March 21, 2017

2016 Annual Report and Management Discussion & Analysis

The Management Board of Cognor Holding 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, 2016.

I. INTRODUCTION

The year 2016 saw a stabilisation in the steel industry. Global steel production increased slightly by just 0.8% and was still lower than in the record twelve months of 2014. Again the higher output was primarily generated by China although any increases of the demand were actually limited to the USA and the European Union. Poland was one of the countries with a positive demand growth - by 4.8% - with a mounting gap between that and the steel output which fell by 3.3% last year.

The mismatch between steel production and demand prompted a rapid increase of exports from many countries. The European steel producers have long been complaining about the unfair trade practices applied by China, Russia, Belorussia and others. However, only recently have the protectionist measures considered by the EU been really put to work. Thanks to them, the European steel producers regained some breathing space and began margin recovery.

Apart from the anti-dumping sanctions, there was another crucial factor which created positive momentum for the steel producers that use the electric arc furnace (EAF) technology, namely the larger increases of prices of iron ore and coking coal relative to the price of ferrous scrap metal. This resulted in the limitation of the feedstock cost advantage which the basic oxygen furnace (BOF) producers have been enjoying for the past number of years. The Improving competitive position has allowed the EAF producers to start their comeback on the semi-finished products market and to expect higher profitability across all areas of activities.

Last year Cognor, as an EAF producer in the EU, was able to partially capitalize on the positive market trends. In spite of the gradually decreasing prices for crude steel and steel products, we managed to further increase the utilization of our steel melting capacities and raised our shipments of finished products. We also started seeing better profitability for some of them although both the combined billet and product spreads fell last year. This was attainable due to our constant dedication to expenditure control resulting in historically low production costs.

Given all the circumstances, we consider last year's results to be fairly satisfactory. Despite the decrease of steel prices we nearly repeated the level of revenues of 2015. Although the spreads narrowed further we almost doubled our EBITDA. Our net result was a profit irrespective of significant unrealized FX losses related to our indebtedness.

II. MACRO BACKGROUND

1. Market Drivers

The steel business cyclicality is determined by the demand in the construction and the automotive sectors. The year 2015 brought a slowdown in construction activity in China which revealed a huge surplus of steel supply that spilt outside that country leading to the collapse of prices of raw materials used in steel manufacturing as well as steel products' prices. In response, the Chinese Government announced a five year program aimed at cutting 150 million tonnes of steelmaking capacities. Contrary to the expectations the crude steel capacity actually increased in China last year by 3 million tonnes. In the whole world it grew by 54 tonnes reaching an all time high of 2,390 million tonnes.

CRUDE STEEL PRODUCTION	2016	% YoY	2015	2014	2013	2012	2011	2010
m tonnes								
Europe	**303**	**-0.3%**	**304**	**311**	**311**	**318**	**327**	**314**
Poland	8.9	-3.3%	9.2	8.6	8.0	8.4	8.8	8.0
EU (28)	166	-2.3%	166	169	166	169	177	173
CIS	101	-0.8%	102	109	109	111	112	108
North America	**111**	**0.1%**	**111**	**121**	**119**	**122**	**119**	**112**
USA	79	-0.3%	79	88	87	89	86	81
South America	**39**	**-10.7%**	**44**	**45**	**46**	**47**	**48**	**44**
Africa / Middle East	**45**	**3.5%**	**43**	**44**	**42**	**34**	**34**	**36**
Asia	**1 125**	**1.6%**	**1 108**	**1 111**	**1 059**	**983**	**954**	**881**
China	804	1.2%	799	823	779	709	683	627
Japan	105	-0.3%	105	111	111	107	108	109
Oceania	**6**	**1.8%**	**6**	**5**	**6**	**6**	**7**	**8**
Total	**1 629**	**0.8%**	**1 615**	**1 647**	**1 582**	**1 510**	**1 490**	**1 396**

Source: World Steel Association

Interestingly, the slight increase in steel demand occurred in other parts of the world and not where the steel output climbed. Primarily the USA and the EU, including Poland, drove the steel consumption dynamics last year.

STEEL DEMAND	2016	% YoY	2015
mln tonnes			
Europe	**248**	**1.5%**	**244**
UE (28)	156	1.6%	153
Poland	13.1	2.5%	12.5
CIS	50	-1.8%	51
North America	**134**	**-0.7%**	**135**
USA	99	3.2%	96
South America	**41**	**-10.1%**	**45**
Africa / Middle East	**93**	**0.5%**	**92**
Asia / Oceania	**988**	**0.3%**	**985**
China	645	-4.0%	672
Japan	64	2.4%	63
TOTAL	**1501**	**0.6%**	**1493**

Source: World Steel Association

This leads to the conclusion that the threat of product dumping is likely to persist for a longer period of time and that the Western countries will have to continue close monitoring of international trade practices in steel. We do hope this will be the case going forward. On the other hand one should keep an eye on whether the output cut efforts in China convert into any real reduction of excess capacities. The current year should prove how candid those declarations were.

The Polish market has again performed stronger as compared to the rest of the EU due to greater GDP growth. Most of the industries using steel saw increases with the exception of the construction sector where a decline of 14% was noted last year. This has been fully offset however by the EU protectionist measures resulting in the elimination of dumping of steel products. For example, the imports of rebars to Poland fell by 41% last year, while the volume of exports remained practically unchanged leaving the local producers with the opportunity to increase their market share.

