

Poraj, dated 20 March 2015

## MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR S.A. CAPITAL GROUP IN 2014

### I. Description of Capital Group

#### 1. Basic data

The parent company in the Capital Group of Cognor constitutes the company Cognor S.A. with its headquarters located at 42-360 Poraj, ul. Zielona 26 that is registered with the KRS (National Court Register) under the number of 0000071799. The company possesses NIP (Tax Identification Number) 584-030-43-83 and REGON (Business Registry Number) 190028940. The shares of the parent company are listed on the Warsaw Stock Exchange.

The basic subject matter of the activities of the Capital Group is as follows: the purchasing of scrap metal, processing of scrap steel into semi-products and finished metallurgical goods, while also other activities (financial services, property developer services).

#### 2. Shareholding of the parent company

As of 31 December 2014 the shareholding of Cognor S.A. was presented as follows:

Shareholder	Number of shares	Share in equity	Number of votes	Share in voting rights
PS HoldCo Sp.z o.o.	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 400 140	6,64%	4 400 140	6,64%
Other	18 130 801	27,38%	18 130 801	27,38%
<b>Total</b>	<b>66 222 248</b>	<b>100.00%</b>	<b>66 222 248</b>	<b>100.00%</b>

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<b>Total</b>	<b>66 222 248</b>	<b>100.00%</b>	<b>66 222 248</b>	<b>100.00%</b>

#### 3. Employment

As of 31 December 2014 employment figures in the particular companies of the Capital Group were presented in the following way:

- Cognor S.A. – 14 people
- Huta Stali Jakościowych S.A. – 739 people
- Ferrostal Łabędy Sp. z o.o. – 307 people
- ZW-Walcownia Bruzdowa Sp. z o.o. – 250 people (including 226 people employed by external firms)
- Złomrex Metal Sp. o.o. – 238 people
- Cognor Blachy Dachowe S.A. – 22 people
- Kapitał S.A. – 2 people
- Business Support Services Sp. z o.o. – 4 person
- ZW Profil S.A. – 257 people
- PTS Sp. z o.o. – 178 people

- Cognor International Finance Plc – 2 people
- Zlomrex International Finance SA – 0 people
- AB Stahl AG in the process of liquidation – 0 people

#### 4. Management Board and Supervisory Board of the parent company

In the period under analysis, the composition of the Management Board of the parent company did not undergo any change and was presented as follows:

##### Management Board

Przemysław Sztuczowski – Chairman of the Board  
 Przemysław Grzesiak – Vice-Chairman of the Board  
 Krzysztof Zoła – Member of the Board  
 Dominik Barszcz – Member of the Board

In the period under analysis, the composition of the Supervisory Board of the parent company did not undergo any change and was presented as follows:

##### Supervisory Board

Hubert Janiszewski – Chairman of the Supervisory Board  
 Piotr Freyberg – Vice-Chairman of the Supervisory Board  
 Zbigniew Łapiński – Secretary of the Supervisory Board  
 Marek Rocki – Member of the Supervisory Board  
 Jerzy Kak – Member of the Supervisory Board

#### 5. The steel market in Poland and in the world

The year 2014 was a period of a growth in the production of steel both in Poland and in global market.

STEEL PRODUCTION (million tonnes)	2014	YoY	2013	2012	2011	2010
Poland	8.6	8%	8.0	8.4	8.8	8.0
EU (28)	169.2	2%	165.6	169.4	177.4	172.9
China	822.7	6%	779.0	708.8	683.3	626.7
<b>World</b>	<b>1 637.0</b>	<b>3%</b>	<b>1 582.5</b>	<b>1 510.2</b>	<b>1 490.1</b>	<b>1 395.5</b>

## II. Description of the organization of the issuer of the Capital Group while indicating the units undergoing consolidation, as well as a description of the changes in the organization of the issuer of the Capital Group, together with the presentation of their causes

#### 1. Organizational structure of the Capital Group created by Cognor S.A.

As of 31 December 2014, the structure of the Capital Group was presented as follows:

Entity	Seat	Share in equity and voting rights	Abbreviations
Cognor Blachy Dachowe S.A.	Poland	77,4%	COGNOR BLACHY
Business Support Services Sp. z o.o.	Poland	100,0%	BSS
Huta Stali Jako ciowych S.A.	Poland	100,0%	HSJ
KapitaŹ S.A.	Poland	100,0%	KAPITAŹ
KapitaŹ S.A. Sp.k.	Poland	51,0%	KAPITAŹ SK
4Groups Sp. z o.o.	Poland	30,0%	4GR
Ferrostal Źab dy Sp. z o.o.	Poland	92,4%	FERROSTAL, FERR
ZW-Walcownia Bruzdowa Sp. z o.o.	Poland	100,0%	ZW-WB
Zlomrex International Finance S.A.	France	99,99%	ZIF
Cognor International Finance PLC	UK	100,0%	CIF
ZŹomrex Metal Sp. z o.o.	Poland	100,0%	ZŹOMREX METAL, ZLMET
ZW Profil S.A.	Poland	95,72%*	PROFIL
Przedsi biorstwo Transportu Samochodowego S.A.	Poland	80,0%**	PTS

Profil Centrum Sp. z o.o.	Poland	100,0%**	PROFIL CEN
Madrohut Sp. z o.o.	Poland	25%***	MADROHUT
AB Stahl AG	Germany	100,0%	AB STAHL

