March 21, 2016

2015 Annual Report and Management Discussion & Analysis

The Management Board of Cognor S.A. (Cognor, the Company, the Group) presents the following deliberations over the key facts and figures contained in the consolidated financial report for the year ended December 31, 2015.

I. REPORTED STATEMENT

The year 2015 saw a significant deterioration in the steel industry. Steel production fell in almost every part of the world. It was caused by the decline of steel consumption in China which was not matched by the adequate reduction of utilization of production capacities there. This prompted a rapid growth of Chinese steel exports and weighted heavily on steel prices. Many anti-dumping measures have been instigated in Europe against the unfair steel trade from China and some other countries. However, these procedures usually take too much time and so have not succeeded in limiting cheap steel imports into Europe yet, hence no support for steel prices has occurred. Vast majority of Chinese steel is produced from iron ore with the use of the basic oxygen furnace (BOF) technology. Falling Chinese production in combination with opening of many new iron ore mines, resulted in the radical decline of feedstock cost for BOF producers. This was not matched by the appropriate decrease of prices of scrap metal used by electric arc furnace (EAF) producers in their steelmaking. Consequently, the competitive position of EAF producers, including Cognor, vis-à-vis BOF ones, did not improve.

Poland was one of the few exceptions where both steel use and production increased in 2015. This allowed Cognor to continue the high utilization of its production capacities and to increase its sales volume-wise. The average prices of our semi-finished and finished products fell by PLN 203 per tonne as compared to 2014. At the same time, the average scrap metal price went down by PLN 130 per tonne. This has damaged the semi-finished and finished product spreads by PLN 73 per tonne. The negative contribution of spreads on our gross profit was in the region of PLN 36.1 million as compared to 2014. The other significant contracting factor was related to our inventories. Over the whole of 2015 Cognor was selling its products from stock in the declining price environment and had to bear further losses, entirely related to the time lag between manufacturing and sales. We estimate that factor to have contributed negatively at least to the amount of PLN 32.5 million. To some extent we were able to offset these two detriments by increasing our shipments and reducing our costs however, our revenues were lower as compared to 2014 and the result of our operations was a net loss. Thus, we assume the Group’s performance in 2015 as highly disappointing although some positive elements proving the relative Cognor’s resilience in the distressed market environment, can be noted.

Steel business cyclicality is driven by the demand in the construction and the automotive sectors. After the positive period for these two industries in most of the parts of the world in 2014, last year brought a visible slowdown in construction activity in China. This revealed a huge surplus of steel supply that spilt outside China leading to the collapse of prices of raw materials used in steel manufacturing as well as put further pressure on steel products' prices. The Chinese Government seems to have realized the seriousness of the situation and announced an objective to cut down 150 million tonnes of steelmaking capacities during the next few years. However, it seems that for the short-term health of the European steel market, the efficient and an immediate action plan aimed at removal of all of the unfair competition, will be most crucial. We very much welcome the so far measures and expect further ones to be introduced by the European Union to eliminate dumping of steel products by the unfair producers.

CRUDE STEEL PRODUCTION	2015	% YoY	2014	2013	2012	2011	2010	2009	2008
m tonnes									
Europe	**301**	**-3%**	**311**	**311**	**318**	**327**	**314**	**266**	**344**
Poland	9.1	6%	8.6	8.0	8.4	8.8	8.0	7,2	9.7
UE (28)	166	-2%	169	166	169	177	173	139	198
CIS	101	-4%	109	109	111	112	108	98	114
North America	**111**	**-9%**	**121**	**119**	**122**	**119**	**112**	**82**	**125**
USA	79	-10%	88	87	89	86	81	58	91
South America	**44**	**-2%**	**45**	**46**	**47**	**48**	**44**	**38**	**47**
Africa / Middle East	**41**	**-6%**	**44**	**42**	**34**	**34**	**36**	**32**	**34**
Asia	**1 096**	**-2%**	**1 111**	**1 059**	**983**	**954**	**881**	**795**	**768**
China	804	-2%	823	779	709	683	627	568	500
Japan	105	-5%	111	111	107	108	109	88	119
Oceania	**6**	**5%**	**5**	**6**	**6**	**7**	**8**	**6**	**8**
Total	**1 599**	**- 3%**	**1 647**	**1 582**	**1 510**	**1 490**	**1 396**	**1 220**	**1 326**

Source: World Steel Association

In 2014 we saw a sharp decrease of prices of iron ore and coking coal and a much more moderate decrease of ferrous scrap metal prices. The larger scale of iron ore and coking coal decrease resulted in the relative improvement of cost position of non-integrated (with no mining operations) BOF producers as compared to EAF producers. In 2015 the situation persisted and EAF producers remained under competitive pressure according to the following cost model and the following prices of basic raw materials.

Feedstock Cost Model	BOF	EAF
Tonne / Tonne of crude steel		
iron ore	1,60	
coking coal	0,60	
Scrap	0,21	1,12
feedstock Total		

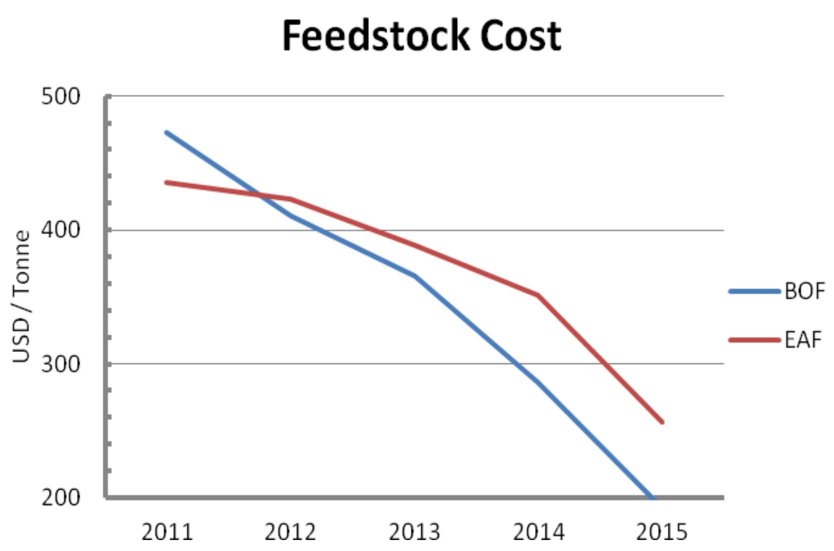
Source: OECD, Steelonthenet, HIPHGZ

Market Prices	iron ore	coking coal	scrap metal
USD / tonne			
2011	168	205	389
2012	129	210	378
2013	135	127	347
2014	97	108	314
2015	55	93	229

Source: IMF (iron ore, 62% Fe spot, CFR Tianjin), Steelonthenet (coking coal, export USEC), The Company (scrap metal, Ferrostal all qualities mix, mill delivered)

The above translates into the following feedstock costs for BOF and EAF mills.

