities	(5 437)	(4 296)	(16 106)	(13 296)	(19 872)	(17 322)
-including payment of lease liabilities (not previously recognized - IFRS 16)	(1 127)	(1 068)	(3 452)	(3 298)	(4 438)	(3 101)
Interest and transaction costs (related to loans and borrowings) paid	(9 653)	(4 452)	(17 019)	(13 959)	(22 323)	(6 244)
-including interests on lease liabilities (not previously recognized - IFRS 16)	(519)	(645)	(2 739)	(2 531)	(3 435)	(4 678)

21 Financial instruments

Financial instruments measured at fair values

As at 30 September 2021 the fair value relating to IRS amounted PLN 184 thousand (30 June 2021: 2 521 PLN, 31 December 2020: PLN 4 011 thousand, 30 September 2020: PLN 6 436 thousand).

Fair values

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

- Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
- Trade and other receivables (which are not measured at fair value), bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
- Interest-bearing loans and borrowings, excluding fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.
- Fixed rate instruments. The carrying amount of liability to PS Holdco Sp. z o.o. approximates fair value due to an interest rate which was similar to the interest rate applicable for liabilities with similar risk.
- The fair value of IRS has been estimated on the base of valuation model taking into consideration the future cash flows in fixed and variable interest rate. As at 30 September 2021 the fair value relating to IRS amounted PLN 184 thousand.

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

Management Board didn't publish forecasts.

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

	As at the date of the current report		As at the date of the previous report	
	quantity	% in share capital	quantity	% in share capital
Management Board				
- Przemysław Sztuczkowski *	617 781	0,36%	617 781	0,36%
- Przemysław Grzesiak	40 018	0,02%	40 018	0,02%
- Krzysztof Zoła	-	0,00%	-	0,00%
- Dominik Barszcz	50 000	0,03%	50 000	0,03%
Supervisory Board				
- Hubert Janiszewski	-	-	-	-
- Piotr Freyberg	-	-	-	-
- Jerzy Kak	-	-	-	-
- Marek Rocki	-	-	-	-
- Zbigniew Łapiński	-	-	-	-

*Przemysław Sztuczkowski owns indirectly 100% of shares in PS Holdco Sp. z o.o. through 4Workers Sp. z o.o. and therefore the shares owned by PS Holdco Sp. z o.o. represent the indirect participation of Przemysław Sztuczkowski in Cognor Holding S.A. Detailed information in note 11.

25 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

-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.

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

Not applicable.

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

Warranties and guarantees granted to subsidiaries by the Parent Company:

Subsidiary	Type of liability	Guarantee value (in PLN thousand)	Period of guarantee
Cognor S.A.*	Bonds issue	200 000	till 21.07.2026
Cognor S.A.	Trade liability	1 873	without deadline
Cognor S.A.	Factoring	40 000	without deadline
Cognor S.A.	Contracts for co-financing the implementation of research projects	2 023	till 31.05.2022

*guarantee is granted by the Parent Company together with its subsidiary- Cognor Holding S.A. Sp. K.

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

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.

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

The consolidated financial results of the Cognor Capital Group in the the prespective of the fourth quarter of 2021 will depend mainly

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

30 Subsequent events

There were no subsequent events requiring disclosure.

Poraj, 29 October 2021

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