

COGNOR S.A.

**Condensed Consolidated
Interim Financial Statement
as at and for the six months ended
30 June 2012**

COGNOR S.A.

Consolidated statement of financial position

As at

in PLN thousand

	30 June 2012 <i>(audited)</i>	31 December 2011 <i>(audited)</i>
Assets		
Property, plant and equipment	332 848	342 734
Intangible assets	15 339	17 067
Investment property	1 276	1 291
Other investments	3 087	3 086
Other receivables	42 870	44 583
Prepaid perpetual usufruct of land	19 164	19 850
Deferred tax assets	71 251	70 826
Total non-current assets	485 835	499 437
Inventories	183 851	178 472
Other investments	3 735	25 186
Income tax receivable	6	7 744
Trade and other receivables	221 005	204 904
Cash and cash equivalents	84 475	47 166
Total current assets	493 072	463 472
Assets classified as held for sale	12 544	16 708
Total assets	991 451	979 617

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

Consolidated statement of financial position - continued

As at

in PLN thousand

	30 June 2012 <i>(audited)</i>	31 December 2011 <i>(audited)</i>
Equity		
Issued share capital	132 444	132 444
Reserves	131 312	131 452
Foreign currency translation reserve	(498)	(685)
Retained earnings	(88 866)	(98 971)
Total equity attributable to equity holders of the parent	174 392	164 240
Non-controlling interests	12 752	12 201
Total equity	187 144	176 441
Liabilities		
Interest-bearing loans and borrowings	505 130	532 138
Employee benefits	7 151	7 970
Other payables	-	65
Deferred government grants and other deferred income	309	619
Deferred tax liabilities	8 555	7 937
Total non-current liabilities	521 145	548 729
Bank overdraft	7 687	25 236
Interest-bearing loans and borrowings	74 972	45 878
Employee benefits	1 232	5 677
Income tax payable	6	293
Provisions for payables	687	381
Trade and other payables	195 076	176 117
Deferred government grants and other deferred income	3 502	865
Total current liabilities	283 162	254 447
Total liabilities	804 307	803 176
Total equity and liabilities	991 451	979 617

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

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June

in PLN thousand

<i>Note</i>	2012 <i>(audited)</i>	2011 <i>(audited)</i>
Continuing operations		
Revenue	828 182	726 859
Cost of sales	(758 353)	(644 368)
Gross profit	69 829	82 491
Other income	4 889	7 425
Distribution expenses	(18 805)	(15 835)
Administrative expenses	(23 492)	(17 902)
Other gains / (losses) – net	(828)	420
Other expenses	(4 482)	(6 252)
Operating profit before financing costs	27 111	50 347
Other financial income	17 035	4 444
Other financial expenses	(32 631)	(31 115)
Net financing costs	(15 596)	(26 671)
Profit before tax	11 515	23 676
Income tax expense	(999)	21 358
Profit for the period from continuing operations	10 516	45 034
Discontinued operations		
Profit for the period from discontinued operations	-	89 393
Profit for the period	10 516	134 427
Profit for the period attributable to:		
Owners of the Parent Company	9 965	133 845
Non-controlling interests	551	582
Profit for the period	10 516	134 427
Other comprehensive income		
Foreign currency translation differences	187	(6)
Total comprehensive income for the period	10 703	134 421
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	10 152	133 839
Non-controlling interests	551	582
Total comprehensive income for the period	10 703	134 421
Basic earnings per share (PLN) attributable to the owners of the Parent Company		
- from continuing operations	0,15	0,67
- from discontinued operations	-	1,35
Diluted earnings per share (PLN) attributable to the owners of the Parent Company		
- from continuing operations	0,15	0,67
- from discontinued operations	-	1,35

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 interim statement of comprehensive income (LTM)

For the twelve months ended 30 June

in PLN thousand

<i>Note</i>	2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Continuing operations		
Revenue	1 650 970	1 255 537
Cost of sales	(1 491 061)	(1 130 042)
Gross profit	159 909	125 495
Other income	7 383	6 853
Distribution expenses	(39 141)	(34 646)
Administrative expenses	(52 190)	(47 161)
Other gains / (losses) – net	14 061	(3 940)
Other expenses	(12 776)	(17 107)
Operating profit before financing costs	77 246	29 494
Other financial income	19 153	5 590
Other financial expenses	(106 557)	(41 634)
Net financing costs	(87 404)	(36 044)
Loss before tax	(10 158)	(6 550)
Income tax expense	(470)	4 098
Loss for the period from continuing operations	(10 628)	(2 452)
Discontinued operations		
Profit for the period from discontinued operations	2 618	6 438
Profit/(loss) for the period	(8 010)	3 986
Profit/(loss) for the period attributable to:		
Owners of the Parent Company	(8 060)	6 228
Non-controlling interests	50	(2 242)
Profit/(loss) for the period	(8 010)	3 986
Other comprehensive income		
Foreign currency translation differences	(612)	(16 643)
Total comprehensive loss for the period	(8 622)	(12 657)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Parent Company	(8 694)	(10 436)
Non-controlling interests	72	(2 221)
Total comprehensive loss for the period	(8 622)	(12 657)
Basic earnings per share (PLN) attributable to the owners of the Parent Company		
- from continuing operations	(0,16)	0,00
- from discontinued operations	0,04	0,10
Diluted earnings per share (PLN) attributable to the owners of the Parent Company	(0,12)	0,10
- from continuing operations	(0,16)	0,00
- from discontinued operations	0,04	0,10