Feedstock Cost	2011	2012	2013	2014	2015
USD / Tonne					
BOF	473	411	366	286	192
EAF	436	423	388	352	257
Difference	**37**	**-12**	**-23**	**-66**	**-65**



The unfavourable competitive position for Cognor, as an EAF producer, continued in 2015. First months of 2016 have brought some improvement for EAF steelmakers and so we are looking forward to seeing at least a partial reversal of the so far adverse trend.

Similar to recent years the Polish market performed stronger as compared to the rest of the EU due to much larger domestic GDP growth. Public indebtedness and the state deficit have remained at relatively low levels and the banking sector looked healthy in Poland. The new EU financial perspective (2014-2020) shall contribute to intensification of infrastructural spending in the coming few years. A degree of uncertainty has lately been caused by the outcome of the last parliamentary elections and the new ruling party in Poland stepping in. In spite of that we remain positive provided certain protective measures are introduced in Europe to limit the unfair trade from China and some other countries. The impact of the demand condition abroad will also continue to be significant, as the steel production in Poland relies a lot on external purchases, from Germany in particular.

In spite of the improving demand in Poland the broader steel market deteriorated considerably. Prices of billets and finished products decreased both for Ferrostal and

HSJ mill. Billet and product spreads narrowed further. With respect to the product spreads we saw the levels observed back in 2009 when the steel business as well as the whole real economy suffered the deepest crisis in modern times.

The following table presents the average scrap metal, billet and finished product prices and spreads for both of our steel mills. The spreads are calculated by way of subtraction of the scrap metal prices form the billet and product prices.

PRICES AND SPREADS	2015	2014	2013	2012	2011	2010	2009
(pln/ tonne)							
FERROSTAL							
scrap metal price *(all qualities, freight cost inclusive)*	864	989	1 096	1 236	1 152	898	668
billet price *(all qualities)*	1 660	1 858	2 015	2 121	2 038	1 629	1 312
billet spread	*796*	*869*	*919*	*885*	*885*	*731*	*644*
finished product price *(all types)*	1 842	2 036	2 131	2 341	2 283	1 921	1 654
product spread	*978*	*1 047*	*1 036*	*1 104*	*1 131*	*1 023*	*986*
HSJ							
scrap metal price *(all qualities, freight cost inclusive)*	902	1 041	1 109	1 229	1 183	916	678
finished product price *(all types)*	2 703	2 920	2 937	3 386	3 535	3 006	2 489
product spread	*1 801*	*1 879*	*1 829*	*2 157*	*2 352*	*2 091*	*1 811*

Our rising production and shipments in 2015 enabled us to achieve the following share in certain areas of the steel producers' market in Poland. We position ourselves as a niche market participant with significant shares in high alloy steels, merchant bars and special quality bars (SQ bars).

2015	POLAND *tonnes*	COGNOR *tonnes*	*%*
scrap metal procurement	6 925 679	321 631 *(1)*	5%
crude steel total, incl.:	9 198 028	583 454	6%
carbon steels	8 295 442	384 621	5%
hi-alloy and stainless steels	902 586	198 833	22%
crude steel EAF	3 877 248	583 454	15%
crude steel BOF	5 320 780		
hot rolled products, incl.:	7 952 691	401 780	5%
flat products	2 887 860	18 090	1%
long products, incl.:	4 943 085	383 690	8%
wire rod	1 157 942		
heavy beams	1 230 845		
light beams	36 433		
rails	356 893		
rebars	1 223 778	94 293	8%
merchant bars, incl.:	510 151	135 684	27%
plain bars	165 435	32 281	20%
flat bars, squares and shapes	344 716	103 403	30%
SQ bars	427 043	153 713	36%
seamless tubes	121 746		

(1) excludes mill purchases
Source: CIBEH, HIPHGZ, World Steel Association

In summary, the past year proved very challenging for steelmakers. For EAF producers it was exceptionally distressed and similar to year 2009 with respect to price differentials (spreads). This resulted in an immense pressure on our profitability. Cognor remained concentrated on the efforts to maximize its utilization of production capacities and on costs control. We continued working on the enhancement of our market offer in terms of product range and quality. At the same time, we made a further step in reduction of our indebtedness, both long-term and short-term. Those elements allowed us to partially offset the negative contribution of the steel market sentiment last year.

1. Statements of profit or loss and other comprehensive income

Tough conditions in the steel market did not allow Cognor to increase consolidated revenues although we managed to produce slightly more crude steel as compared to 2014 and sold 2,8% more tonnes of combined scrap metal, billets and finished products. All of the increase was offset by the decreasing semi-finished and finished products' prices.

SALES	2015	% YoY	2014	2013	2012	2011
'000 PLN						
Scrap metal	100 051	6,2%	94 186	88 737	130 366	120 064
Billets	228 178	-36,7%	360 524	346 415	493 767	551 525
Finished products	868 672	5,5%	823 098	745 598	618 700	718 070
Total	**1 196 901**	**-6,3%**	**1 277 808**	**1 180 750**	**1 242 833**	**1 389 659**
Tonnes						
Scrap metal	118 994	18,9%	100 059	87 450	122 750	118 098
Billets	132 261	-29,7%	188 053	170 018	232 814	269 148
Finished products	392 888	16,1%	338 359	292 523	206 541	231 573
Total	**644 143**	**2,8%**	**626 471**	**549 991**	**562 105**	**618 819**

The price for our billets and finished products manufactured at Ferrostal mill (FERR) went down by 10.7% and 9,5% respectively and the price for HSJ mill products fell down by 7.4%. Therefore, the value-wise revenue dynamics was negative at (-) 4.1%. Cognor saw a significant deterioration of gross profit – by PLN 50.9 million and (-) 34.7%, EBIT – by PLN 52.9 million and (-) 80.1% and EBITDA – by PLN 52.4 million and (-) 519%. The negative development of spreads was responsible for PLN 36.1 million of the decrease. Similar impact, at the amount of PLN 32.5 million, came from the very price dynamics where Cognor was selling its products from stock according to the FIFO method in the decreasing price environment. The calculation of the estimated total loss related to inventories is presented in the following table.