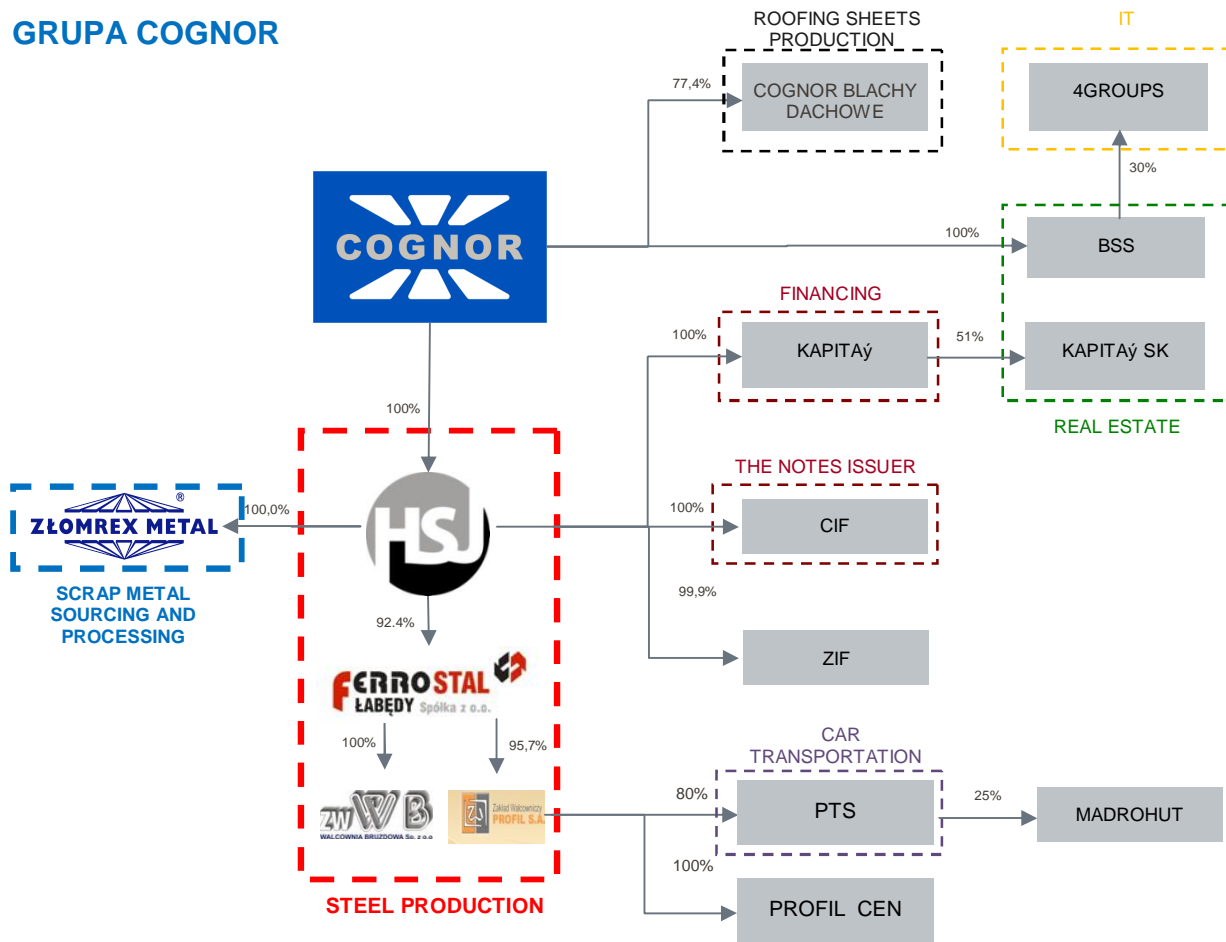
\* shares and votes belong to FERR

\*\* shares and votes belong to PROFIL

\*\*\* shares and votes belong to do PTS

The above-mentioned entities, except AB Stahl AG and Profil Centrum Sp. z o.o. are consolidated entities. 4Groups Sp. o.o. and Madrohut Sp. z o.o. are associates.

Structure as of 31 December 2014 in the form of a diagram looks as follows:



## 2. Changes in the organization of the Capital Group

- on 25 March 2014, Ferrostal Łabędy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. what representing in total 53.06% of the share capital of the company. As a result of subsequent purchases of shares in ZW Profil S.A. and the increase of share capital - as at December 31, 2014, Ferrostal Łabędy Sp. z o.o. has total of 82 063 shares, which represent 95.72% of the share capital of the company
- on 26 June 2014, the Register Court in Częstochowa registered the merger of Cognor S.A. (the acquiring entity) with a subsidiary Cognor Finanse Sp. z o.o. (the acquired entity)
- on 30 September 2014, Zlomrex International Finance SA has started the process of liquidation of the Company

**III. Outline of the basic economic and financial magnitude revealed in the annual financial report, particularly a description of the factors and events including those of an untypical nature that have a significant impact on the activities of the Capital Group and the profits gained by it or losses incurred in the trading year, while also an outline of the perspectives of development of the business activities of the issuer at least in the upcoming trading year.**

1. Financial results

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		2014	2013	2012
'000 PLN				
Revenue		1 422 546	1 294 269	1 399 674
Cost of sales		-1 275 863	-1 191 124	-1 303 894
<b>Gross profit</b>		<b>146 683</b>	<b>103 145</b>	<b>95 780</b>
Other income		11 383	10 956	11 571
Distribution expenses		-43 033	-39 518	-33 950
Administrative expenses		-38 496	-34 964	-34 691
Other gains/(losses) . net		647	1 979	-2 224
Other expenses		-11 159	-13 485	-11 636
<b>EBIT</b>		<b>66 025</b>	<b>28 113</b>	<b>24 850</b>
Financial income		1 789	0	36 675
Financial expenses		-69 092	-75 955	-62 424
<b>Net financing costs</b>		<b>-67 303</b>	<b>-75 955</b>	<b>-25 749</b>
Share of profits of associates		-626	2 759	0
Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost		5 859	0	0
<b>Profit before tax</b>		<b>3 955</b>	<b>-45 083</b>	<b>-899</b>
Income tax expense		5 790	-2 619	1 086
Loss for the period from discontinued operations		-4 047	0	0
<b>Profit for the period</b>		<b>5 698</b>	<b>-47 702</b>	<b>187</b>
Depreciation and amortization		-35 072	-37 078	-41 532
<b>EBITDA</b>		<b>101 097</b>	<b>65 191</b>	<b>66 382</b>

SALES	2014	% YoY	2013	2012
'000 PLN				
Scrap metal	94 186	6,1%	88 737	130 366
Billets	360 524	4,1%	346 415	493 767
Finished products	823 098	10,4%	745 598	618 700
<b>Total</b>	<b>1 277 808</b>	<b>8,2%</b>	<b>1 180 750</b>	<b>1 242 833</b>
Tonnes				
Scrap metal	100 059	14,4%	87 450	122 750
Billets	188 053	10,6%	170 018	232 814
Finished products	338 359	15,7%	292 523	206 541
<b>Total</b>	<b>626 471</b>	<b>13,9%</b>	<b>549 991</b>	<b>562 105</b>

The better market sentiment allowed us to achieve higher consolidated sales. Revenues increased by 9.9% primarily due to an increase in shipments of scrap metal, billets and finished products. This was offset by the decrease in prices therefore, the revenue dynamics of our main business segments tonnage-wise at 13.9% surpassed the value-wise increase at just 8.2%. Cognor saw a significant increase in gross profit – by PLN 43.5 million and 42.2%, EBIT – by PLN 37.9 million and 143.9% and EBITDA – by PLN 35.9 million and 55.1%. The positive development of spreads (except for billets) was responsible for PLN 2.0 million of the increase. Another incremental effect at the amount of PLN 11.2 million came from the reduction of flexible costs of our crude steel production. The remaining portion resulted primarily from higher shipments. Substantially all of our revenues and

profits were generated at the level of Subsidiary Guarantors, as defined by Cognor's senior secured notes' indenture (the Senior Notes, the Indenture). The net result was positive and higher by PLN 53.4 million as compared to 2013