The Polish public deficit and indebtedness have remained at relatively low levels and the banking sector has looked healthy in Poland. The new EU financial perspective (2014-2020) should start fuelling infrastructural spending soon at least for the forthcoming years. The fears over the policies of the new Polish Government elected back in 2015 and their potential adverse impact on the country’s ratings have cooled down for the time being. The European Commission seems to be truly dedicated to preventing subsidised products from flowing into the EU market. The German economy, the second largest market for Cognor, has been looking good too.

2. EAF v. BOF Cost Position

Between 2011 and 2015 we saw a steady 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 the cost position of non-integrated (with no mining operations) BOF producers as compared to EAF producers. In 2016 the trend reversed and for the first time our competitive position improved vis-à-vis the manufacturers that use iron ore and coking coal, 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

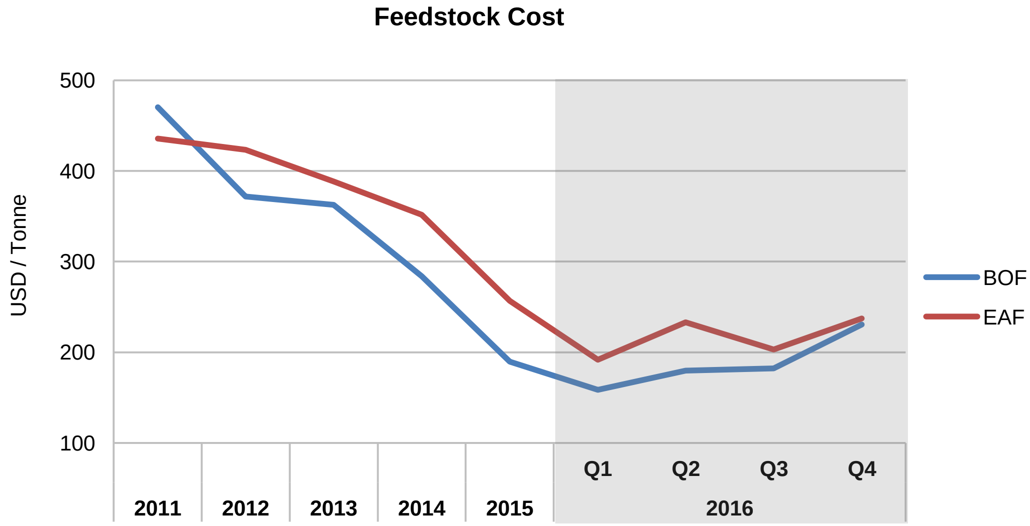
Source: OECD, Steelonthenet, HIPHGZ, Cognor

Market Prices	iron ore	coking coal	scrap metal
USD / tonne			
2011	168	200	389
2012	129	145	378
2013	135	122	347
2014	97	105	314
2015	55	89	229
2016	59	89	193

Source: IMF (iron ore, 62% Fe spot, CFR Tianjin), EIA (coking coal, export USA), 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	2016				Y 2016
						Q1	Q2	Q3	Q4	
USD / Tonne										
BOF	470	372	363	284	190	159	180	182	231	188
EAF	436	423	388	352	257	192	233	203	237	216
Difference	**34**	**-52**	**-26**	**-68**	**-67**	-33	-53	-21	-7	**-28**



3. Prices & Spreads

The unfavourable competitive position of Cognor as an EAF producer has improved significantly during the last few quarters and we are looking forward to its continuation. Although we are starting to see more and more opportunities for profitable sales of semi finished products, the billet margins still remained under pressure last year. Margins for most of our finished products, including rebars, rose in 2016 in spite of the falling price environment. The only exception related to the margin for special quality bars (SQ bars) where we saw a further significant decline.

The following table presents the average scrap metal, billet and finished product prices as well as spreads for both of our steel mills. The spreads are calculated by way of subtraction of the ferrous scrap metal prices from the billet and product prices. Our weighted average product spread for Ferrostal mill decreased due to the strong increment of share of rebar production and sales for which spreads, although increased considerably in 2016, have been much lower than for other categories of our finished products.

PRICES AND SPREADS	2016	2015	2014	2013	2012	2011	2010
(pln/ tonne)							
FERROSTAL							
scrap metal price *(all qualities, mill dlivered)*	755	864	989	1 096	1 236	1 152	898
billet price *(all qualities)*	1 491	1 660	1 858	2 015	2 121	2 038	1 629
billet spread	*736*	*796*	*869*	*919*	*885*	*885*	*731*
finished product price *(all categories)*	1 714	1 842	2 036	2 131	2 341	2 283	1 921
product spread	*959*	*978*	*1 047*	*1 036*	*1 104*	*1 131*	*1 023*
HSJ							
scrap metal price *(all qualities, mill dlivered)*	823	902	1 041	1 109	1 229	1 183	916
billet price *(all qualities)*	1 768	1 968	2 472	2 450	n/a	n/a	n/a
billet spread	*945*	*1 066*	*1 431*	*1 341*	n/a	n/a	n/a
finished product price *(all categories)*	2 463	2 703	2 920	2 937	3 386	3 535	3 006
product spread	*1 640*	*1 801*	*1 879*	*1 829*	*2 157*	*2 352*	*2 091*

4. Market Share

Our production and shipments in 2016 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). Lately, a growing share in our product mix have had sales of rebars. We aim to operate with maximum flexibility in order to be able to change between several grades of crude steel and different types of finished products, depending on the current profitability for various product groups. The table presented below shows details of our market share. Most of the Poland's output data relate to 2015 (unless marked otherwise) since not all the statistics have yet been made available as of the date of this report.