cost of one tonne of scrap metal in inventories and the implied result related that	Q4 2014	Q1 2015			Q2 2015			Q3 2015			Q4 2015			2015
	Scrap	opening volume	scrap	profit or loss	opening volume	scrap	profit or loss	opening volume	scrap	profit or loss	opening volume	scrap	profit or loss	profit or loss
	PLN/T	*Tonne*	*PLN/T*	*000 PLN*	*Tonne*	*PLN/T*	*000 PLN*	*Tonne*	*PLN/T*	*000 PLN*	*Tonnes*	*PLN/T*	*000 PLN*	*000 PLN*
HSJ														
billets & products	1 052	35 257	1 008	-1 551	27 720	1 021	354	32 103	934	-2 794	29 051	769	-4 785	-8 776
FERR														
billets & products	981	59 540	930	-3 076	69 779	953	1 627	93 223	901	-4 869	78 990	680	-17 449	-23 768
TOTAL				**-4 628**			**1 981**			**-7 663**			**-22 234**	**-32 544**

We were partially able to offset the effect of the two main negative factors affecting our profitability by reduction of certain costs of our crude steel production. However, the net result was negative at the amount of PLN (-) 13.9 million.

The exchange rate development of the EUR/PLN had negligible effect on the Company's revenues. The USD did not act as a currency in our transactions yet, the strengthening of the US Dollar against the Euro and Złoty provided some indirect support for our revenues.

YEARLY AVERAGE EXCHANGE RATES	2015	2014	2013	2012	2011
PLN					
EUR/PLN	4.18	4.19	4.20	4.19	4.12
% change	0%	0%	0%	2%	3%
USD/PLN	3.77	3.18	3.16	3.26	2.96
% change	19%	1%	-3%	10%	-2%

Source: Polish National Bank

In most of 2015 we saw very little EUR/PLN volatility. EUR/PLN exchange rate generated a slight gain related to the Company's indebtedness at the amount of PLN 0.5 million.

END OF PERIOD EXCHANGE RATES	Dec-2015	Dec-2014	Dec-2013	Dec-2012	Dec-2011
PLN					
EUR/PLN	4.26	4.26	4.15	4.09	4.42
% change	0%	3%	1%	-7%	12%
USD/PLN	3.90	3.51	3.01	3.10	3.42
% change	11%	17%	-3%	-9%	16%

Source: Polish National Bank

Net financing costs were mostly influenced by the positive result of the repurchase and the cancellation of our senior secured notes (the Senior Notes) to the tune of PLN 26.2 million. On top of that, our financial expenses saw a significant decline due to reduction of our indebtedness and the reduction of interest rates in Poland.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2015	2014	2013	2012	2011
'000 PLN					
Sales revenue	1 364 804	1 422 546	1 294 269	1 399 674	1 549 647
Cost of sales	-1 268 982	-1 275 863	-1 191 124	-1 303 894	-1 377 076
Gross profit	**95 822**	**146 683**	**103 145**	**95 780**	**172 571**
Other income	4 717	11 383	10 956	11 571	9 919
Distribution expenses	-47 791	-43 033	-39 518	-33 950	-36 171
Administrative expenses	-34 640	-38 496	-34 964	-34 691	-46 600
Other gains/(losses) ï net	2 952	647	1 979	-2 224	15 309
Other expenses	-7 913	-11 159	-13 485	-11 636	-14 546
EBIT	**13 147**	**66 025**	**28 113**	**24 850**	**100 482**
Financial income	26 678	1 789	0	36 675	6 562
Financial expenses	-57 009	-69 092	-75 955	-62 424	-105 041
Net financing costs	**-30 331**	**-67 303**	**-75 955**	**-25 749**	**-98 479**
Share of profits of associates	-85	-626	2 759	0	0
Excess in fair value of acquired assets over cost	0	5 859	0	0	0
Profit before tax	**-17 269**	**3 955**	**-45 083**	**-899**	**2 003**
Income tax expense	3 324	5 790	-2 619	1 086	21 887
Result from discontinued operations	0	-4 047	0	0	92 011
Profit for the period	**-13 945**	**5 698**	**-47 702**	**187**	**115 901**
Depreciation and amortization	-35 863	-35 072	-37 078	-41 532	-44 169
EBITDA	**49 010**	**101 097**	**65 191**	**66 382**	**144 651**

Substantially all of our revenues and results were generated by Subsidiary Guarantors, as defined by the Senior Notes' indenture (the Indenture).

When discussing our profitability, it needs to be noted that certain book entries affecting the overall level of EBITDA can be of a one-off nature. They divert the EBITDA and net result in both positive and negative ways as follows:

DESCRIPTION	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014
'000 PLN					
Reported EBITDA	**32 600**	**25 266**	**17 273**	**25 958**	**101 097**
Non-recurring items including:	590	-1 625	-2 678	4 706	993
- costs of sales	*-3*	*0*	*0*	*-22*	*-25*
- other income	*1 800*	*288*	*184*	*5 072*	*7 344*
- distribution expenses	*-420*	*55*	*-579*	*146*	*-798*
- administrative expenses	*0*	*-1 017*	*0*	*9*	*-1 008*
- other gains/losses	*-678*	*861*	*66*	*-1 044*	*-795*
- operational FX result	*30*	*-277*	*91*	*743*	*587*
- other impairments	*-139*	*-1 535*	*-2 440*	*-198*	*-4 312*
Adjusted EBITDA	**32 010**	**26 891**	**19 951**	**21 252**	**100 104**
Reported net result	**6 920**	**4 630**	**-4 897**	**-955**	**5 698**
Non-recurring items including:	-1 307	7 138	-3 207	-12 160	-9 535
- EBITDA adjustments	*590*	*-1 625*	*-2 678*	*4 706*	*993*
- FX result on debt	*-2 973*	*870*	*-1 462*	*-8 955*	*-12 520*
- result on own debt repurchase	*0*	*0*	*403*	*1 386*	*1 789*
- share of profits of associates	*995*	*3 785*	*49*	*-5 455*	*-626*
- coupon increase due to PIK payment	*-1 640*	*0*	*0*	*-26*	*-1 666*
- result of discontinued operations	*0*	*0*	*0*	*-4 047*	*-4 047*
- excess in fair value of acquired assets over cost	*1 522*	*3 799*	*49*	*615*	*5 985*
- pro-forma income tax adjustment	*200*	*309*	*432*	*-384*	*557*
Adjusted net result	**8 227**	**-2 508**	**-1 690**	**11 205**	**15 233**