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

PRICES AND SPREADS	2014	2013	2012	2011	2010	2009
(pln/ tonne)						
<b>FERROSTAL</b>						
scrap metal price (all qualities, freight cost inclusive)	989	1 096	1 236	1 152	891	672
billet price (all qualities)	1 858	2 015	2 121	2 038	1 629	1 312
<i>billet spread</i>	<i>869</i>	<i>919</i>	<i>885</i>	<i>885</i>	<i>738</i>	<i>640</i>
finished product price (all types)	2 036	2 131	2 337	2 285	1 929	1 616
<i>product spread</i>	<i>1 047</i>	<i>1 036</i>	<i>1 101</i>	<i>1 132</i>	<i>1 039</i>	<i>944</i>
<b>HSJ</b>						
scrap metal price (all qualities, freight cost inclusive)	1 041	1 114	1 220	1 175	926	694
finished product price (all types)	2 920	2 937	3 387	3 535	3 007	2 489
<i>product spread</i>	<i>1 879</i>	<i>1 823</i>	<i>2 167</i>	<i>2 359</i>	<i>2 080</i>	<i>1 795</i>

## 2. Main Metrics

MAIN METRICS	Y 2014	Y 2013	Y 2012
Liquidity ratio	1,79	0.61	1.86
Quick ratio	0,81	0.30	1.11
Inventories turnover <i>days</i>	81	72	50
Receivables turnover <i>days</i>	48	53	47
EBITDA margin	7,1%	5.0%	4.7%
Net profit margin	0,4%	-3.7%	0.0%
Equity <i>€00 PLN</i>	187 286	129 134	176 842
Net debt <i>€00 PLN</i>	467 619	554 805	513 697
Net debt / EBITDA	4.6	8.5	7.7

Liquidity metrics improved very significantly following the completion the refinancing. We regard them as being at optimal levels.

Turnover of inventories increased by 9 days while turnover of receivables went down by 5 days. The increased level of inventories was due to the increase of production of semi-finished and finished products.

The profitability metrics reached much higher levels, both of them positive.

A significant positive change relates to Company's leverage. Higher LTM EBITDA and lower net indebtedness helped to push the net debt/EBITDA ratio down below 4.6.

## 3. Perspectives of development

Further development is conditioned by both the market environment, as well as internal activity. Within the framework of the latter, which we have an influence on in terms of a certain time perspective, it is necessary to list the steps to be taken aimed at reducing the costs of production, increasing the product range and further improvement of the quality of the goods on offer. Significant progress in all of these areas is dependent on capital expenditures. The Group has prepared a mid-term project of modernization for the technological equipment at our disposal that could improve our operational activities in a most significant manner in all the three key aspects.

## IV. Description of significant factors of risk and threats with the definition of the extent to which the Capital Group is at risk.

### 1. Risk of fluctuations in currency rates:

The Group is susceptible to the risk of fluctuations in currency rates with relation to sales, purchases and financial obligations denominated in other currencies than the functional currency. The currency risk mainly relates to the Euro currency.

2. Price risk:

The Group is not susceptible to the price risk relating to capital shares and is classified in the report on the financial situation as available for sale valued in equitable value by means of financial results as it does not possess such financial instruments. The Group is also not susceptible to the price risk relating to mass goods.

3. Risk of fluctuations in interest rates on equitable values and cash flows

The Group does not possess significant financial assets other than pecuniary means and their equivalents, thus the revenues of the Group and the cash flows from operational activities are to a large extent independent of fluctuations in the market interest rates. The Group is more susceptible to the risk of interest rates in terms of loans and credit. Credit loans granted at variable interest rates place the Group at the risk of interest rates on cash flows. Credit loans granted at constant rates place the Group at the risk of equitable values of interest rates.

4. Credit risk:

Credit risk is the risk of the Group incurring financial losses as a result of the failure of a client or trading partner as a financial instrument to fulfil its contractual obligations. Credit risk is particularly associated with receivables from clients and financial investments.

Financial instruments, which potentially jeopardize the Group with a concentration of credit risk particularly encompass the pecuniary means and their equivalents, as well as trading receivables and others. The Group deposits its pecuniary means and their equivalents in financial institutions possessing a high credit rating. Credit risk associated with receivables is limited as the clientbase of the Group is wide, thus the concentration of the credit risk is not significant.

5. Risk of losing solvency:

The risk of losing solvency is the risk of the lack of possibility of repayment occurring in the case of the Group with relation to its financial obligations at the moment of payment due date. Activities aimed at limiting the subject of risk encompass the appropriate management of financial solvency through the means of ensuring where possible that the Group shall always have sufficient solvency in order to be able to repay its obligations at the moment when this is required, both in normal and in specific conditions without incurring losses or jeopardizing the Group with a loss of reputation.

6. Risk of continuation of activities:

In February 4, 2014 we carried out the refinancing transaction that has significantly improved the short-term liquidity position and removed any doubts with regards to the Group's going concern. While the Group has access to sufficient financing sources we will endeavor to gain wider access to working capital bank facilities to get even more financial flexibility for any future general corporate needs.

**V. Indicating the proceedings before the court, the appropriate body for arbitration proceedings or the body of public administration taking account of information in the following areas:**

- a) Proceedings relating to obligations or outstanding debts of the issuer or entity affiliated to it, whose value constitutes at least 10 % of the equity capital of the issuer with the definition: the subject matter of proceedings, the value of the subject matter of the dispute, the date of commencing the proceedings, the parties to the proceedings commenced and the position of the issuer.
- b) Two or more cases of proceedings relating to the obligations and outstanding debts, whose combined value constitutes respectively at least 10 % of the equity capital of the issuer, with the definition of the combined value of the proceedings separately in a group of obligations and outstanding debts, together with the position of the issuer with relation to this case and with regard to the largest proceedings in the group of obligations and the group of outstanding debts with an indication of their subject matter, the value of the subject of dispute, the date of commencing the proceedings and the parties to the proceedings commenced.

The Group is party to a range of court proceedings, the majority of which it participates in as the plaintiff. Cognor has not been charged in any singular or group proceedings which together could significantly affect their financial results or level of obligations. There are two proceedings before the courts relating to receivables which fulfil the criteria of essence:

- In 2009 Złomrex S.A. (currently HSJ S.A.) received an offer from the Republic of Croatia pertaining to the termination of share purchase agreement based on which Cognor S.A. in 2007 acquired shares in Zeljezara Split steelworks from the Croatian Privatisation Fund. By exercise of this offer the Government of Croatia was to repurchase all of the shares held by HSJ S.A. for the amount of EUR 1.00 and purchase all of the claims of HSJ S.A. owed by Zeljezara Split for the price of EUR 10.0 million. In spite of the acceptance of the offer by HSJ S.A. and the commencement of drafting of the respective documents, the Croatian Government at the turning of 2009 and 2010 asked to postpone drafting and signing of the agreements and later in 2010 finally decided to refuse to enter into agreement. In 2011 a bankruptcy of Zeljezara Split was declared.