	POLAND	COGNOR 2016	
	tonnes	*tonnes*	*%*
scrap metal procurement *(2016)*	6 379 000	306 145 *(1)*	5%
crude steel total, incl.:	9 198 028	628 766	7%
carbon steel	8 295 442	423 278	5%
hi-alloy and stainless	902 586	205 488	23%
crude steel EAF	3 877 248	628 766	16%
crude steel BOF	5 320 780		
hot rolled products, incl.:	7 952 691	475 768	6%
flat products	2 887 860	6 973	0%
long products, incl.:	4 943 085	468 795	9%
wire rod	1 157 942		
heavy beams	1 230 845		
light beams	36 433		
rails	356 893		
rebars	1 223 778	189 044	15%
merchant bars, incl.:	510 151	126 016	25%
plain bars	165 435	29 303	18%
flat bars, squares and shapes	344 716	96 713	28%
SQ bars	427 043	153 736	36%
seamless tubes	121 746		

(1) excludes direct mills' purchases
Source: CIBEH, HIPHGZ, World Steel Association

III. ACCOUNTS

1. Statements of profit or loss and other comprehensive income

Improving, but still the challenging conditions in our business resulted in a slightly lower consolidated revenues – by 0.9%. However, we managed to produce 7.8% more of crude steel and sold 8.6% more tonnes of combined scrap metal, billets and finished products as compared to 2015. Almost all of the increase was offset by the decreasing prices of ferrous scrap metal, semi-finished and finished products.

SALES	2016	% YoY	2015	2014	2013	2012
'000 PLN						
Scrap metal	71 608	-28.4%	100 051	94 186	88 737	130 366
Billets	198 790	-12.9%	228 178	360 524	346 415	493 767
Finished products	941 127	8.3%	868 672	823 098	745 598	618 700
Total	**1 211 525**	**1.2%**	**1 196 901**	**1 277 808**	**1 180 750**	**1 242 833**
Tonnes						
Scrap metal	95 047	-20.1%	118 994	100 059	87 450	122 750
Billets	125 816	-4.9%	132 261	188 053	170 018	232 814
Finished products	478 803	21.9%	392 888	338 359	292 523	206 541
Total	**699 666**	**8.6%**	**644 143**	**626 471**	**549 991**	**562 105**

The price for our billets and finished products manufactured at Ferrostal mill (FERR) went down by 10.2% and 6.9% respectively and the price for HSJ also fell by 10.2% with respect to billets and 8.9% for finished products. In spite of that Cognor saw a significant improvement of gross profit – by PLN 46.9 million and 48.9%, EBIT – by PLN 43.4 million and 329.9% and EBITDA – by PLN 45.8 million and 93.5%. The development of spreads was detrimental for our profitability and resulted in PLN 16.7 million of EBITDA leakage. This was fully offset by the increase of shipments and further progress in reducing our production costs.

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

YEARLY AVERAGE EXCHANGE RATES	2016	2015	2014	2013	2012
PLN					
EUR/PLN	4.36	4.18	4.19	4.20	4.19
% change	4%	0%	0%	0%	2%
USD/PLN	3.94	3.77	3.18	3.16	3.26
% change	5%	19%	1%	-3%	10%

Source: Polish National Bank

In 2016 we saw some EUR/PLN volatility. EUR/PLN exchange rate generated significant unrealized losses related to the Company's indebtedness at the amount of PLN 15.7 million.

END OF PERIOD EXCHANGE RATES	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
PLN					
EUR/PLN	4.42	4.26	4.26	4.15	4.09
% change	4%	0%	3%	1%	-7%
USD/PLN	4.18	3.90	3.51	3.01	3.10
% change	7%	11%	17%	-3%	-9%

Source: Polish National Bank

Net financing costs were partially offset by the positive result of the repurchase and the cancellation of our senior secured notes (the Senior Notes) to the tune of PLN 5.2 million and PLN 0.7 million respectively.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2016	2015	2014	2013	2012
'000 PLN					
Sales revenue	1 352 393	1 364 804	1 422 546	1 294 269	1 399 674
Cost of sales	-1 209 687	-1 268 982	-1 275 863	-1 191 124	-1 303 894
Gross profit	**142 706**	**95 822**	**146 683**	**103 145**	**95 780**
Other income	5 727	4 717	11 383	10 956	11 571
Distribution expenses	-49 970	-47 791	-43 033	-39 518	-33 950
Administrative expenses	-37 918	-34 640	-38 496	-34 964	-34 691
Other gains/(losses) – net	2 697	2 952	647	1 979	-2 224
Other expenses	-6 724	-7 913	-11 159	-13 485	-11 636
EBIT	**56 518**	**13 147**	**66 025**	**28 113**	**24 850**
Financial income	5 216	26 678	1 789	0	36 675
Financial expenses	-68 212	-57 009	-69 092	-75 955	-62 424
Net financing costs	**-62 996**	**-30 331**	**-67 303**	**-75 955**	**-25 749**
Share of profits of associates	103	-85	-626	2 759	0
Excess in fair value of acquired assets	0	0	5 859	0	0
Profit before tax	**-6 375**	**-17 269**	**3 955**	**-45 083**	**-899**
Income tax expense	7 901	3 324	5 790	-2 619	1 086
Result from discontinued operations	0	0	-4 047	0	0
Profit for the period	**1 526**	**-13 945**	**5 698**	**-47 702**	**187**
Depreciation and amortization	-38 320	-35 863	-35 072	-37 078	-41 532
EBITDA	**94 838**	**49 010**	**101 097**	**65 191**	**66 382**