DESCRIPTION	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
'000 PLN					
Reported EBITDA	**16 642**	**19 545**	**8 247**	**4 576**	**49 010**
Non-recurring items including:	-2 272	1 507	1 521	1 626	2 382
- costs of sales	*0*	*63*	*-8*	*1 337*	*1 392*
- other income	*139*	*72*	*219*	*522*	*952*
- distribution expenses	*1 321*	*132*	*-97*	*-1 557*	*-201*
- administrative expenses	*-1 016*	*0*	*0*	*0*	*-1 016*
- other gains/losses	*-1 142*	*882*	*1 149*	*1 922*	*2 811*
- operational FX result	*-1 380*	*544*	*496*	*481*	*141*
- other impairments	*-194*	*-186*	*-238*	*-1 079*	*-1 697*
Adjusted EBITDA	**18 914**	**18 038**	**6 726**	**2 950**	**46 628**
Reported net result	**8 033**	**-6 902**	**-14 251**	**-825**	**-13 945**
Non-recurring items including:	16 219	-7 484	-3 921	16 545	21 358
- EBITDA adjustments	*-2 272*	*1 507*	*1 521*	*1 626*	*2 382*
- FX result on debt	*18 049*	*-10 577*	*-5 451*	*-1 556*	*465*
- result on own debt repurchase	*0*	*2 368*	*474*	*23 371*	*26 213*
- issueance costs related to cancelled debt	*0*	*0*	*0*	*-2 184*	*-2 184*
- share of profits of associates	*10*	*-46*	*-86*	*37*	*-85*
- pro-forma income tax adjustment	*432*	*-736*	*-379*	*-4 749*	*-5 433*
Adjusted net result	**-8 186**	**582**	**-10 330**	**-17 370**	**-35 303**

In 2014 the compound amount of the adjustments proved negligible for EBITDA with a more significant impact on our net result. Our normalized EBITDA stood at PLN 100.1 million and the adjusted net result was a profit of PLN 15.2 million. Last year the non-recurring items had their slight positive contribution for EBITDA and a very considerable one for our net profit. In 2015 our normalized EBITDA amounted for PLN 46.6 million and the adjusted net result was a loss of PLN (-) 35.3 million.

2. Statement of financial position

The level of fixed assets decreased primarily due to depreciation charges at the amount of PLN 35.9 million, partially offset by CAPEX at the amount of PLN 31.0 million, minus PLN 15.0 million of the disposed assets. The current assets decreased by 15.5% as a result of the 6.9% decrease of inventories and the 31.3% decrease of receivables. The latter was largely caused by the implementation of the new non-recourse factoring arrangements under which we conducted the sale of the portion of our receivables at the total amount of PLN 55.7 million and in consequence they eliminated those from the balance sheet.

ASSETS	2015	2014	2013	2012	2011
'000 PLN					
A. TOTAL NON-CURRENT ASSETS	**408 497**	**422 663**	**450 960**	**472 467**	**499 437**
I. Intangible assets	10 834	11 338	12 163	15 435	17 067
II. Property, plant and equipment	278 043	289 565	293 145	317 671	342 734
III. Other receivables	49	34	41 500	40 943	44 583
IV. Investment property and other investments	16 725	17 000	11 298	7 720	4 377
V. Prepaid perpetual usufruct of land	20 828	22 794	18 535	18 954	19 850
VI. Deferred tax assets	82 018	81 932	74 319	71 744	70 826
B. TOTAL CURRENT ASSETS	**437 814**	**517 854**	**459 505**	**442 042**	**480 180**
I. Inventories	263 476	283 058	234 816	179 201	178 472
II. Receivables	131 904	192 038	191 755	186 904	237 834
1. Trade receivables	*127 378*	*187 421*	*186 553*	*181 691*	*204 904*
2. Current income tax receivable	*290*	*10*	*12*	*82*	*7 744*
3. Other investments	*4 236*	*4 607*	*5 190*	*5 131*	*25 186*
III. Cash and cash equivalents	36 928	35 648	14 778	64 151	47 166
IV. Prepayments	0	0	9 205	0	0
V. Assets classified as held for sale	5 506	7 110	8 951	11 786	16 708
Total	**846 311**	**940 517**	**910 465**	**914 509**	**979 617**

Equity decreased due to the suffered loss. Interest bearing loans and borrowings net of cash went down by PLN 53.4 million primarily in connection with the implementation of the new non-recourse factoring arrangements which replaced most of the former recourse facilities. The FX had insignificant effect on the Group's indebtedness allowing for a further reduction of PLN 0.5 million of debt.

EQUITY AND LIABILITIES	2015	2014	2013	2012	2011
'000 PLN					
A. EQUITY	**168 691**	**187 286**	**129 134**	**176 842**	**176 441**
I. Issued share capital	139 702	132 444	132 444	132 444	132 444
II. Reserves and retained earnings	7 420	33 579	-17 009	31 567	31 796
III. Minority interest	21 569	21 263	13 699	12 831	12 201
B. LIABILITIES	**677 620**	**753 231**	**781 331**	**737 667**	**803 176**
I. Non-current liabilities	439 447	463 798	**25 627**	**500 373**	**548 729**
1. Employee benefits obligation	*9 113*	*9 597*	*7 313*	*6 735*	*7 970*
2. Interest-bearing loans and borrowings	*386 446*	*408 896*	*6 677*	*487 020*	*532 138*
3. Other	*43 888*	*45 305*	*11 637*	*6 618*	*8 621*
II. Current liabilities	238 173	289 433	755 704	237 294	254 447
1. Interest-bearing loans and borrowings	*48 873*	*87 402*	*562 906*	*75 333*	*45 878*
2. Bank overdraft	*15 846*	*6 969*	*0*	*15 495*	*25 236*
3. Trade payables	*164 768*	*183 717*	*188 763*	*142 170*	*176 117*
4. Deferred government grants	*117*	*4 588*	*117*	*736*	*865*
5. Employee benefits obligation	*4 867*	*105*	*3 250*	*2 815*	*5 677*
6. Current income tax payable	*5*	*6 535*	*152*	*315*	*293*
7. Provisions for payables	*3 697*	*4 588*	*516*	*430*	*381*
Total	**846 311**	**940 517**	**910 465**	**914 509**	**979 617**

3. Cash Flow Statement

The Company generated positive cash flow from its operating activities primarily due to the positive EBITDA and due to the inflow from working capital to the amount of PLN 63.1 million. The positive working capital flow was primarily fuelled by the sale of receivables under the non-recourse factoring arrangements at the amount of PLN 55.7 million.