In 2012 HSJ S.A. filed a notice of arbitration against the Republic of Croatia. In the notice HSJ S.A. stated the minimal value of the claim at the amount of EUR 10.0 million. Supported by the positive opinion of legal counsel, that value was previously recognized in Cognor's financial statements.

In response to the notice of arbitration, the government side entered into negotiations on conciliatory solution of the dispute. Despite a number of meetings, the negotiations did not lead to agreement. In 2014 Cognor S.A. decided to reassess its legal position and ordered additional analysis of legal advisors. In the light of received opinions, Cognor S.A. assessed that positive solution of the claim pertaining to the offer of EUR 10.0 million is unlikely. For the second basis for the claim, relying on the terms of the bilateral investment treaty between Poland and Croatia, where the maximal compensation for Cognor S.A. could reach up to approximately EUR 50.0 million, the probability of positive outcome for the Group has been determined up to 50%.

In this light, taking into consideration the elapsed time so far, the expected further duration of legal proceedings and change in assessment of positive outcome for Cognor S.A. to prevail, it was decided to recognise an impairment allowance of PLN 42 623 thousand. As the settlements with the Republic of Croatia have impact on the transactions with the owner of the Parent Company impairment allowance, in the part that was assumed as a correction of these transactions (PLN 39 215 thousand) has been recognised directly in the Group's equity. Despite current change of chances for success, the abovementioned decision does not have any impact on dedication of Cognor S.A. to continue litigation along both of the available paths.

- A claim against the companies of Eff Eins and Eff Zwei from the Group of Mechel relating to the execution of obligations resulting from the agreement dated 4 February 2011 relating to the sale of shares in the company of Cognor Stahlhandel GmbH and the payment of the amount of 7.2 m PLN. On 4 November 2014, Cognor SA signed an agreement with the Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH (group Mechel) in connection with a dispute concerning a contract of sale of shares in Cognor Stahlhandel GmbH (the Agreement) dated 4 February 2011 and still to be paid a sum of PLN 7 260 thousand. Taking into account the estimated time and cost of further arbitration procedures, as well as uncertainty about the Mechel group's ability to repay this commitment in the future, the Board decided to sign an agreement on the terms which Cognor SA takes the amount of EUR 1 215 thousand, as the final payment resulting from the Agreement. Accordingly, the parties decided to extinguishing all claims and rights arising under the contract, and thus the remaining payment has been written, which resulted in a loss of PLN 2 278 thousand.

## **VI. Information about the basic products, goods or services, together with their valuation and quantitative specification, as well as the proportion of particular products, goods and services (if important), or their groups in terms of the total sales of the Capital Group, while also fluctuations in this area in a given trading year.**

The main companies creating the Capital Group operate on two important steel markets: the production of semi-finished products and finished goods, as well as sourcing and trading in scrap metal. Production of semi-finished products and finished goods is dealt with by the following: Huta Stali Jakościowych S.A. (HSJ) and Ferrostal Łabędy Sp. z o.o. (Ferrostal), together with its affiliated companies ZW-Walcownia Bruzdowa Sp. z o.o. (ZW-WB) and ZW Profil S.A. (PROFIL). The trading in scrap metal is run by Złomrex Metal Sp. z o.o. (Złomrex Metal).

The basic products of the companies belonging to the parent company are as follows:

- HSJ: billets - rectangular 270X320mm, 130X800mm, 180X800mm, 190X1030mm, length 1-4,5m; billets for forging with rounded edges - square shaped 50-130mm, length 3-6m; rods - 55-120mm, length 3-6m; metal sheets - thin (3-6)x(800-1250)x(1600-2500)mm, thick (6-30)x(1000-2000)x(2000-6000)mm; polygonal forging ingots, weight from 2 to 15 tons; profile cutting products; above mentioned products made by carbon steel and medium-alloy steel: carburizing steel and quenching and tempering steel, heat resisting steel, wear resistance steel (Hadfield's steel X120Mn12) and armour steel
- Ferrostal: billets - square-shaped 100-160mm, rectangular 165X140mm and round 170mm; carbon steel and medium-alloy steel
- ZW-WB: flat bar - from 20X4mm to 150X40mm, standard length 6m; blade bars 150X11X5mm; round rods - 10-22mm, standard length 6m and 12 m; round rods - 24-32mm, standard length 6m; square rods - 10-20mm, standard length 6m; clamp sections WZ 18X12X10mm; shin sections KŁ-24, 49W, 60W, 60WS; lining sections KP24, KP30; carbon steel and medium-alloy steel
- PROFIL: flat bars - 50X7mm, rebars - 8-16mm; round rods - 10-30mm; flat rods from 20X4mm to 50X10mm; square rods 10X20mm; tee bars from 25X3,5mm to 30X4mm; equal angle bars from

- 20X20X3mm to 50X50X5mm; unequal angle bars from 20X30X3mm to 60X40X6mm; standard length of all products 6m and 12m
- Złomrex Metal: scrap steel; non-ferrous scrap metal; non-ferrous metal products

The level of sales in the particular assortment segments are provided in the tables below:

1. Scrap metal

SCRAP METAL		2014	2013	2012
<b>PURCHASES FROM EXTERNAL SUPPLIERS</b>	<i>Tonnes</i>			
FERR		245 487	179 334	153 107
ZLMET		361 078	361 942	359 709
HSJ		106 711	92 238	92 852
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		423 865	363 531	320 870
HSJ		230 046	205 929	183 320
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
ZLMET		100 059	87 450	122 682
OTHER		0	0	68
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		94 186	88 737	130 366
<b>TOTAL PURCHASES in TONNES</b>		<b>713 276</b>	<b>633 514</b>	<b>605 668</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>653 911</b>	<b>569 460</b>	<b>504 190</b>
<b>TOTAL SALES in TONNES</b>		<b>100 059</b>	<b>87 450</b>	<b>122 750</b>
<b>TOTAL SALES in '000 PLN</b>		<b>94 186</b>	<b>88 737</b>	<b>130 366</b>

2. Semi-products (billets and ingots)

BILLETS		2014	2013	2012
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR		381 477	324 695	303 810
HSJ		201 072	181 271	159 037
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		211 573	163 797	89 321
HSJ		182 923	172 151	140 712
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		169 904	160 898	214 489
HSJ		18 149	9 120	18 325
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		360 524	346 415	493 767
<b>TOTAL PRODUCTION in TONNES</b>		<b>582 549</b>	<b>505 966</b>	<b>462 847</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>394 496</b>	<b>335 948</b>	<b>230 033</b>
<b>TOTAL SALES in TONNES</b>		<b>188 053</b>	<b>170 018</b>	<b>232 814</b>
<b>TOTAL SALES in '000 PLN</b>		<b>360 524</b>	<b>346 415</b>	<b>493 767</b>



3. Finished goods

FINISHED PRODUCTS		2014	2013	2012
<b>PRODUCTION</b>	<i>Tonnes</i>			
ZWWB		79 627	71 947	80 468
HSJ		108 656	156 212	133 144
PROFIL		160 053	70 931	n.c.*
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		186 571	142 425	75 154
HSJ		151 788	150 098	131 387
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		823 098	745 598	618 700
<b>TOTAL PRODUCTION in TONNES</b>		<b>348 336</b>	<b>299 090</b>	<b>213 612</b>
<b>TOTAL BULK PRODUCT SALES in TONNES</b>		<b>338 359</b>	<b>292 523</b>	<b>206 541</b>
<b>TOTAL SALES in '000 PLN</b>		<b>823 098</b>	<b>745 598</b>	<b>618 700</b>

*\*not consolidated*

The companies that are not specified signify the lack of running business activities or activities with insignificant meaning in terms of the results of the Group as a whole.