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 interim statement of cash flows

For the six months ended 30 June

in PLN thousand

	2012 <i>(audited)</i>	2011 <i>(audited)</i>
Continuing operations		
Profit before tax from continuing operations	11 515	23 676
Adjustments		
Depreciation	19 320	20 097
Amortization	1 639	1 756
Impairment losses and valuation allowances	-	1 463
Foreign exchange (gains)/losses	(19 054)	2 772
Net (gains)/losses on investment activities	4	(4 247)
Net (gains)/losses on disposal of property, plant and equipment	(2 666)	(1 500)
Interest, commissions and dividends, net	30 926	26 711
Change in receivables	(17 656)	(116 886)
Change in inventories	(5 379)	(54 051)
Change in trade and other payables	18 554	20 344
Change in provisions	366	(28)
Change in employee benefits	(5 264)	(3 673)
Change in deferred government grants and other deferred income	2 327	1 513
Other adjustments	-	978
Cash generated/(outflows) from continuing operations	34 632	(81 075)
Discontinuing operations		
Operating profit from discontinuing operations	-	91 942
Adjustments		
Net (gains)/losses on investment activities	-	(15 647)
Net (gains)/losses on disposal of property, plant and equipment	-	(63 647)
Interest, commissions and dividends, net	-	641
Change in receivables	-	7 810
Change in inventories	-	39 728
Change in trade and other payables	-	(46 589)
Change in provisions	-	(7 961)
Change in employee benefits	-	(959)
Change in deferred government grants and other deferred income	-	(75)
Cash generated from discontinuing operations	-	5 243
Cash generated/(outflows) from operations	34 632	(75 832)
Income tax paid	6 585	(1 080)
Net cash from operating activities	41 217	(76 912)

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

COGNOR S.A.

For the six months ended 30 June

Cash flows from investing activities

Proceeds from sale of property, plant and equipment and intangibles	14 974	1 779
Interest received	559	386
Repayments of loans granted	21 583	-
Acquisition of property, plant and equipment	(9 662)	(3 397)
Acquisition of intangible assets	(32)	(229)
Prepaid perpetual usufruct of land	-	(7)
Cash generated/(outflows) from continuing operations	27 422	(1 468)
Cash generated from discontinuing operations	-	273 542
Net cash from investing activities	27 422	272 074

Cash flows from financing activities

Receipt of interest-bearing loans and borrowings	22 417	1 838
Repayment of interest-bearing loans and borrowings	-	(87 431)
Payment of finance lease liabilities	(4 570)	(6 488)
Interest and commissions paid	(31 627)	(27 158)
Cash outflows from continuing operations	(13 780)	(119 239)
Cash outflows from discontinuing operations	-	(844)
Net cash from financing activities	(13 780)	(120 083)

Net increase in cash and cash equivalents	54 859	75 079
Cash and cash equivalents net of bank overdraft, at 1 January	21 930	(67 704)
Effect of exchange rate fluctuations on cash held	(1)	-
Cash and cash equivalents net of bank overdraft, at 30 June	76 788	7 375
<i>including cash restricted for use</i>	<i>28 954</i>	<i>24 412</i>

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

COGNOR S.A.**Condensed consolidated interim statement of cash flows (LTM)****For the twelve months ended 30 June***in PLN thousand*

	2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Continuing operations		
Loss before tax from continuing operations	(10 158)	(26 997)
<i>Adjustments</i>		
Depreciation	39 992	39 714
Amortization	3 283	3 962
Impairment losses and valuation allowances	(1 030)	4 691
Foreign exchange (gains)/losses	42 750	(21 783)
Net (gains)/losses on investment activities	(9 398)	(4 247)
Net (gains)/losses on disposal of property, plant and equipment	1 711	(1 206)
Interest, commissions and dividends, net	53 752	53 707
Change in receivables	(10 278)	(47 989)
Change in inventories	6 688	(70 139)
Change in trade and other payables	(32 720)	17 682
Change in provisions	2 989	(635)
Change in employee benefits	(3 560)	(5 640)
Change in deferred government grants and other deferred income	(33)	(5 640)
Other adjustments	(978)	1 545
Cash generated/(outflows) from continuing operations	83 010	(62 975)
Discontinuing operations		
Operating profit/(loss) from discontinuing operations	(2 595)	6 481
<i>Adjustments</i>		
Depreciation	-	4 255
Impairment losses and valuation allowances	-	34 038
Foreign exchange (gains)/losses	-	6 449
Net (gains)/losses on investment activities	-	(14 754)
Net (gains)/losses on disposal of property, plant and equipment	-	(70 535)
Interest, commissions and dividends, net	-	9 779
Change in receivables	-	19 657
Change in inventories	-	42 411
Change in trade and other payables	-	(35 939)
Change in provisions	-	(10 886)
Change in employee benefits	-	1 298
Change in deferred government grants and other deferred income	-	(111)
Other adjustments	-	2 488
Cash outflows from discontinuing operations	(2 595)	(5 369)
Cash generated/(outflows) from operations	80 415	(68 344)
Income tax paid	(376)	(83)
Net cash from operating activities	80 039	(68 427)