Cash flow involving investment activities was slightly positive with capital expenditures at the amount of PLN 17.8 million partially offset by inflows from the disposition of assets at the amount of PLN 14.0 million.

Financing cash flow was negative primarily from the repayment of principal at the amount of PLN 84.5 million as well as interest and other costs at the amount of PLN 41.1 million. Those were partially offset by the incurrence of indebtedness at the amount of PLN 19.9 million.

CASH FLOW	2015	2014	2013	2012	2011
'000 PLN					
A. OPERATING ACTIVITIES	101 309	51 795	46 467	39 282	-38 090
B. INVESTING ACTIVITIES	-3 146	628	-1 742	23 247	269 136
C. FINANCING ACTIVITIES	-105 746	-38 543	-78 591	-35 801	-141 413
Net increase in cash	**-7 583**	**13 880**	**-33 866**	**26 728**	**89 633**

4. Main Metrics

Liquidity metrics remained at good levels.

Turnover of inventories improved by 5 days and receivables cycle went down by 14 days, entirely due to the sale of the accounts receivable under the new non-recourse factoring facilities. Absent of that the receivables turnover would have been 49 days. Irrespective of which of the metrics to consider, the efficiency ratios remain at satisfactory levels.

The profitability metrics deteriorated and were very weak as a consequence of the poor market situation in the steel industry.

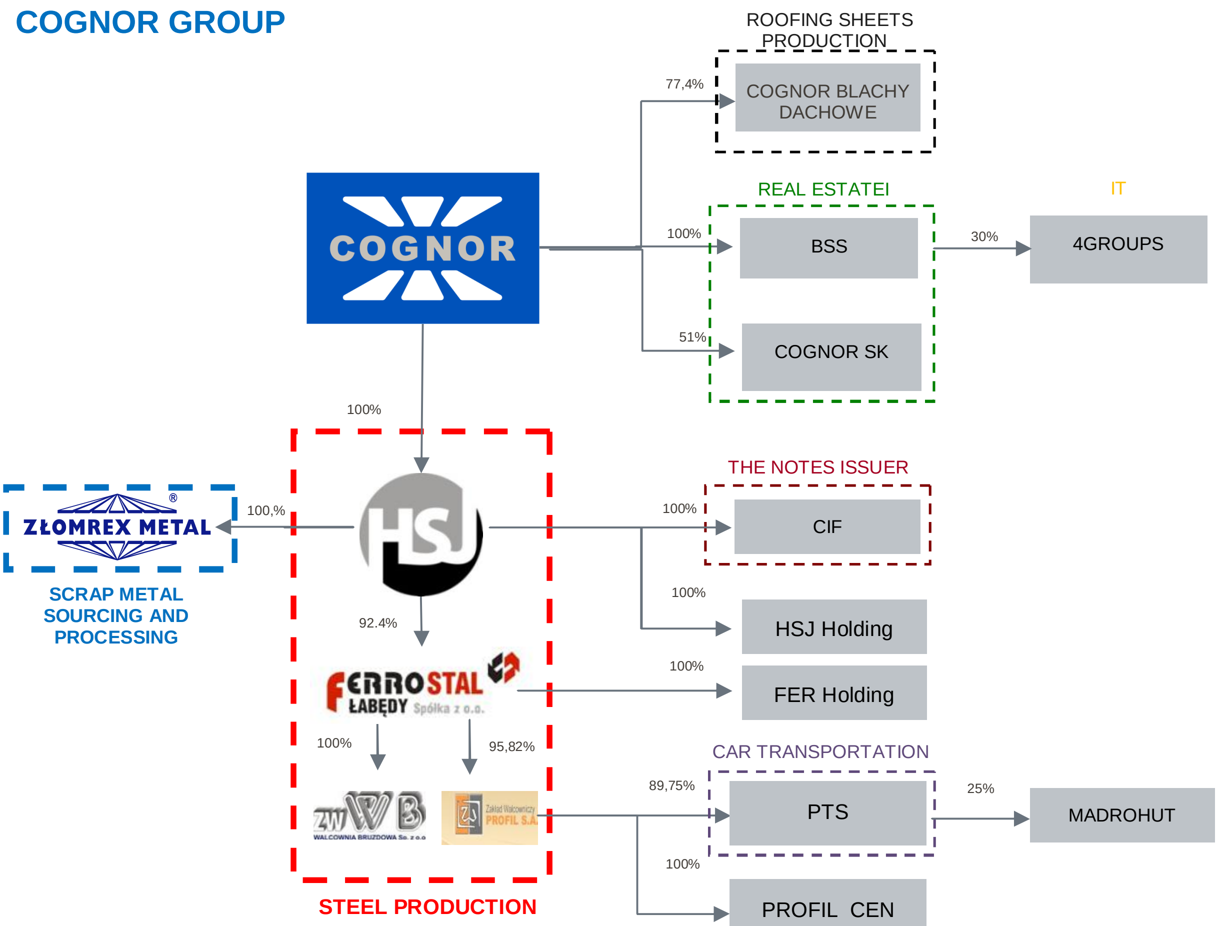
Company’s net indebtedness went down by PLN 53.4 million however it did not prevent our leverage from increasing up to 8.5 times the EBITDA due to the weak profitability.

MAIN METRICS		2015	2014	2013	2012	2011
Liquidity ratio		1,84	1,79	0.61	1.86	1.89
Quick ratio		0,73	0,81	0.30	1.11	1.19
Inventories turnover	*days*	76	81	72	50	47
Receivables turnover	*days*	34	48	53	47	48
EBITDA margin		3,6%	7,1%	5.0%	4.7%	9.3%
Net profit margin		-1,0%	0,4%	-3.7%	0.0%	7.5%
Equity	*'000 PLN*	168 691	187 286	129 134	176 842	176 441
Net debt	*'000 PLN*	414 237	467 619	554 805	513 697	556 086
Net debt / EBITDA		8,5	4,6	8.5	7.7	3.8

II. COGNOR GROUP STRUCTURE

1. Cognor Group Organisational Chart

The Group’s structure in 2015 was substantially no different to the one at the end of 2014.