**VII. Information about markets, while taking account of the division into the domestic and foreign markets, as well as information about the sources of supply of materials for production in terms of goods and services with the specification of the dependence on one or more clients or suppliers, whereas in the case whereby the proportion of one client or supplier achieves at least 10 % of revenue in terms of general sales or supplies – the name of (firm) supplier or client, its proportion of revenue or supplies and its formal ties with the issuer.**

1. HSJ

Market	Participation in sales
Domestic	51.9%
Foreign	48.1%

Customers:

Sale to any of the customers do not exceed 10% of the total sale of HSJ.

Suppliers:

Supplies from one of the suppliers - Złomrex Metal Sp. z o.o. - exceed 10% of the total purchases of HSJ and is 22.4%. Złomrex Metal Sp. z o.o. is a subsidiary in Cognor SA Capital Group and delivers Huta Stali Jakościowych SA scrap batch for the production of steel.

2. FERR

Market	Participation in sales
Domestic	79.0%
Foreign	21.0%

Customers:

Sale to one customer – Węglokoks SA - exceed 10% of the total sale of FERR and is 14%. Węglokoks SA is not related with any company of the Cognor Capital Group.

Suppliers:

Supplies from one of the suppliers - Złomrex Metal Sp. z o.o. - exceed 10% of the total purchases of FERR and is 23.5%. Złomrex Metal Sp. z o.o. is a subsidiary in Cognor SA Capital Group and delivers Ferrostal Łabędy Sp. z o.o. scrap batch for the production of steel products.

### 3. ZLMET

Market	Participation in sales
Domestic	96.0%
Foreign	4.0%

#### Customers:

Sale to two customers exceed 10% of the total sale of ZM and is: 35.5% to Ferrostal Łabędy Sp. z o.o. and 22.2% to Huta Stali Jakościowych S.A. To these companies Złomrex Metal Sp. z o.o. supplies scrap batch for the steel production. Ferrostal Łabędy Sp. z o.o. and Huta Stali Jakościowych S.A. are subsidiaries in Cognor S.A. Capital Group. These companies are not related with any company of the Cognor Capital Group.

#### Suppliers:

Deliveries from any of the suppliers do not exceed 10% of the total purchases of ZM.

### **VIII. Information about the entered agreements that are significant for the activities of the Capital Group, including agreements known to the issuer that were entered into with shareholders (partners), insurance agreements, cooperation agreements.**

On 10 January 2013 the parent company, together with its subsidiary Ferrostal Łabędy Spółka z o.o. entered an agreement on cooperation with ZW Profil S.A. in Kraków. Consequently, commencing from 1 February 2013 Ferrostal Łabędy Sp. z o.o. became the exclusive supplier of steel billets to ZW Profil S.A. with the aim of their further processing and sale of goods produced from them. The agreement was originally extended to 31 December 2014, with a further extension to the end of 2015, due to the need to standardize rolling's contracts concluded with subsidiaries of Ferrostal Łabędy Sp. z o.o., is in the process of negotiations. In addition, in September 2013, Ferrostal Łabędy Sp. z o.o. bought a 33% stake in ZW Profil S.A. On 25 March 2014, Ferrostal Łabędy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. what representing in total 53.06% of the share capital of the company. As a result of subsequent purchases of shares in ZW Profil S.A. and the increase of share capital - as at December 31, 2014, Ferrostal Łabędy Sp. z o.o. has total of 82 063 shares, which represent 95.72% of the share capital of the company.

### **IX. Information about the organizational or capital ties of the issuer with other entities, as well as a definition of its main national and international investments (shares, financial instruments, intangible and legal value, as well as real estate), including capital investments carried out by an entity from outside its affiliated entities, as well as the methods of their financing.**

Not applicable.

### **X. Information about significant transactions entered into by the issuer or entity affiliated to the entities connected by other factors than market ones, together with their amounts and information defining the nature of these transactions – the obligation is deemed to be fulfilled by means of indicating the placement of this information in the financial statement.**

All transactions of the parent company and its subsidiaries with affiliated entities were run in accordance with market conditions.

### **XI. Information about agreements on loans and credit loans taken out in the given trading year, providing at least their amounts, type and level of interest rate, currency and payment due date**

#### 1. Credit loans

##### a) Granted:

- On March 5, 2012 Cognor S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o.) signed the loan agreement of bank overdraft with the limit of PLN 10 million with mBank S.A., interest rate is WIBOR +

1,8 percentage points of margin, and in 2014 the limit was split between Ferrostal Łabędy Sp. z o.o. (PLN 3.7 m) and Huta Stali Jakościowych S.A. (PLN 6.3 m). Annex No. 7 of 18 December 2014. terminated the contract with Złomrex Metal Sp. z o.o. Annex No. 8 of 18 December 2014 established the amount of the loan for PLN 9.1 million and established the breakdown: Ferrostal Łabędy Sp. z o.o PLN 3.7 m, Huta Stali Jakościowych SA PLN 5.4 m. The limit of bank overdraft was extended until 28 May 2015. The overdraft balance as at 31 December 2014 is PLN 6 969 thousand.

b) Terminated: Not applicable

2. Loans:

a) Granted in 2014:

- Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej granted Przedsiębiorstwo Transportu Samochodowego SA with a loan in the amount 227 940.65 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3,75% at a scale of the year as a whole. As at 31 December 2014 the amount was 222 300 PLN
- Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej granted Przedsiębiorstwo Transportu Samochodowego SA with a loan in the amount 422 470.73 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3,75% at a scale of the year as a whole. As at 31 December 2014 the amount was 411 840 PLN
- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych SA. with a loan in the amount 6m PLN, in which the agreement was entered on 3 February 2014 for the period up to 31 December 2014, with interest at 7,7% at a scale of the year as a whole. Loan was repaid in 2014
- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych SA. with a loan in the amount 4 317 058.68 EUR, in which the agreement was entered on 30 July 2014 for the period up to 31 July 2015, with interest at 7,7% at a scale of the year as a whole. As at 31 December 2014 the amount was 2 789 853.71 EUR
- Kapitał SA granted Huta Stali Jakościowych SA with a loan in the amount 2 m PLN, in which the agreement was entered on 29 October 2014 for the period up to 31 January 2015, with interest at 7,75% at a scale of the year as a whole. On 30 January 2015 loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was 2 mln PLN
- Business Support Services Sp. z o.o. granted Huta Stali Jakościowych SA with a loan in the amount 3 061 849.73 PLN, , in which the agreement was entered on 23 October 2014 for the period up to 26 January 2015, with interest at 7,75% at a scale of the year as a whole. On 26 January 2015 the limit was raised up to 4,3 mln PLN and extended for the period up to 31 December 2015. As at 31 December 2014 the amount was 3 061 849.73 PLN
- 4Workers granted Business Support Services Sp. z o.o. with a loan in the amount 350 000 PLN, in which the agreement was entered on 23 October 2014 for the period up to 31 December 2015, with interest at 7,75% at a scale of the year as a whole. As at 31 December 2014 the amount was 228 585,60 PLN
- Cognor SA granted Ferrostal Łabędy Sp. z o.o. with a loan in the amount 11 m PLN, in which the agreement was entered on 27 June 2014 for the period up to 31 December 2014, with interest at 7,75% at a scale of the year as a whole. On 31 December 2014 loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was PLN 9 706 thousand
- Kapitał SA granted Ferrostal Łabędy Sp. z o.o. with a loan in the amount 2 492 000 PLN, in which the agreement was entered on 31 July 2014 for the period up to 31 December 2014, with interest at 7,75% at a scale of the year as a whole. On 31 December 2014 loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was 2 492 000 PLN
- Kapitał SA granted Cognor Blachy Dachowe SA with a loan in the amount 400 000 PLN, in which the agreement was entered on 3 June 2014 for the period up to 31 December 2014, with interest at 7,7% at a scale of the year as a whole. Loan was repaid in 2014

b) Granted before 2014, but still active:

- Kapitał SA granted Huta Stali Jakościowych SA with a loan in the amount 1 898 325 PLN, the agreement was entered on 24 July 2013 for the period up to 31 December 2013, with interest at 9,2% at a scale of the year as a whole. On 31 December 2013 loan in the part 398 325 PLN was extended up to 31 December 2014, on 1 February 2014 interest was limited to 7,7% at a scale of the year as a whole  
Also in 2014:
  - on 13 March the limit was raised up to 10 m PLN,
  - on 31 October the limit was raised up to 12 m PLN,
  - on 18 December 2014 the limit was raised up to 25 m PLN, loan was extended for the period up to 31 December 2015, the interest was raised up to 7,75% at a scale of the year as a whole.

On 26 January 2015 the limit was raised up to 35 m PLN.

As at 31 December 2014 the amount was 24 436 109.01 PLN

- Kapitał SA (of that time Centrostal Sp. z o.o. Szczecin) granted Cognor SA (of that time Cognor Services Sp. z o.o.) with a loan in the amount 50 m PLN, in which the agreement was entered on 30 December 2011, with interest at 9,2% at a scale of the year as a whole. Changes: on 3 February 2014 r. interest was limited to 7,7%, on 31 December 2014 r. interest was raised up to 7,75% at a scale of the year as a whole and loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was PLN 35 969 thousand.
- Kapitał SA granted Kapitał SA Sp. K. with a loan in the amount 100 000 PLN, in which the agreement was entered on 30 October 2012 for the period up to 31 December 2015, with interest at 9,2% at a scale of the year as a whole. Changes: on 5 March 2013 the limit was raised up to 5 m PLN, on 3 February 2014 the limit was raised up to 7 mln PLN and interest was limited to 7,7% at a scale of the year as a whole. As at 31 December 2014 the amount was 5 m PLN.

c) Terminated: Not applicable

**XII. Information about credit loans granted in the given trading year, with particular attention paid to the entities that are tied with the issuer , providing at least their amounts, type and level of interest rate, currency and the payment due date**

a) Credit loans granted to the affiliated entities:

- Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej granted Przedsiębiorstwo Transportu Samochodowego SA with a loan in the amount 227 940.65 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3,75% at a scale of the year as a whole. As at 31 December 2014 the amount was 222 300 PLN
- Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej granted Przedsiębiorstwo Transportu Samochodowego SA with a loan in the amount 422 470.73 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3,75% at a scale of the year as a whole. As at 31 December 2014 the amount was 411 840 PLN
- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych SA. with a loan in the amount 6m PLN, in which the agreement was entered on 3 February 2014 for the period up to 31 December 2014, with interest at 7,7% at a scale of the year as a whole. Loan was repaid
- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych SA. with a loan in the amount 4 317 058.68 EUR, in which the agreement was entered on 30 July 2014 for the period up to 31 July 2015, with interest at 7,7% at a scale of the year as a whole. As at 31 December 2014 the amount was 2 789 853.71 EUR
- Kapitał SA granted Huta Stali Jakościowych SA with a loan in the amount 2 m PLN, in which the agreement was entered on 29 October 2014 for the period up to 31 January 2015, with interest at 7,75% at a scale of the year as a whole. On 30 January 2015 loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was 2 mln PLN
- Business Support Services Sp. z o.o. granted Huta Stali Jakościowych SA with a loan in the amount 3 061 849.73 PLN, , in which the agreement was entered on 23 October 2014 for the period up to 26 January 2015, with interest at 7,75% at a scale of the year as a whole. On 26 January 2015 the limit was raised up to 4,3 mln PLN and extended for the period up to 31 December 2015. As at 31 December 2014 the amount was 3 061 849.73 PLN
- 4Workers granted Business Support Services Sp. z o.o. with a loan in the amount 350 000 PLN, in which the agreement was entered on 23 October 2014 for the period up to 31 December 2015, with interest at 7,75% at a scale of the year as a whole. As at 31 December 2014 the amount was 228 585,60 PLN
- Cognor SA granted Ferrostal Łabędy Sp. z o.o. with a loan in the amount 11 m PLN, in which the agreement was entered on 27 June 2014 for the period up to 31 December 2014, with interest at 7,75% at a scale of the year as a whole. On 31 December 2014 loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was PLN 9 706 thousand
- Kapitał SA granted Ferrostal Łabędy Sp. z o.o. with a loan in the amount 2 492 000 PLN, in which the agreement was entered on 31 July 2014 for the period up to 31 December 2014, with interest at 7,75% at a scale of the year as a whole. On 31 December 2014 loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was 2 492 000 PLN
- Kapitał SA granted Cognor Blachy Dachowe SA with a loan in the amount 400 000 PLN, in which the agreement was entered on 3 June 2014 for the period up to 31 December 2014, with interest at 7,7% at a scale of the year as a whole. Loan was repaid

b) Credit loans granted to the affiliated entities before 2014, but still active:

- Kapitał SA granted Huta Stali Jakościowych SA with a loan in the amount 1 898 325 PLN, the agreement was entered on 24 July 2013 for the period up to 31 December 2013, with interest at 9,2% at a scale of the year as a whole. On 31 December 2013 loan in the part 398 325 PLN was extended up to 31 December 2014, on 1 February 2014 interest was limited to 7,7% at a scale of the year as a whole  
Also in 2014:
    - on 13 March the limit was raised up to 10 m PLN,
    - on 31 October the limit was raised up to 12 m PLN,
    - on 18 December 2014 the limit was raised up to 25 m PLN, loan was extended for the period up to 31 December 2015, the interest was raised up to 7,75% at a scale of the year as a whole.
 On 26 January 2015 the limit was raised up to 35 m PLN.  
As at 31 December 2014 the amount was 24 436 109.01 PLN
  - Kapitał SA (of that time Centrostal Sp. z o.o. Szczecin) granted Cognor SA (of that time Cognor Services Sp. z o.o.) loan in the amount 50 m PLN, in which the agreement was entered on 30 December 2011, with interest at 9,2% at a scale of the year as a whole. Changes: on 3 February 2014 r. interest was limited to 7,7%, on 31 December 2014 r. interest was raised up to 7,75% at a scale of the year as a whole and loan was extended for the period up to 31 December 2015. As at 31 December 2014 the amount was PLN 35 696 thousand.
  - Kapitał SA granted Kapitał SA Sp. K. loan in the amount 100 000 PLN, in which the agreement was entered on 30 October 2012 for the period up to 31 December 2015, with interest at 9,2% at a scale of the year as a whole. Changes: on 5 March 2013 the limit was raised up to 5 m PLN, on 3 February 2014 the limit was raised up to 7 mln PLN and interest was limited to 7,7% at a scale of the year as a whole. As at 31 December 2014 the amount was 5 m PLN.
- c) Credit loans granted to external entities:
- Ferrostal Łabędy Sp. z o.o. granted Mr. Jan Warian loan in the amount 120 000 PLN, in which the agreement was entered on 19 March 2014 for the period up to 30 April 2014, with interest at 7% at a scale of the year as a whole. Loan was repaid in 2014.

**XIII. Information about the granted and received warrants and guarantees in the given trading year, with particular regard to the warrants and guarantees granted to the entities affiliated with the issuer**

- a. Huta Stali Jakościowych S.A. granted Cognor International Finance PLC a senior secured notes indenture
- b. Cognor Finanse Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- c. Kapitał S.A. granted Cognor International Finance PLC a senior secured notes indenture
- d. Ferrostal Łabędy Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- e. Złomrex Metal Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- f. Cognor S.A. granted Cognor International Finance PLC a senior secured notes indenture
- g. ZW-Walcownia Bruzdowa Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- h. Odlewnia Metali Szopienice Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- i. PS Holdco Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- j. Ferrostal Łabędy Sp. z o.o. granted Przedsiębiorstwo Transportu Samochodowego S.A. a guarantee for 2 loans
- k. Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych S.A. a guarantee for 2 lease agreements

**XIV. Description – in the case of issuing shares in the period encompassed in the report, the utilization of the issuer of the revenue from the emission up to the moment of preparing the report on the activities**

In the period under analysis up to the moment of preparing the report, the parent company did not issue any shares. On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Złomrex International Finance S.A. with the maturity date of February 2014.

The new issue was allocated to the holders in proportion to bonds that they owned.

The Senior Secured Notes have an aggregate principal amount of EUR 100 348 109.00, mature on February 1, 2020, interest will be payable semi-annually in arrears on February 1 and August 1 in each year and depend on the interest payment periods:

- 1st and 2nd years – 7.5%
- 3rd year – 10.0%
- 4th to 6th years – 12.5%

The Senior Secured Notes are guaranteed by: PS Holdco Sp. z o.o., Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Finance Sp. z o.o. and Kapitał S.A.

The guarantee of Senior Secured Notes' issue including:

- first ranking financial pledges established by:
  - (i) shares of Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Finance Sp. z o.o., Kapitał S.A.
  - (ii) certain fixed assets of Cognor S.A. currently leased by Ferrostal Łabędy Sp. z o.o.
  - (iii) certain fixed assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
  - (iv) Intercompany Proceeds Note issued by Huta Stali Jakościowych S.A.
- mortgages established over the real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
- an English law equitable charge over all the shares in Cognor International Finance Plc
- submission to enforcement by Cognor International Finance and each of the Guarantors in a form of notarial deed.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021, interest will be payable semi-annually in arrears on February 1 and August 1 and the fixed interest rate is 5%. The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor S.A. new and/or existing shares, credited as fully paid, in the period from March 15, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to: (i) deliver (or procure the issue or transfer and delivery of) Cognor S.A. shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

The Exchangeable Notes will be unsecured and guaranteed by Cognor S.A.

**XV. Explanation of the differences between the financial results indicated in the annual report and the previously published forecasts of results for a given year**

The Group has not published the forecast of results in a given year.

**XVI. Evaluation, together with its justification with relation to managing the financial resources, with particular mention of the ability to comply with the obligations taken out and a definition of the possible threats and action that the issuer has taken out or intends to take out with the aim of counteracting its danger**

The management of financial resources was correct and effective in 2014. The activity of the Group was featured by good indicators in terms of the rotation of stocks and receivables as a result of which, the outflow of cash to working capital was insignificant. Steps were continued with the aim of selling off unnecessary elements of fixed assets. The Company maintained a significant balance of cash on its bank accounts. The main reason for this policy was to secure the capital resources for the deadlines of repaying the short-term financial obligations due in 2014 that are the result of bank loans granted.

In the perspective of the year 2015, the Management of Cognor S.A. does not visualize any threats which could cause the lack of possibility to comply with the financial obligations undertaken.

**XVII. Evaluation of the possibilities of the realization of the investment intentions, including capital investments in comparison with the magnitude of the resources in possession, by taking account of the possible changes in the structure of financing these activities**

In the assessment of the Company, the possibility of the realization of the investment intentions should not be at risk given the new stable and long-term financing platform that Cognor has acquired since February 4, 2014

**XVIII. Evaluation of the factors and untypical events having an impact on the result of activities on the trading year with the specification of the extent of these factors or untypical events on the result achieved.**

Not applicable.

**XIX. Characteristics of the external and internal factors essential for the development of the Capital Group, as well as a description of the perspectives of development of the activities of the Capital Group at least until the end of the trading year which takes place after the trading year for which the financial statement was prepared and included in the annual report, by taking account of the elements of the market strategy worked out in it**

External factors:

- pace of development of the economy,
- investment outlays in construction,
- realization of the programme of building roads and motorways,
- ability to acquire and utilize EU funds,
- world demand for steel products,
- shaping the exchange rate of the Zloty with the Euro and the US Dollar.

Internal factors:

- success in the continuation of organic development in the appropriate policy of investment outlays on the means of production,
- gaining of new markets; launching new products,

**XX. Changes in the basic principles of managing the enterprise of the issuer and his Capital Group**

In the period under analysis the basic principles of management of the parent company and its Capital Group did not undergo significant change.