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

Consolidated statement of cash flows (LTM) – continued

For the twelve months ended 30 June

Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	14 567	3 928
Interest received	2 995	629
Dividends received	30	-
Disposal of subsidiaries	-	-
Repayment of loans granted	32 565	-
Acquisition of property, plant and equipment	(15 758)	(8 620)
Acquisition of intangible assets	(507)	(554)
Acquisition of investment property	(2 379)	-
Prepaid perpetual usufruct of land	(1 964)	(7)
Loans granted	(3 569)	-
Other outflows from investing activities	(4 241)	-
Cash generated/(outflows) from continuing operations	21 739	(4 624)
Cash generated from discontinuing operations	2 745	314 271
Net cash from investing activities	24 484	309 647
Cash flows from financing activities		
Net cash receipts from share issue	330	20 447
Receipt of interest-bearing loans and borrowings	31 440	4 198
Repayment of interest-bearing loans and borrowings	(3 958)	(90 032)
Payment of finance lease liabilities	(8 500)	(12 226)
Interest and commissions paid	(54 421)	(54 505)
Cash outflows from continuing operations	(35 109)	(132 118)
Cash outflows from discontinuing operations	-	(12 063)
Net cash from financing activities	(35 109)	(144 181)
Net increase in cash and cash equivalents	69 414	97 039
Cash and cash equivalents net of bank overdraft, at 1 July	7 375	(89 758)
Effect of exchange rate fluctuations on cash held	(1)	94
Cash and cash equivalents net of bank overdraft, at 30 June	76 788	7 375
<i>including cash restricted for use</i>	<i>28 954</i>	<i>24 412</i>

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 interim statement of changes in equity

For the six months ended 30 June

In PLN thousand

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Issued capital	Reserves	Foreign currency translation reserve	Retained earnings			
Equity as at 1 January 2011	132 444	140 977	18 185	(208 551)	83 055	8 803	91 858
Total comprehensive income	-	-	(6)	133 845	133 839	582	134 421
- profit/(loss)	-	-	-	133 845	133 845	582	134 427
- foreign currency translation differences – foreign operations	-	-	(6)	-	(6)	-	(6)
Transfer of profit	-	357	-	(357)	-	-	-
Transactions with owners of the Company, recognised in equity							
Change in ownership interests in subsidiaries	-	-	(18 487)	-	(18 487)	-	(18 487)
Change in non-controlling interests	-	-	(18 487)	-	(18 487)	-	(18 487)
Equity as at 30 June 2011	132 444	141 334	(308)	(75 063)	198 407	9 385	207 792
Equity as at 1 January 2011	132 444	140 977	18 185	(208 551)	83 055	8 803	91 858
Total comprehensive income	-	-	(827)	115 820	114 993	103	115 096
- profit	-	-	-	115 820	115 820	81	115 901
- foreign currency translation differences – foreign operations	-	-	(827)	-	(827)	22	(805)
Transfer of profit	-	145	-	(145)	-	-	-
Transactions with owners of the Company, recognised in equity							
Contribution by and distributions to owners of the Company	-	(9 670)	-	(6 095)	(15 765)	-	(15 765)
Issue of warrants	-	330	-	-	330	-	330
Transactions on own shares	-	-	-	(6 095)	(6 095)	-	(6 095)
Purchase of own shares (in equity presented in nominal value)	-	(10 000)	-	-	(10 000)	-	(10 000)
Change in ownership interests in subsidiaries	-	-	(18 043)	-	(18 043)	3 295	(14 748)
Change in non-controlling interests	-	-	(18 043)	-	(18 043)	3 295	(14 748)
Equity as at 31 December 2011	132 444	131 452	(685)	(98 971)	164 240	12 201	176 441

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

Condensed consolidated interim statement of changes in equity – continued

For the six months ended 30 June

In PLN thousand

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Issued capital	Reserves	Foreign currency translation reserve	Retained earnings			
Equity as at 1 January 2012	132 444	131 452	(685)	(98 971)	164 240	12 201	176 441
Total comprehensive income	-	-	187	9 965	10 152	551	10 703
- profit/(loss)	-	-	-	9 965	9 965	551	10 516
- foreign currency translation differences – foreign operations	-	-	187	-	187	-	187
Transfer of profit	-	(140)	-	140	-	-	-
Equity as at 31 March 2012	132 444	131 312	(498)	(88 866)	174 392	12 752	187 144

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

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

1. Reporting entity

Cognor S.A. (“Cognor”, “the Company”, “the parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. Till August 29th, 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.