2. Description of Abbreviations

FULL COMPANY NAME	ABBREVIATIONS
Cognor S.A.	COGNOR
Ferrostal -Ğabňdy Sp. z o.o.	FERROSTAL, FERR
ZW-Walcownia Bruzdowa Sp. z o.o.	ZW-WB
Huta Stali JakoŜciowych Sp. z o.o.	HSJ
ZW Profil S.A.	PROFIL
Zğomrex Metal Sp. z o.o.	ZĞOMREX METAL ZLMET
Cognor Blachy Dachowe S.A.	COGNOR BLACHY DACHOWE
Cognor S.A. Spóğka komandytowa	COGNOR SP. K.
Business Support Services Sp. z o.o.	BSS
Cognor International Finance PLC	CIF
Przedsiňbiorstwo Transportu Samochodowego S.A.	PTS
Profil Centrum Sp. z o.o. w likwidacji	PROFIL CEN
Madrohut Sp. z o.o.	MADROHUT
AB Stahl AG	AB STAHL
FER Holding Sp. z o.o.	FERHOL
HSJ Holding Sp. z o.o.	HSJHOL
4Groups Sp. z o.o.	4GR

3. Share capital

Cognor's shares are listed on the Warsaw Stock Exchange. In addition to the existing shares, Cognor issued 66,220,000 warrants series B. Their holders are allowed to subscribe for one share per each warrant during the period of the next 8 years at the strike price of PLN 2.35.

As a result of the closure of the refinancing transaction in February 4, 2014 Cognor has issued the Senior Notes at the amount of EUR 100.348.109,00 and the new exchangeable notes at the amount of EUR 25,087,003.00 (the Exchangeable Notes) in exchange for the previously outstanding senior notes. In order to structure the Exchangeable Notes all of the warrants series B held previously by PS HoldCo Sp. z o.o. were transferred to CIF. CIF is holding those on behalf of the noteholders who have the right to exchange into Cognor's capital shares by presenting the warrants and converting their claim under the Exchangeable Notes. Demands to exchange could be filed with CIF from April 1, 2015 to the Exchangeable Notes' maturity. At maturity the conversion becomes mandatory.

Concurrently with closing of the refinancing transaction Cognor issued 200 warrants series C, all offered to PS HoldCo Sp. z o.o. The holder is allowed to subscribe for one share per each warrant during the period of the next 9 years at the strike price of PLN 1,000,000.00.

In 2014 and 2015 the Company repurchased a portion of the Senior Notes and last year all of them were cancelled. Therefore, at the yearend and as of the date of this report, the nominal of the Senior Notes outstanding accounted for EUR 85,887,290.

In 2015 a few of Exchangeable Notes holders demanded conversion into Cgnor's shares. In consequence, at the yearend and as of the date of this report, the nominal of the Exchangeable Notes outstanding accounted for EUR 23,103,581. That amount is not accounted for as debt in Cognor's balance sheet due to exchangeable nature of those notes.

The following table illustrates the holding structure of the current shares and warrants:

HOLDERS	SHARES	%	WARRANTS	%
PS HoldCo Sp. z o.o	43 691 307	62,55	200	0,0
CIF	0	0,0	57 230 760	91,4
Noteholders	3 629 240	5,20	0	0,0
Przemysław Grzesiak	2 522 951	3,61	0	0,0
Free-float	20 007 990	28,64	5 360 000	8,6
Total	**69 851 488**	**100,0**	**62 590 960**	**100,0**

III. BUSINESS

According to our organizational chart, our business structure has been divided into two main divisions and other activities:

1. *scrap division* – includes activities of buying, processing, refining and sell of scrap metal and non-ferrous scrap;
2. *production division* – includes activities of processing scrap metal into steel billets, steel billets into finished products, and their sale;
3. *other* – this segment includes other activities such as: production of roofing sheets and distribution of steel products, financial activities and real property management and development.

However, in order to present our primary activities clearly and consistently, we are also analyzing our operations across the following segments:

- *scrap metal segment* which includes sourcing and processing of ferrous scrap metal which is then used internally or sold to external customers,
- *semi-finished products segment* including the production of steel billets which are partly used internally and partly sold to external customers,
- *finished products segment* which includes production of finished steel products and sales of bulk products to external customers,
- *other segments* primarily consists of non-ferrous activities of the Group including sourcing and trading in non-ferrous scrap metal, production and sales of non-ferrous products, production of roofing sheets and distribution of steel products, financial activities and real property management and development.