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 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*	*18 538*	*21 318*
- result on cancellation of debt	*0*	*0*	*0*	*2 649*	*2 649*
- share of profits of associates	*10*	*-46*	*-86*	*37*	*-85*
- pro-forma income tax adjustment	*432*	*-736*	*-379*	*-3 831*	*-4 515*
Adjusted net result	**-8 186**	**582**	**-10 330**	**-18 288**	**-36 221**

DESCRIPTION	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
'000 PLN					
Reported EBITDA	**13 899**	**33 418**	**24 986**	**22 535**	**94 838**
Non-recurring items including:	930	492	-545	2 521	3 398
- costs of sales	*0*	*0*	*0*	*0*	*0*
- other income	*203*	*88*	*225*	*1 288*	*1 804*
- distribution expenses	*131*	*61*	*31*	*20*	*243*
- administrative expenses	*0*	*0*	*0*	*0*	*0*
- other gains/losses	*572*	*-584*	*675*	*1 064*	*1 727*
- operational FX result	*226*	*1 139*	*-1 252*	*857*	*970*
- other impairments	*-202*	*-212*	*-224*	*-708*	*-1 346*
Adjusted EBITDA	**12 965**	**32 926**	**25 531**	**20 014**	**91 440**
Reported net result	**-6 549**	**538**	**11 771**	**-2 266**	**3 494**
Non-recurring items including:	-681	-12 426	10 609	-5 421	-7 191
- EBITDA adjustments	*930*	*492*	*-545*	*2 521*	*3 398*
- FX result on debt	*-1 471*	*-14 665*	*11 040*	*-10 616*	*-15 712*
- result on own debt repurchase	*0*	*2 165*	*0*	*3 051*	*5 216*
- result on cancellation of debt	*0*	*0*	*0*	*712*	*712*
- share of profits of associates	*37*	*87*	*10*	*-31*	*103*
- pro-forma income tax adjustment	*-177*	*-505*	*104*	*-1 059*	*-1 637*
Adjusted net result	**-5 868**	**12 964**	**1 163**	**3 155**	**11 413**

In 2015 the compound amount of the adjustments proved insignificant for EBITDA with a sizable impact on our net result. Our normalized EBITDA stood at PLN 46.6 million and the adjusted net result was a loss of PLN 36.2 million. Last year the non-recurring items had their slight positive contribution for EBITDA and a considerable one for our net profit. In 2016 our adjusted EBITDA amounted for PLN 91.4 million and the net adjusted profit for PLN 11.4 million.

2. Statement of financial position

The level of fixed assets increased primarily due to the undertaken capital expenditures (net of disposals) at the amount of PLN 45.8 million, partially offset by depreciation charges at the amount of PLN 38.3 million. The current assets increased by 7.4% as a result of the 13.0% increase of inventories and the 7.4% increase of receivables.

ASSETS	2016	2015	2014	2013	2012
'000 PLN					
A. TOTAL NON-CURRENT ASSETS	**424 942**	**408 497**	**422 663**	**450 960**	**472 467**
I. Intangible assets	11 938	10 834	11 338	12 163	15 435
II. Property, plant and equipment	292 821	278 043	289 565	293 145	317 671
III. Other receivables	126	49	34	41 500	40 943
IV. Investment property and other investments	8 055	16 725	17 000	11 298	7 720
V. Prepaid perpetual usufruct of land	19 944	20 828	22 794	18 535	18 954
VI. Deferred tax assets	92 058	82 018	81 932	74 319	71 744
B. TOTAL CURRENT ASSETS	**470 359**	**437 814**	**517 854**	**459 505**	**442 042**
I. Inventories	297 741	263 476	283 058	234 816	179 201
II. Receivables	141 626	131 904	192 038	191 755	186 904
1. Trade receivables	*136 997*	*127 378*	*187 421*	*186 553*	*181 691*
2. Current income tax receivable	*1 908*	*290*	*10*	*12*	*82*
3. Other investments	*2 721*	*4 236*	*4 607*	*5 190*	*5 131*
III. Cash and cash equivalents	24 980	36 928	35 648	14 778	64 151
IV. Prepayments	0	0	0	9 205	0
V. Assets classified as held for sale	6 012	5 506	7 110	8 951	11 786
Total	**895 301**	**846 311**	**940 517**	**910 465**	**914 509**

Equity decreased by 7.6%. Interest bearing loans and borrowings net of cash went up by PLN 15.7 million as a result of the FX losses related to our indebtedness at the amount of PLN 15.7 million.