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

The parent Company’s shares are listed on Warsaw Stock Exchange.

2. Capital Group of Cognor S.A.

The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the “Group”). The basic information about the subsidiaries comprising the Group as at 30 June 2012 is presented in the table below:

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL-ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.4%	2004-02-19*
ZW-WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2005-01-13*
HUTA STALI JAKOŚCIOWYCH S.A.	Poland	Manufacture of metal products	100.0%	2006-01-27*
KAPITAŁ S.A.	Poland	Financial services	100.0%	2004-06-13*
ZŁOMREX INTERNATIONAL FINANCE SA	France	Financial services, Bond issuer	100.0%	2006-10-23*
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2007-04-02*
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.4%	2007-08-01
ZŁOMREX CENTRUM Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2006-03-29*
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100.0%	2006-05-15*
CENTROSTAL Sp. z o.o. w Szczecinie	Poland	Trade in metal products	100.0%	2007-01-26*
COGNOR FINANSE Sp. z o.o.	Poland	Financial services	100.0%	2007-03-28*
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03*

* date of obtaining control in Zlomrex Capital Group

On April 19, 2012 the subsidiary Stalexport Metalzbyt Sp. z o.o. was liquidated according to the decision of the Commercial Court in Białystok.

Acquisitions, mergers and disposals of subsidiaries

Acquisitions realised in 2012

No acquisitions took place until 30 June 2012.

Mergers realised in 2012

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

On April 30, 2012 the Register Court approved Court the merger of Cognor Finanse Sp. z o.o. and Cognor Services Sp. z o.o. As a result of this merger the assets owned by Cognor Services Sp. z o.o. were transferred to Cognor Finanse Sp. z o.o.

In 2012 it is planned to merge Cognor S.A. with its subsidiary Złomrex Centrum Sp. z o.o.

Disposals realised in 2012

No disposals took place until 30 June 2012.

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 2011.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2012.

b) Ongoing basis

These condensed consolidated interim financial statements were prepared on the assumption of ongoing concern in the foreseeable future. In the opinion of the Group's Management there are no circumstances that could threaten the continuation of Group's activities.

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 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

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 2011.

4. Changes in presentation of comparative data

The consolidated statement of financial position was restated due to the fact that since the 29th of August 2011, following the transactions described in note 1 in the consolidated financial statements as at and for the year ended 31 December 2011, Cognor S.A. has become the Parent Company. Also, on the 26th of August 2011, Odlewnia Metali Szopienice Sp. z o.o. was sold to PS HoldCo and is no longer in the Cognor Group. Reorganisation of the Group was common control transaction which had not changed the person who controls the Group. Consequently, the comparatives were restated to reflect the current structure of the Group.

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements (in PLN thousand, unless stated otherwise)

Condensed consolidated interim statement of comprehensive income

For the period ended 30 September 2010

	01.01.2011- 30.06.2011 published	Restatements	01.01.2011- 30.06.2011 restated
Continuing operations			
Revenue	731 787	(4 928)	726 859
Cost of sales	(650 057)	5 689	(644 368)
Gross profit/(loss)	81 730	761	82 491
Other income	7 214	211	7 425
Distribution expenses	(16 104)	269	(15 835)
Administrative expenses	(18 991)	1 089	(17 902)
Other gains / (losses) – net	(491)	911	420
Other expenses	(8 149)	1 897	(6 252)
Operating profit/(loss) before financing costs	45 209	5 138	50 347
Other financial income	4 450	(6)	4 444
Other financial expenses	(31 439)	324	(31 115)
Net financing costs	(26 989)	318	(26 671)
Profit/(loss) before tax	18 220	5 456	23 676
Income tax expense	20 992	366	21 358
Profit/(loss) for the period from continuing operations	39 212	5 822	45 034
Discontinued operations			
Profit /(loss) for the period from discontinued operations	89 048	345	89 393
Profit/(loss) for the period	128 260	6 167	134 427