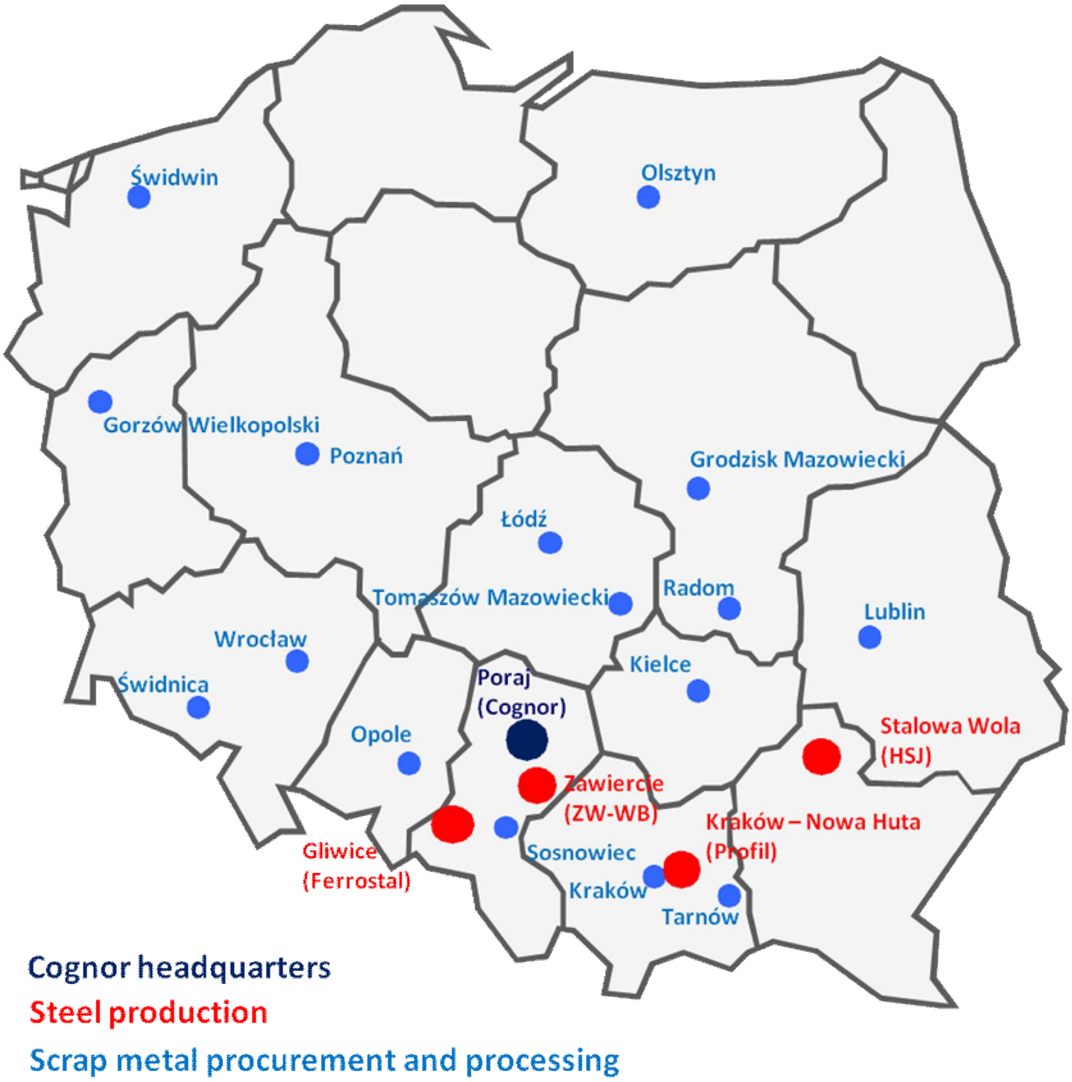
1. Scrap Metal Segment

We are one of the leaders in scrap procurement and trading in Poland with our market share in scrap purchases (excluding purchases by FERR and HSJ) at approximately 5%. Scrap operations are conducted by Złomrex Metal. Scrap sourcing activities are also conducted by FERR and HSJ entirely for the purpose of their own steel production.

We own a wide network of 16 scrap branches located close to sources of scrap metal in Poland. They are equipped with all the facilities necessary to collect, process and ship scrap metal.

In 2015, we purchased 722,683 tonnes of scrap metal, out of which 118,994 tonnes were sold to external customers in Poland and abroad.

The map provided below shows all the main scrap locations, together with our production sites and the headquarters of Cognor.



SCRAP METAL		2014	2014	2013	2012	2011
PURCHASES FROM EXTERNAL SUPPLIERS	*Tonnes*					
FERR		269 155	245 487	179 334	153 107	158 537
ZLMET		321 631	361 078	361 942	359 709	429 488
HSJ		131 897	106 711	92 238	92 852	123 718
INTERNAL USE	*Tonnes*					
FERR		408 941	423 865	363 531	320 870	410 545
HSJ		252 364	230 046	205 929	183 320	211 872
SALES TO EXTERNAL CUSTOMERS	*Tonnes*					
ZLMET		118 994	100 059	87 450	122 682	118 098
OTHER		0	0	0	68	0
SALES	*'000 PLN*					
CONSOLIDATED		100 051	94 186	88 737	130 366	120 064
TOTAL PURCHASES in TONNES		**722 683**	**713 276**	**633 514**	**605 668**	**711 743**
TOTAL INTERNAL USE in TONNES		**661 305**	**653 911**	**569 460**	**504 190**	**622 417**
TOTAL SALES in TONNES		**118 994**	**100 059**	**87 450**	**122 750**	**118 098**
TOTAL SALES in '000 PLN		**100 051**	**94 186**	**88 737**	**130 366**	**120 064**

2. Semi-Finished Products Segment

With 583,454 tonnes of crude steel produced by the Group in 2015, we had a 6.3% share in the overall Polish steel production which reached 9.2 million tonnes last year[1]. Our market share in high-alloy steel grades is much greater – with 198,833 of high-alloy crude steel we had 22.0% of this market segment in Poland[2]. Approximately two thirds of our production of semi-finished products is further rolled by our rolling mills. However, a considerable portion of our billets is sold to external customers in Poland and abroad, namely, 132,261 tonnes.

[1] *Source: CIBEH*
[2] *Source: CIBEH*

We own two steel mills, both of which are located in Poland: Ferrostal Łabędy sp. z o.o. (Ferrostal) in Gliwice and Huta Stali Jakościowych S.A. (HSW) in Stalowa Wola. In 2015, our combined capacities were utilized up to 91.7%.

2011	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERR	375 000	348 596	93.0%
HSJ	261 000	186 012	71.3%
Total	**636 000**	**534 608**	**84.1%**

2012	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERR	375 000	303 810	81.0%
HSJ	261 000	159 037	60.9%
Total	**636 000**	**462 847**	**72.8%**

2013	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
FERR	375 000	324 695	86,6%
HSJ	261 000	181 271	69,5%
Total	**636 000**	**505 966**	**79,6%**

2014	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
FERR	375 000	381 477	101,7%
HSJ	261 000	201 072	77,0%
Total	**636 000**	**582 549**	**91,6%**

2015	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
FERR	375 000	363 492	96,9%
HSJ	261 000	219 962	84,3%
Total	**636 000**	**583 453**	**91,7%**

BILLETS		2015	2014	2013	2012	2011
PRODUCTION	*Tonnes*					
FERR		363 492	381 477	324 695	303 810	348 596
HSJ		219 962	201 072	181 271	159 037	186 012
INTERNAL USE	*Tonnes*					
FERR		259 379	211 573	163 797	89 321	96 357
HSJ		191 840	182 923	172 151	140 712	169 103
SALES TO EXTERNAL CUSTOMERS	*Tonnes*					
FERR		104 113	169 904	160 898	214 489	252 239
HSJ		28 148	18 149	9 120	18 325	16 909
SALES	*'000 PLN*					
CONSOLIDATED		228 178	360 524	346 415	493 767	551 525
TOTAL PURCHASES in TONNES		**26**	**0**	**0**	**0**	**0**
TOTAL PRODUCTION in TONNES		**583 454**	**582 549**	**505 966**	**462 847**	**534 608**
TOTAL INTERNAL USE in TONNES		**451 219**	**394 496**	**335 948**	**230 033**	**265 460**
TOTAL SALES in TONNES		**132 261**	**188 053**	**170 018**	**232 814**	**269 148**
TOTAL SALES in '000 PLN		**228 178**	**360 524**	**346 415**	**493 767**	**551 525**

3. Finished Products Segment

The finished products segment consists of production, purchasing and wholesale distribution of finished products. Currently the Group has rolling capacities in three locations in Poland.