EQUITY AND LIABILITIES	2016	2015	2014	2013	2012
'000 PLN					
A. EQUITY	**155 903**	**168 691**	**187 286**	**129 134**	**176 842**
I. Issued share capital	150 532	139 702	132 444	132 444	132 444
II. Reserves and retained earnings	-8 404	7 420	33 579	-17 009	31 567
III. Minority interest	13 775	21 569	21 263	13 699	12 831
B. LIABILITIES	**739 398**	**677 620**	**753 231**	**781 331**	**737 667**
I. Non-current liabilities	416 808	439 447	463 798	**25 627**	**500 373**
1. Employee benefits obligation	*9 058*	*9 113*	*9 597*	*7 313*	*6 735*
2. Interest-bearing loans and borrowings	*376 398*	*386 446*	*408 896*	*6 677*	*487 020*
3. Other	*31 352*	*43 888*	*45 305*	*11 637*	*6 618*
II. Current liabilities	322 590	238 173	289 433	755 704	237 294
1. Interest-bearing loans and borrowings	*72 451*	*48 873*	*87 402*	*562 906*	*75 333*
2. Bank overdraft	*23 154*	*15 846*	*6 969*	*0*	*15 495*
3. Trade payables	*218 824*	*164 768*	*183 717*	*188 763*	*142 170*
4. Deferred government grants	*117*	*117*	*4 588*	*117*	*736*
5. Employee benefits obligation	*4 914*	*4 867*	*105*	*3 250*	*2 815*
6. Current income tax payable	*0*	*5*	*6 535*	*152*	*315*
7. Provisions for payables	*3 130*	*3 697*	*4 588*	*516*	*430*
Total	**895 301**	**846 311**	**940 517**	**910 465**	**914 509**

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 tune of PLN 6.3 million.

Cash flow involving investment activities was negative with capital expenditures at the amount of PLN 32.7 million partially offset by inflows from the disposition of assets at the amount of PLN 3.1 million.

Financing cash flow was negative primarily from the repayment of the principal at the amount of PLN 49.1 million as well as interest and other costs at the amount of PLN 55.6 million. Those were partially offset by the incurrence of indebtedness at the amount of PLN 20.9 million.

CASH FLOW	2016	2015	2014	2013	2012
'000 PLN					
A. OPERATING ACTIVITIES	91 632	101 309	51 795	46 467	39 282
B. INVESTING ACTIVITIES	-27 121	-3 146	628	-1 742	23 247
C. FINANCING ACTIVITIES	-83 767	-105 746	-38 543	-78 591	-35 801
Net increase in cash	**-19 256**	**-7 583**	**13 880**	**-33 866**	**26 728**

4. Main Metrics

Liquidity metrics deteriorated but remained at satisfactory levels.

Turnover of inventories worsened by 14 days and the receivables cycle by 3 days, still the efficiency ratios remain fair.

The profitability metrics improved as a consequence of the improvement of our results.

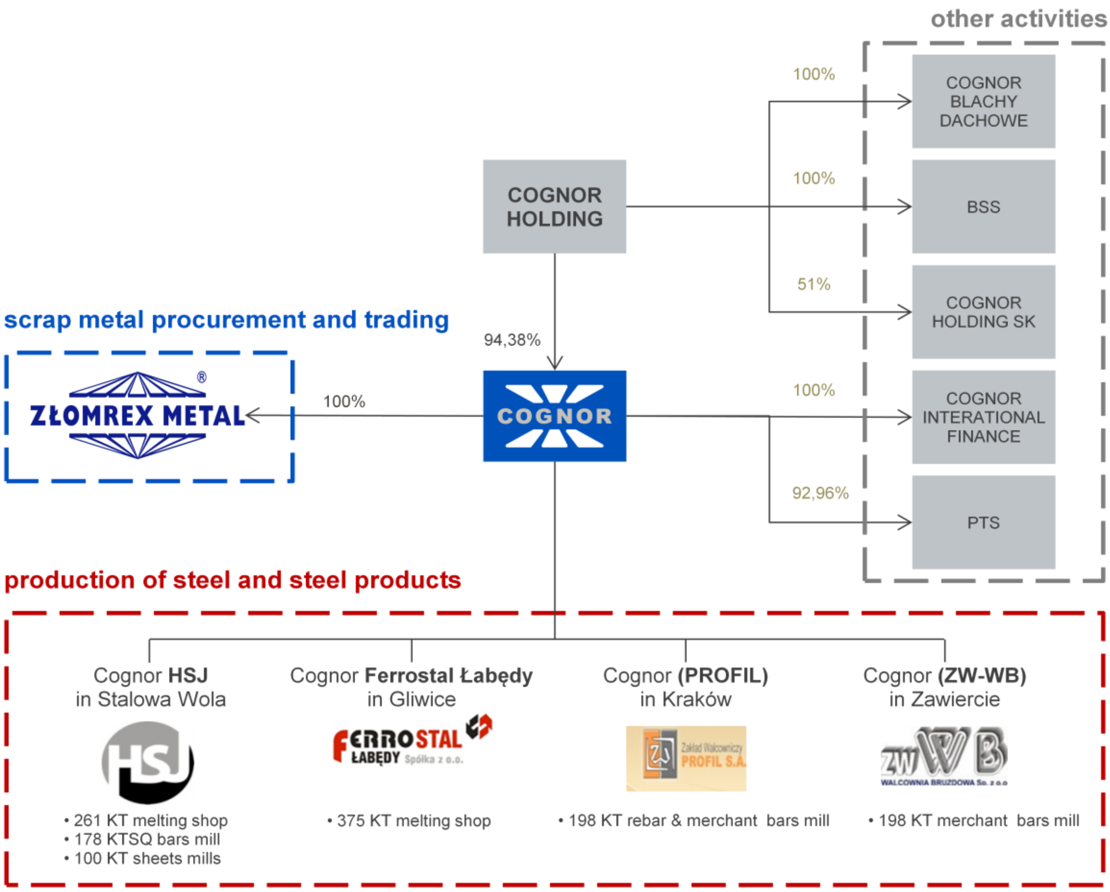
Company's leverage went down to 4.7 times as a consequence of higher EBITDA.