Condensed consolidated interim statement of comprehensive income

For the twelve months ended 30 June 2011

	01.07.2010 - 30.06.2011 Publicated	Restatements	01.07.2010 - 30.06.2011 Restated
Continuing operations			
Revenue	1 268 602	(13 065)	1 255 537
Cost of sales	(1 143 536)	13 494	(1 130 042)
Gross profit/(loss)	125 066	429	125 495
Other income	6 560	293	6 853
Distribution expenses	(35 345)	699	(34 646)
Administrative expenses	(49 636)	2 475	(47 161)
Other gains / (losses) – net	(4 879)	939	(3 940)
Other expenses	(19 174)	2 067	(17 107)
Operating profit/(loss) before financing costs	22 592	6 902	29 494
Other financial income	4 655	935	5 590
Other financial expenses	(40 962)	(672)	(41 634)
Net financing costs	(36 307)	263	(36 044)
Profit/(loss) before tax	(13 715)	7 165	(6 550)
Income tax expense	3 588	510	4 098
Profit/(loss) for the period from continuing operations	(10 127)	7 675	(2 452)

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

Discontinued operations

Profit /(loss) for the period from discontinued operations	6 104	334	6 438
Profit/(loss) for the period	(4 023)	8 009	3 986

5. Segment reporting

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

The Management Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sale in Poland, Austria, Czech Republic and other countries.

The reportable operating segments derive their revenue primarily from the following divisions:

1. scrap division – this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division – this segment includes activities of processing scrap metal into steel billets, steel billets into finished products, and selling of them; and also the processing of non-ferrous scrap into finished products and selling of them;
3. distribution division – this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other – this segment includes other activities such as holding activities, financial activities, recycling materials, including plastic foils, paper and other products.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

Business segments (for the six months ended 30 June)

in PLN thousand

30-06-2012	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	124 707	674 781	9 831	1 485	-	-	810 804
Inter-segment revenue	197 323	12 575	13	5 084	-	(197 617)	17 378
Total revenue	322 030	687 356	9 844	6 569	-	(197 617)	828 182
Cost of sales to external customers	(119 970)	(626 479)	(9 431)	(834)	-	-	(756 714)
Inter-segment cost of sales	(187 765)	(12 604)	(10)	(280)	-	199 020	(1 639)
Total cost of sales	(307 735)	(639 083)	(9 441)	(1 114)	-	199 020	(758 353)
Segment result	14 295	48 273	403	5 455	-	1 403	69 829
Other income	1 339	12 509	101	17 012	87	(26 159)	4 889
Distribution and administrative expenses	(12 183)	(19 295)	(1 213)	(9 284)	-	(322)	(42 297)
Other gain/(losses) net	(278)	1 020	2 713	(172)	(542)	(3 569)	(828)
Other expenses	(515)	(4 289)	(79)	(1 126)	(19)	1 546	(4 482)
Operating profit	2 658	38 218	1 925	11 885	(474)	(27 101)	27 111
Net financing costs	(1 165)	(4 283)	(137)	(17 072)	(9 271)	16 332	(15 596)
Income tax expense							(999)
Profit for the period							10 516

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements (in PLN thousand, unless stated otherwise)

in PLN thousand

30-06-2011	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	95 400	602 047	16 012	2 182	-	-	715 641
Inter-segment revenue	181 563	19 901	463	1 391	-	(192 100)	11 218
Total revenue	276 963	621 948	16 475	3 573	-	(192 100)	726 859
Cost of sales to external customers	(90 027)	(541 204)	(14 697)	(3 153)	-	-	(649 081)
Inter-segment cost of sales	(170 983)	(17 549)	(409)	(750)	-	194 404	4 713
Total cost of sales	(261 010)	(558 753)	(15 106)	(3 903)	-	194 404	(644 368)
Segment result	15 953	63 195	1 369	(330)	-	2 304	82 491
Other income	5 806	9 518	156	33 807	-	(41 862)	7 425
Distribution and administrative expenses	(9 337)	(14 700)	(1 167)	(6 088)	(543)	(1 902)	(33 737)
Other gain/(losses) net	1 188	161	(23)	(278)	(57)	(571)	420
Other expenses	(763)	(9 975)	(129)	(3 837)	(1)	8 453	(6 252)
Operating profit	12 847	48 199	206	23 274	(601)	(33 578)	50 347
Net financing costs	(2 513)	(4 637)	(155)	(24 774)	(14)	5 422	(26 671)
Income tax expense							21 358
Profit for the period from continuing operation							45 034
Profit from discontinuing operation	-	14 249	75 144	-	-	-	89 393
Profit for the period							134 427

w tysiącach złotych

	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets 30-06-2012	89 831	638 824	12 115	26 084	224 597	991 451
Segment assets 31-12-2011	99 168	636 338	16 319	7 395	220 397	979 617

Unallocated assets

	30-06-2012	31-12-2011
Othe investments	6 822	28 272
Investment property	1 276	1 291
Deferred tax assets	71 251	70 826
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc) and income tax receivable	48 229	56 123
Cash and cash equivalents	84 475	47 177
Assets held for sale	12 544	16 708
	224 597	220 397

6. Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired property, plant and equipment at a cost of PLN 13 479 thousand (six months ended 30 June 2011: PLN 4 364 thousand). Assets with a net book value of PLN 4 273 thousand were disposed during the six months of 2012 (six months ended 30 June 2011: PLN 269 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 3 045 thousand (six months ended 30 June 2011: a net gain on disposal of PLN 815 thousand).