2011	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW-WB - plain bars, flat bars, squares	198 000	82 322	41.6%
HSJ			
- bars	178 000	144 815	81.4%
- sheets	100 800	13 520	13.4%

2012	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
ZW-WB - plain bars, flat bars, squares	198 000	80 468	40.6%
HSJ			
- bars	178 000	118 973	66.8%
- sheets	100 800	14 170	14.1%

2013	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
ZW-WB - plain bars, flat bars, squares	198 000	71 947	36.3%
HSJ			
- bars	178 000	151 394	85.1%
- sheets	100 800	4 818	4.8%

2014	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	79 627	40.2%
PROFIL - plain bars, flat bars, squares	132 000	108 656	82.3%
HSJ			
- bars	178 000	149 449	84.0%
- sheets	100 800	10 604	10.5%

2015	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	78 441	39.6%
PROFIL - plain bars, flat bars, squares	198 000	150 402	76.0%
HSJ			
- bars	178 000	150 311	84.4%
- sheets	100 800	18 087	17.9%

FINISHED PRODUCTS	2015	2014	2013	2012	2011
PRODUCTION *Tonnes*					
ZWWB	78 441	79 627	71 947	80 468	82 322
HSJ	172 937	160 053	156 212	133 144	158 335
PROFIL	150 402	108 656	70 931	n.c.*	n.c.*
SALES TO EXTERNAL CUSTOMERS *Tonnes*					
FERR	224 491	186 571	142 425	75 154	84 291
HSJ	168 397	151 788	150 098	131 387	147 282
SALES *'000 PLN*					
CONSOLIDATED	868 672	823 098	745 598	618 700	718 070
TOTAL PURCHASES in TONNES	**582**				
TOTAL PRODUCTION in TONNES	**401 780**	**348 336**	**299 090**	**213 612**	**240 657**
TOTAL BULK PRODUCT SALES in TONNES	**392 888**	**338 359**	**292 523**	**206 541**	**231 573**
TOTAL SALES in '000 PLN	**868 672**	**823 098**	**745 598**	**618 700**	**718 070**

**not consolidated*

In 2015, the apparent use of finished products in Poland was at 12.5 million tonnes[1]. The production of finished products in 2015 reached 8.0 million tonnes, of which 5.0 million tonnes consisted of long products, including seamless tubes[2]. Within long products, merchant bar production accounted for 0.5 million tonnes[2]. Our market share in the production of merchant bars is approximately 27.0%. Production of SQ bars reached 0.4 million tonnes and according to those figures we have reached 36.0%[2] of the market share.

[1] *Source: HIPH*
[2] *Source: CIBEH*

4. Other Segments

This segment consists of sourcing and trading in non-ferrous scrap metal, production and sales of non-ferrous products, management and development of real properties and others. We view the segment as peripheral and so we do not concentrate on its activities.

IV. 2015 Analysis and 2016 Outlook

In 2015 we saw the very poor market environment. Although the demand for steel remained strong our margins suffered a compression as compared to 2014. The competitive position of EAF producers, including Cognor, vis-à-vis BOF ones, did not improve. The Chinese surplus of steel production undermined any hopes for the increase in prices and margins. China and some other steel producing countries intensified the unfair trade practises in Europe and the US.

It seems to us that the crucial factor determining the steel market sentiment in Europe will be reliant on whether the European Union takes appropriate and swift actions preventing the unfair imports of steel products. On the positive side we expect some improvement of the competitive position of EAF producers driven by further decrease in scrap metal prices.

In recent years we undertook a series of restructuring initiatives to be able to cope in constrained circumstances. Thanks to them as well as due to the stabilization of our capital structure by way of securing the new and long-term financing structure in 2014, we became capable of getting through challenging market circumstances and we are ready to cope with them going forward.

Within the area of our business presence we expect the steel market to remain supportive in terms of the demand. In 2016 we are going to finalize the modernization programme with respect to production of SQ bars at HSJ mill. Most of the capital expenditures have already been completed in recent years and the last stage of the upgrade of our finishing line there is going to be finalized in H2 2016. Other capital expenditures were also applied at Ferrostal mill. Thus, we hope to be able to capitalize on those initiatives and improve our product spreads in 2016, irrespective of the steel market sentiment.

Last year Cognor was able to actively manage its balance sheet in order to progress reduction of the indebtedness. We aim to continue those efforts in 2016 and the implementation of any new significant CAPEX plans is contingent on the further success in limiting the Group's leverage.

V. Liquidity

Cognor is primarily financed by the long-term bonds and equity. We have also access to a number of short-term liquidity facilities including: overdrafts, revolver bank lines and factoring arrangements predominantly on a non-recourse basis. The existing diversification of the short-term facilities allows us to assume the ongoing access to financing means necessary to continue and develop our operations. We view the total amount of the facilities to be sufficient for the current needs of the Company as well as it provides an adequate cushion for any incremental cash requirements.

VI. Corporate Governance

There were no changes in the Supervisory Board of the Company. No changes occurred at Cognor's subsidiaries either.

VII. Related Party Transactions and Indebtedness

Related Party Transactions and Indebtedness are described in detail in the respective sections of our 2015 financial statement.

VIII. Earnings call

The conference call on our 2015 results will be held in English language on Tuesday, March 29, 2016, at 16:00 CET (15:00 London). On that day a presentation discussing operational and financial details will also be made available on the Company's website at: www.cognor.eu.

All participants are invited to review the presentation and are kindly asked to register in advance using the following link: :
https://eventreg2.conferencing.com/webportal3/reg.html?Acc=018047&Conf=221885

………………………………

Przemysław Sztuczkowski

Chairman of the Executive Board

………………………………

Przemysław Grzesiak

Vice-chairman of the Executive Board

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Krzysztof Zoła

Member of the Executive Board

………………………………

Dominik Barszcz

Member of the Executive Board

Poraj, March 21, 2016