MAIN METRICS		2016	2015	2014	2013	2012
Liquidity ratio		1.46	1.84	1.79	0.61	1.86
Quick ratio		0.54	0.73	0.81	0.30	1.11
Inventories turnover	*days*	90	76	81	72	50
Receivables turnover	*days*	37	34	48	53	47
EBITDA margin		7.0%	3.6%	7.1%	5.0%	4.7%
Net profit margin		0.1%	-1.0%	0.4%	-3.7%	0.0%
Equity	*'000 PLN*	155 903	168 691	187 286	129 134	176 842
Net debt	*'000 PLN*	447 023	414 237	467 619	554 805	513 697
Net debt / EBITDA		4.7	8.5	4.6	8.5	7.7

IV. COGNOR GROUP STRUCTURE

1. Cognor Group Organisational Chart

The Group's structure has changed following the merger between all the key production entities in December 2015. The consolidation enabled the simplification of the management within that division and the reduction the scale of intercompany transactions.



2. Description of Abbreviations

FULL COMPANY NAME	ABBREVIATIONS
Cognor Holding S.A.	COGNOR HOLDING
Cognor S.A.	COGNOR
Złomrex Metal Sp. z o.o.	ZŁOMREX METAL; ZLMET
Cognor Blachy Dachowe S.A.	COGNOR BLACHY DACHOWE
Business Support Services Sp. z o.o.	BSS
Cognor Holding S.A. Spółka komandytowa	COGNOR HOLDING SK
Cognor International Finance PLC	CIF
Przedsiębiorstwo Transportu Samochodowego S.A.	PTS

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. (PSH) 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 the closing of the refinancing transaction Cognor issued 200 warrants series C, all offered to PSH. 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, 2015 and 2016 the Company repurchased a portion of the Senior Notes and cancelled all of them. Therefore, at the yearend and as of the date of this report, the nominal of the Senior Notes outstanding accounted for EUR 80,887,290.

In 2015 and 2016 a few of the Exchangeable Notes holders demanded conversion into Cognor'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 20,150,557. Within that PSH holds the amount of EUR 1,938,906. The Exchangeable Notes are not accounted for as debt in Cognor's balance sheet due to the mandatorily exchangeable nature of that instrument. The following table illustrates the current holding structure of shares and warrants:

HOLDERS	SHARES	%	WARRANTS	%
PS HoldCo Sp. z o.o	50 800 325	67.49	200	0.0
CIF	0	0.0	51 816 579	90.6
Free-float	24 465 544	32.51	5 360 000	9.4
Total	**75 265 869**	**100.0**	**57 376 579**	**100.0**

V. 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 selling 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 consist 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.