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements (in PLN thousand, unless stated otherwise)

Capital commitments

The Group has no capital commitments as at 30 June 2012.

7. Equity

Issued share capital

	2012-06-30	2011-12-31
Registered shares number at reporting date	66 222 248	66 222 248
Number of issued warrants	6 622	6 622
Nominal value of 1 share	2 PLN	2 PLN

At 30 June 2012, the Parent Company's share capital comprised 66 222 248 ordinary shares (31 December 2011: 66 222 248) with a nominal value of PLN 2 each. The parent Company has issued the 6 622 warrants which entitle the holder to change 1 warrant into 10 000 ordinary shares.

Holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the General Meeting of Shareholders.

In accordance with the High Yield Bonds agreement the Group is allowed to make payment of dividend only up to the limit of EUR 5 million. There were no dividends declared or paid in years 2009-2011.

The ownership structure as at June 30, 2012 is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on GSM %
PS HoldCo Sp. z o.o.*	42 665 514	64,43%	42 665 514	64,43%
PZU Asset Management S.A.	3 344 009	5,05%	3 344 009	5,05%
Other shareholders	20 212 725	30,52%	20 212 725	30,52%
Total	66 222 248	100,00%	66 222 248	100,00%

* Przemysław Sztuczkowski owns 100% of shares in the PS Holdco Sp. z o.o. and therefore the shares owned by PS HoldCo Sp. z o.o. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor S.A.

The ownership structure as at the date of previous report's publication (May 15, 2012) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on GSM %
PS HoldCo Sp. z o.o.*	42 663 704	64,42%	42 663 704	64,42%
PZU Asset Management S.A.	3 344 009	5,05%	3 344 009	5,05%
Other shareholders	20 214 535	30,53%	20 214 535	30,53%
Total	66 222 248	100,00%	66 222 248	100,00%

* Przemysław Sztuczkowski owns 100% of shares in the PS Holdco Sp. z o.o. and therefore the shares owned by PS HoldCo Sp. z o.o. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor S.A.

The ownership structure as at the date of current report's publication (August 29, 2012) is presented in the table below:

Shareholder	Shares number	Shares in equity %	Number of votes	Share of votes on GSM %
PS HoldCo Sp. z o.o.*	43 298 882	65,38%	43 298 882	65,38%
PZU Asset Management S.A.	3 344 009	5,05%	3 344 009	5,05%
Other shareholders	19 579 357	29,57%	19 579 357	29,57%
Total	66 222 248	100,00%	66 222 248	100,00%

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

* Przemysław Sztuczkowski owns 100% of shares in the PS Holdco Sp. z o.o. and therefore the shares owned by PS HoldCo Sp. z o.o. are in the same time indirect participation of Przemysław Sztuczkowski in Cognor S.A.

Changes in the period:

On March 5, 2012 1 share was sold and the number of shares owned after this transaction amounted to 42 663 703, and the participation in equity 64,42%.

On March 27, 2012 PS HoldCo Sp. z o.o. bought from Huta Stali Jakościowych S.A. (subsidiary of Cognor S.A.) 5 000 000 shares with the price PLN 4,61 each. After this transaction PS HoldCo Sp. z o.o. has obtained directly 42 663 704 shares in share capital of Cognor S.A., that is 64,42% of total shares and Cognor S.A. has no longer its own shares (directly or indirectly).

On June 11, 2012 PS HoldCo bought 1 701 shares of Cognor S.A. and the number of shares owned after this transaction amounted to 42 665 404, and the participation in equity 64,43%.

On June 21, 2012 PS HoldCo bought 110 shares of Cognor S.A. and the number of shares owned after this transaction amounted to 42 665 514, and the participation in equity 64,43%.

On July 3, 2012 PS HoldCo bought 45 000 shares of Cognor S.A. and the number of shares owned after this transaction amounted to 42 710 514, and the participation in equity 64,50%.

On July 4, 2012 PS HoldCo bought 13 807 shares of Cognor S.A. and the number of shares owned after this transaction amounted to 42 724 321, and the participation in equity 64,52%.

On July 5, 2012 PS HoldCo bought 179 561 shares of Cognor S.A. and the number of shares owned after this transaction amounted to 42 903 882, and the participation in equity 64,79%.

On July 6, 2012 PS HoldCo bought 395 000 shares of Cognor S.A. and the number of shares owned after this transaction amounted to 43 298 882, and the participation in equity 65,38%.

The Parent's Company equity contains the payment on capital in the amount of PLN 145 995 thousands on the basis of the Agreement signed on the 29th of August 2011 between Cognor S.A. and PS HoldCo Sp. z o.o. regarding the financing of Złomrex's shares purchase, along with the annex of the 30th December 2011.

8. Earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of PLN 9 965 thousand (30 June 2011: profit PLN 133 845 thousand;) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2012 of 66 222 thousand (30 June 2011: 66 222 thousand).

The weighted average number of shares used to calculate diluted earnings per share during the year ended June 30, 2012 was 66 222 thousand (30 June 2011: 66 222 thousand).

In 2011 the parent Company has issued subscription warrants (1 warrant exchangeable to 10 thousand shares of share issue no 9). Number of warrants issued amounted to 6 622 units (the number of potential shares is 66 220 thousands units). The issue price of a share issue no 9, that can be covered by converting warrants, was set at PLN 4.00.

As at June 30, 2012 the subscription warrants were excluded from the calculation of diluted weighted average number of shares, because their effect would be anti-diluted, due to the fact that the average market price of Cognor's shares in the period from January 1, 2012 to June 30, 2012 was below PLN 4.00.

Any other dilutive instrument number of ordinary shares was not identified in the current period.

9. Interest-bearing loans and borrowings

Cognor S.A. and its subsidiaries Ferrostal Łabędy Sp. z o.o., Huta Stalo Jakościowych S.A. and Złomrex Metal Sp. z o.o. have a revolving credit line in Deutsche Bank PBC S.A. with a limit amounted to PLN 25 000 thousands, that was guaranteed to this amount. The guarantee period is the same as the credit maturity, it means the 1st of March 2013. As at June 30, 2012 Cognor S.A. is a company that uses this credit line and the liability amounted to PLN 25 000 thousands.

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

Cognor S.A. and its subsidiaries Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o. have a credit line in PEKAO S.A. with a limit amounted to PLN 10 000 thousands, that was guaranteed to this amount by these companies. The guarantee period is the same as the credit maturity, it means the 31st of March 2013. As at June 30, 2012 Ferrostal Łabędy Sp. z o.o. is a company that uses this credit line and the liability amounted to PLN 7 688 thousands.

Cognor S.A. and its subsidiaries Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o. have a bank overdraft in BRE Bank S.A. with a limit amounted to PLN 10 000 thousands, that was guaranteed to this amount by these companies. The guarantee period is the same as the credit maturity, it means the 27th of February 2013. As at June 30, 2012 Ferrostal Łabędy Sp. z o.o. is a company that uses this credit line and the liability was null.

10. Contingencies, guarantees and other commitments

The Group has the following contingent liabilities, guarantees and other commitments:

Contingencies

In the documentation relating to :

- the sell of 100% shares of Cognor Stahlhandel GmbH on the 4th of February 2011, the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities or other damages incurred by Buyers in connection with the transaction formula finally accepted.
- the sell on the 5th May 2011, most of assets of distribution division in Poland, the Parent Company undertook together with other sellers (its subsidiaries) to cover any additional tax liabilities and costs of any dispute with public administration incurred by Buyers in connection with the transaction formula finally accepted.

According to the Management's opinion the risk of rising obligations on above mentioned titles is small.

11. Related parties

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

In PLN thousand

	30.06.2012	31.12.2011
<i>Short-term receivables:</i>		
- related parties (not consolidated)	10 349	5 722
- companies controlled by the parent Company's Management Board members	90	146 010
<i>Short-term liabilities</i>		
- related parties (not consolidated)	47	111
- companies controlled by the parent Company's Management Board members	202	149 636
<i>Payables in relation to acquisition of subsidiary</i>		
- related parties (not consolidated)	3 551	22 990
<i>Loans granted</i>		
- related parties (not consolidated)	3 399	3 257

in PLN thousand

	1.1.2012 - 30.06.2012	1.1.2011 - 30.06.2011
<i>Revenues from sale of services</i>		
- related parties (not consolidated)	19	23
- companies controlled by the parent Company's Management Board members	32	16
<i>Revenues from sale of raw materials and commodities</i>		
- related parties (not consolidated)	17 359	-
- companies controlled by the parent Company's Management Board members	70	-
<i>Purchase of commodities and raw materials</i>		
- related parties (not consolidated)	2 795	-

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

- companies controlled by the parent Company's Management Board members <i>Purchase of services</i>	400	-
- related parties (not consolidated)	10	137
- companies controlled by the parent Company's Management Board members <i>Other income</i>	878	332
- related parties (not consolidated)	430	-
- companies controlled by the parent Company's Management Board members <i>Other expenses</i>	18	-
- related parties (not consolidated) <i>Other gains/losses net</i>	(22)	(19)
- companies controlled by the parent Company's Management Board members <i>Financial costs</i>	3 028	-
- companies controlled by the parent Company's Management Board members	(5 096)	-

Transactions with the members of the Management and Supervisory Boards

The remuneration of the Management and Supervisory Boards members was as follows:

	Six months ended	
	30 June 2012	30 June 2011
Management Board of the parent Company	896	1 745
Supervisory Board of the parent Company	94	179
Management Boards of subsidiaries	2 272	1 492
Supervisory Boards of subsidiaries	51	102
	3 313	3 518

12. Cash and cash equivalents presented in cash flow statements

w tysiącach złotych

	30.06.2012	30.06.2011
Cash in bank	55 217	11 280
Cash in bank restricted in use	12	24 412
Cash in hand	304	325
Other	28 942	23
Cash and cash equivalents	84 475	36 040
Bank overdrafts	(7 687)	(28 665)
Cash and cash equivalents in the statement of cash flows	76 788	7 375

13. 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.