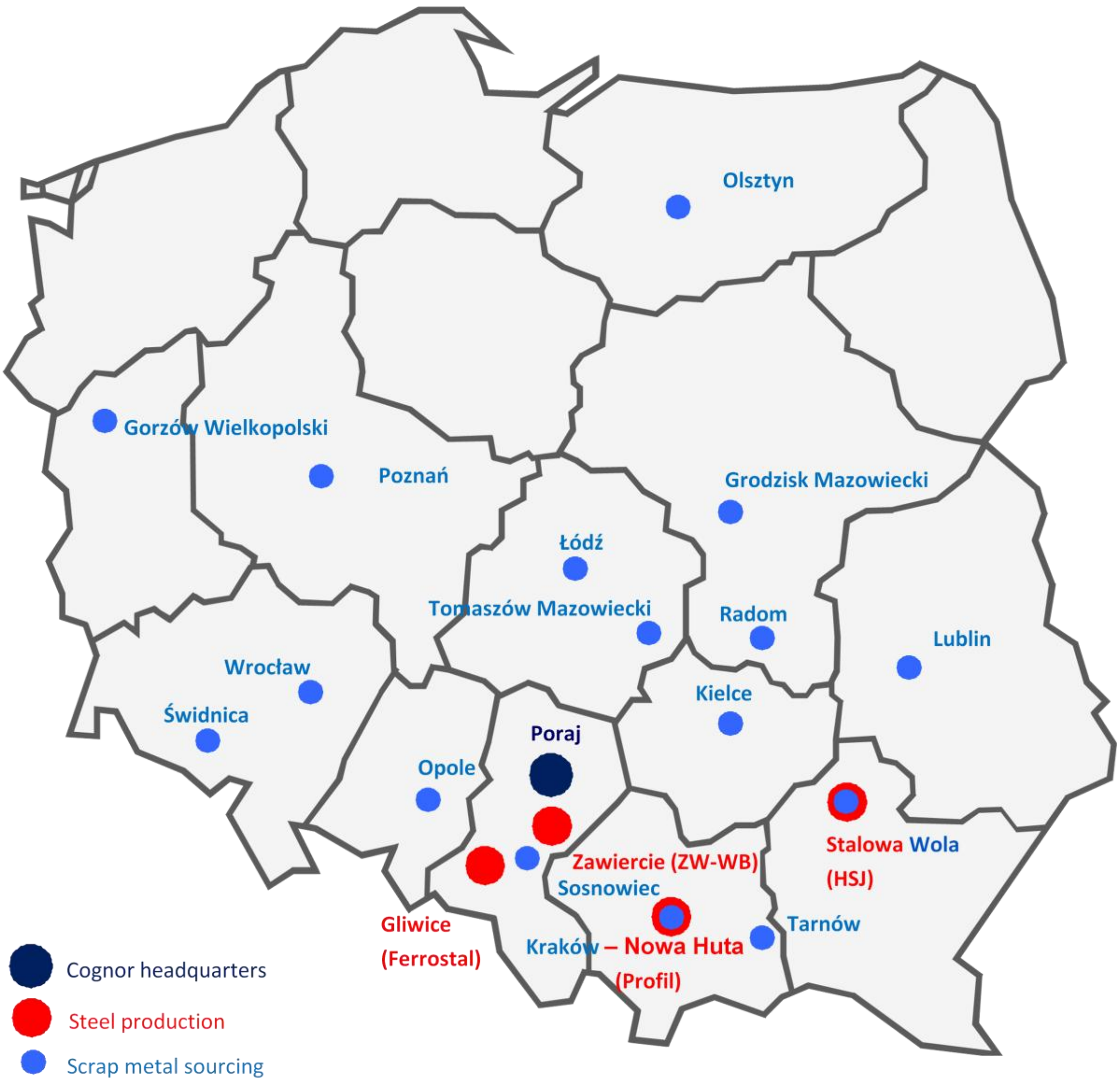
1. Scrap Metal Segment

   We are one of the leaders in scrap procurement and trading in Poland with our market share in scrap purchases (excluding direct mills' 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 2016, we purchased 803,232 tonnes of scrap metal, out of which 95,047 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		2016	2015	2014	2013	2012
PURCHASES FROM EXTERNAL SUPPLIERS	*Tonnes*					
FERR		358 383	269 155	245 487	179 334	153 107
ZLMET		306 145	321 631	361 078	361 942	359 709
HSJ		138 704	131 897	106 711	92 238	92 852
INTERNAL USE	*Tonnes*					
FERR		412 345	408 941	423 865	363 531	320 870
HSJ		258 680	252 364	230 046	205 929	183 320
SALES TO EXTERNAL CUSTOMERS	*Tonnes*					
ZLMET		95 047	118 994	100 059	87 450	122 682
OTHER		0	0	0	0	68
SALES	*'000 PLN*					
CONSOLIDATED		71 608	100 051	94 186	88 737	130 366
TOTAL PURCHASES in TONNES		**803 232**	**722 683**	**713 276**	**633 514**	**605 668**
TOTAL INTERNAL USE in TONNES		**671 025**	**661 305**	**653 911**	**569 460**	**504 190**
TOTAL SALES in TONNES		**95 047**	**118 994**	**100 059**	**87 450**	**122 750**
TOTAL SALES in '000 PLN		**71 608**	**100 051**	**94 186**	**88 737**	**130 366**

2. Semi-Finished Products Segment

With 628,766 tonnes of crude steel produced by the Group in 2016, we had a 7% share in the overall Polish steel production which reached 8.9 million tonnes last year[1]. Our market share in high-alloy steel grades is much greater – with 205,488 of high-alloy crude steel we had 23% of this market segment in Poland[2]. Approximately four fifths 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, 125,816 tonnes.

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

We own two steel melting shops, 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 2016, our combined capacities were utilized by up to 98.9%.

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%**

2016	CAPACITY	PRODUCTION	UTILIZATION
Tonnes			
FERR	375 000	402 676	107.4%
HSJ	261 000	226 090	86.6%
Total	**636 000**	**628 766**	**98.9%**

BILLETS		2016	2015	2014	2013	2012
PRODUCTION	*Tonnes*					
FERR		402 676	363 492	381 477	324 695	303 810
HSJ		226 090	219 962	201 072	181 271	159 037
INTERNAL USE	*Tonnes*					
FERR		311 048	259 379	211 573	163 797	89 321
HSJ		185 611	191 840	182 923	172 151	140 712
SALES TO EXTERNAL CUSTOMERS	*Tonnes*					
FERR		85 337	104 113	169 904	160 898	214 489
HSJ		40 479	28 148	18 149	9 120	18 325
SALES	*'000 PLN*					
CONSOLIDATED		198 790	228 178	360 524	346 415	493 767
TOTAL PURCHASES in TONNES		**0**	**26**	**0**	**0**	**0**
TOTAL PRODUCTION in TONNES		**628 766**	**583 454**	**582 549**	**505 966**	**462 847**
TOTAL INTERNAL USE in TONNES		**496 659**	**451 219**	**394 496**	**335 948**	**230 033**
TOTAL SALES in TONNES		**125 816**	**132 261**	**188 053**	**170 018**	**232 814**
TOTAL SALES in '000 PLN		**198 790**	**228 178**	**360 524**	**346 415**	**493 767**

3. Finished Products Segment

The finished products segment consists of production, purchasing and wholesale distribution of finished products. Currently the Group operates five rolling mills in three locations in Poland: Zawiercie (ZW-WB), Kraków (Profil) and Stalowa Wola (HSJ).