14. Proceedings before a court, an arbitration or a public authority

In 2009 Złomrex S.A. (currently HSJ S.A.) received a binding offer from the Government of the Republic of Croatia for termination of the contract for the sale of shares in Żeljezara Split (Republic of Croatia) with the Croatian Privatisation Fund. Although the offer's acceptance, the appropriate agreement relating to the return of shares in Żeljezara Split to the Croatian Privatisation Fund and the payment by the Croatian Privatisation Fund to Złomrex S.A. the amount of EUR 10 million plus interests, had not been finalized in 2009 and in 2010 the closing of the transaction was postponed for a specified period of time at the request of the Croatian part. After this period, the Government of Croatia refused to sign the documentation under the terms of a binding offer and proposed the different, less favorable solution, which was not accepted by Złomrex S.A. Złomrex S.A. (currently HSJ S.A.) took steps including those prescribed in the bilateral investment protection agreement concluded between Poland and Croatia, to enforce their rights. Currently, we are working

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

on the formulation of the claim and the final choice of forum for resolution of this matter. We anticipate, that a formal action will be submitted at the beginning of the second quarter of 2012. On 11th March 2011, the bankruptcy of Zeleżara Split d.d., Croatia (a subsidiary of Złomrex S.A.) was announced by Commercial Court in Split. The proceedings was initiated by a creditor's demand – HEP – Opskrba d.o.o., Zagreb. In the opinion of the Management of the Parent Company, supported by consultations with legal advisers, despite the uncertainty about the final settlement of this case on the date of preparing of these consolidated financial statements, recoverability of the receivable from the Government of the Republic of Croatia is probable.

In connection with the dispute on the final selling price of the Austrian Group Cognor Stahlhandel GmbH (hereinafter "COGAT") on the 31st of July 2012 the Parent Company and its subsidiaries involved in the sale of COGAT's shares joined to arbitration.

The Management Board of the Parent Company considers that included in the interim condensed consolidated financial statements as at 30 June 2012, the receivables from sale of COGAT in the amount of PLN 7 460 thousands is recoverable amount.

15. Information about guarantees and warranties

Guarantees and warranties provided by the Parent Company to its subsidiaries

Subsidiary	Type of liability	Guarantee value (in thousands PLN)	Guarantee period
Cognor Blachy Dachowe S.A.	Trade liabilities	4 852	to the termination date
Kapitał S.A.	Bills discounted agreement	2 500	till 31 March 2013

Guarantees and warranties provided by Huta Stali Jakościowych S.A. (subsidiary) to the Group:

Subsidiary	Type of liability	Guarantee value (in thousands PLN)	Guarantee period
Ferrostal Łabędy Sp. z o.o.	Factoring	24 350	till 31 December 2012
Ferrostal Łabędy Sp. z o.o.	Lease liability	115	till November 2013
Kapitał S.A.	Lease liability	287	till September 2013
Złomrex Metal Sp. z o.o.	Factoring	12 000	till 31 December 2012
Złomrex Metal Sp. z o.o.	Lease liability	329	till March 2013
Business Support Services Sp. z o.o.	Trade liabilities	426	till October 2012

Guarantees and warranties provided by Ferrostal Łabędy Sp. z o.o.. (subsidiary) to the Group:

Subsidiary	Type of liability	Guarantee value (in thousands PLN)	Guarantee period
Złomrex Metal Sp. z o.o.	Factoring	11 000	without deadline

Liability for the bonds listed on the Luxemburg Stock Exchange (Euro MTF) issued by a subsidiary Złomrex International Finance S.A. with a total value of PLN 525 350 thousands as at 30 June 2012, was secured by a pledge on the shares of the following subsidiaries Złomrex International Finance SA, Ferrostal Łabędy Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Business Support Services Sp. z o.o., Złomrex Metal Sp. z o.o. and a related company Odlewnia Metali Szopienice Sp. z o.o. (a subsidiary of PS HoldCo Sp z o.o., the main shareholders of Cognor S.A.).

Guarantees for the obligations of the bank loans are described in note 9.

COGNOR S.A.

Explanatory notes to the condensed consolidated interim financial statements (in PLN thousand, unless stated otherwise)

16. Subsequent events

Transactions on shares of the Parent Company held by the PS HoldCo Sp. z o.o. after the reporting date are described in note 8.