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%

2016	CAPACITY	PRODUCTION	UTILISATION
Tonnes			
ZW- WB - plain bars, flat bars, squares	198 000	80 480	40.6%
PROFIL - plain bars, flat bars, squares	198 000	223 029	112.6%
HSJ			
- bars	178 000	151 160	84.9%
- sheets	100 800	5 698	5.7%

FINISHED PRODUCTS	2016	2015	2014	2013	2012
PRODUCTION *Tonnes*					
ZWWB	80 480	78 441	79 627	71 947	80 468
HSJ	156 858	172 937	160 053	156 212	133 144
PROFIL	223 029	150 402	108 656	70 931	n.c.*
SALES TO EXTERNAL CUSTOMERS *Tonnes*					
FERR	318 095	224 491	186 571	142 425	75 154
HSJ	160 708	168 397	151 788	150 098	131 387
SALES *'000 PLN*					
CONSOLIDATED	941 127	868 672	823 098	745 598	618 700
TOTAL PURCHASES in TONNES	**132**	**582**	**0**	**0**	**0**
TOTAL PRODUCTION in TONNES	**460 367**	**401 780**	**348 336**	**299 090**	**213 612**
TOTAL BULK PRODUCT SALES in TONNES	**478 803**	**392 888**	**338 359**	**292 523**	**206 541**
TOTAL SALES in '000 PLN	**941 127**	**868 672**	**823 098**	**745 598**	**618 700**

**not consolidated*

In 2015, the apparent use of finished products in Poland was at 13.1 million tonnes[1]. The production of finished products in 2016 reached 8.9 million tonnes, of which 5.1 million tonnes consisted of long products, including seamless tubes[1]. Within long products, merchant bar production accounted for 0.5 million tonnes[2]. Our market share in the production of merchant bars is approximately 25%. Production of SQ bars reached 0.4 million tonnes and according to those figures we have reached 36%[2] of market share. An increasingly important product line of ours has become rebar manufacturing. Our market share in the production of rebars reached approximately 9% with the Poland's total production of 1.2 million tonnes per annum.

[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.

VI. 2016 Summary and 2017 Outlook

In 2016 we saw the signs of recovery for steel manufacturers in Europe. The demand for steel remained strong and margins for most of our products got better as compared to 2015. The competitive position of EAF producers, including Cognor, vis-à-vis BOF ones, started to improve. The Chinese surplus of steel production was faced with the effective protectionist measured adopted by the EU and the USA. The anti-dumping tariffs have put hold to the unfair trade practices by several countries including China.

During the last few years, we have undertaken a number of restructuring initiatives to be able to cope in constrained circumstances. Thanks to them, we were able to reduce our production costs (other than scrap metal) by approximately 29% as compared to 2012 and by 8% as compared to 2015. By way of consequence, we have become capable of getting through challenging market circumstances and are ready to capitalize on any improvement in the steel business which we hope to continue seeing in 2017.

Within the area of our business presence we expect the steel market to remain supportive in terms of demand. Last year we have finalized the modernization programme with respect to the production of SQ bars at HSJ mill. The significant capital expenditures have been aimed at further improvement of the quality and product diversification. This should allow us to increase margins irrespective of the steel market sentiment. Likewise, in 2016 we managed to agree on the purchase of the facilities formerly leased by our rolling mill in Kraków (Profil). We have also secured a new long-term rental contract regarding the production buildings there.

VII. 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 providing an adequate cushion for any incremental cash requirements.

Last year Cognor was able to actively manage its balance sheet in order to make further progress in terms of the reduction of the indebtedness. We aim to continue those efforts in 2017 and the implementation of any new significant CAPEX plans is contingent on the further success in limiting the Group’s leverage.

We also consider undertaking efforts in order to examine feasibility of the refinancing of the Group’s indebtedness. Given the favourable sentiment in capital markets we believe there is potential to restructure our balance sheet which could allow Cognor to extend the maturity of the currently used financing sources, reduce the overall indebtedness and optimize its cost. However, as of the date of this report no decisions nor any commitments have been made in connection with the contemplated refinancing.

VIII. Corporate Governance

There were no changes in the Supervisory Board nor the Management Board of the Company. No significant changes occurred at Cognor's subsidiaries either.

IX. Related Party Transactions and Indebtedness

Related Party Transactions and Indebtedness are deliberated in detail in the respective sections of our 2016 financial statement.

X. Earnings call

The conference call on our 2016 results will be held in English language on Thursday, March 23, 2017, 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://eventreg3.conferencing.com/inv/reg.html?Acc=833742&Conf=370359

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Przemysław Sztuczkowski

Chairman of the Executive Board

……………………………

Przemysław Grzesiak

Vice-chairman of the Executive Board

……………………………

Krzysztof Zoła

Member of the Executive Board

……………………………

Dominik Barszcz

Member of the Executive Board

Poraj, March 21, 2017