**XXI. All agreements entered between the issuer and the managerial personnel foresee recompensation in the case of their resignation or dismissal from the position held without valid reasons, or when their demotion or dismissal takes place due to a merger with the issuer**

Not applicable.

**XXII. The value of remuneration, awards or perks, including those resulting from motivational or premium programmes on the basis of the capital of the issuer, including programmes based on bonds with the right of priority, variable, subscription warrants (paid in cash, in kind or any other form), paid out, due or potentially due, separately for each person managing and supervising the issuer in the enterprise of the issuer, regardless of whether they were appropriately calculated as costs, or whether they resulted from a share of profits, in the case of which the issuer is the parent company, the partner of the unit which is also affiliated or a significant investor – separate information about the value of remuneration and awards received due to fulfilling the functions of the authorities of the subsidiaries; if the appropriate information was presented in the financial statement, the obligation is deemed to have been fulfilled by means of indicating their place in the financial statement**

Net remuneration for the members of the Management Board and the Supervisory Board of the parent company in 2014:

Management Board

- Przemysław Sztuczkowski – 4 422 000 PLN
- Przemysław Grzesiak – 2 781 000 PLN
- Krzysztof Zoła 779 000 PLN
- Dominik Barszcz 558 000 PLN

Supervisory Board

- Hubert Janiszewski – 90,000 PLN
- Marek Rocki – 72,000 PLN
- Piotr Freyberg – 72,000 PLN
- Jerzy Kak – 72,000 PLN
- Zbigniew Łapiński – 72,000 PLN

The Chairman of the Board of the parent company, Mr. Przemysław Sztuczkowski due to fulfilling the function of the Chairman of the Board in the subsidiary Ferrostal Łąbędy Sp. z o.o. received a remuneration of 424,000 PLN gross in 2014.

The Vice-Chairman of the Board of the parent company, Mr. Przemysław Grzesiak due to fulfilling the function of the Chairman of the Board in the subsidiary Huta Stali Jakościowych S.A. received a remuneration of 120,000 PLN gross in 2014.

The members of the Board due to fulfilling supervisory functions in the subsidiary companies do not receive remuneration for this work.

**XXIII. Specification – in the case of capital companies, the combined numbers and nominal value of all shares (stocks) of the issuer and the stocks and shares in units associated with the issuer that has people at its disposal managing and supervising the issuer (separately for each person)**

Mr. Przemysław Sztuczowski, the Chairman of the Board of the parent company is the owner of 100% of shares in the company PS HoldCo Sp. z o.o., which is both directly and indirectly the owner of 65.98% of shares in the company Cognor SA, providing 65.98% votes at the AGM.

Mr. Przemysław Grzesiak, the Vice-Chairman of the Board of the parent company, possesses 2.84% of shares in the company Cognor SA, providing 3.81% votes at the AGM.

**XXIV. Information about agreements known to the issuer (also including those entered after the balance sheet day), as a result of which the proportion of shares held by existing shareholders and bond-holders may change in the future**

On 19 August 2011 Cognor S.A. executed resolution no. 13 at the shareholders' meeting dated 14 March 2011 and issued 6,622 subscription warrants of B series. These warrants authorized the accession of 66, 220, 000 no. 9 shares emissions. In the powers of the resolution of the Management dated 13 September 2011 the warranty was accessed in the following way:

- Złomrex S.A. (currently Huta Stali Jakościowych S.A.)- 6,086 warrants;
- the remaining individual shareholders- 536 warrants.

As a result of the agreement entered on 20 September 2011, Złomrex S.A. sold its warrants to the company PS HoldCo Sp. z o.o., and on 3 February 2014 PS HoldCo Sp. z o.o. sold these warrants to Cognor International Finance Plc, a company established in UK, a subsidiary directly from Huta Stali Jakościowych S.A.

By way of adopting another resolution the shareholders meeting decided to split the warrants of B series by 10,000 and change the strike price to pln 2,35. As a result of that change each warrant grants a right to subscribe for one capital share of Cognor S.A.

On December 30, 2013 the shareholders' meeting of Cognor S.A. has decided to issue 200 new subscription warrants of C series each of them allowing to subscribe for one capital share at the price of pln 1,0 million. The warrants were issued exclusively for PS HoldCo Sp. z o.o.

On 4 February 2014, Cognor International Finance Plc, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Exchangeable Notes.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021, interest will be payable semi-annually in arrears on February 1 and August 1 and the fixed interest rate is 5%.The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor S.A. new and/or existing shares, credited as fully paid, in the period from March 15, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to: (i) deliver (or procure the issue or transfer and delivery of) Cognor S.A. shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

Following the restructuring of Cognor's indebtedness on 04.02.2014 PS HoldCo agreed to transfer all of its warrants series B for the purpose of the restructuring process. Consequently, on 31.03.2014 PS HoldCo and Cognor, made the amendment nr 3 to the Settlement Agreement in order to reflect the arrangement of the restructuring in its terms. In particular it was decided that the payment of Cognor's liability shall occur following subscription for warrants series B and series C by PS HoldCo and that the total amount of the subscription shall at least equal the price. The deadlines for the PS HoldCo's undertaking to increase Cognor's equity and for the payment of the price for shares in Złomrex S.A. by Cognor were postponed to 31.12.2021 when the remaining number of warrants series B surviving the conversion of Cognor's convertible notes, will have become known.

On 13 March 2015, based on the amendment no. 4 to the Settlement Agreement, resulting from the lack of payment of receivable at the amount of EUR 10 million owned from the Republic of Croatia and in connection with impairment loss recognised for the total amount of that receivable in Cognor's consolidated financial statements as at 31 December 2014, the parties decided to appropriately reduce the price for shares in Złomrex S.A. by the amount of PLN 39 215 thousand and to adjust the interests for previous years on the reduced price for the shares in Złomrex S.A. Due to direct connection between the price for the shares in Złomrex S.A. with the value of the subscription for warrants series B and series C described in previous paragraph, the reduction of the price for the shares in Złomrex



S.A. due to impairment loss recognized on receivables from Republic of Croatia was included in Group's equity as an adjustment of transactions with the Owner of the Parent Company.

The reduction of the price for shares in Złomrex S.A. following amendment no. 4 resulted in reduction of reserve equity in consolidated financial statements by PLN 39 215 thousand and recognition of other income in the amount of PLN 6 430 thousand due to adjustment of Cognor's liability related to interest accrued in previous years to PS Holdco Sp. z o.o. on the reduced price for the shares in Złomrex S.A.

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. totalling PLN 34 446 thousand. This liability, in its part related to capital instruments (options to own capital instruments), remaining under the control of Group, has been recognised as the reduction of equity at the amount of PLN 14 256 thousand (after deferred tax) and the remaining amount was recognised as other investments in the amount of PLN 13 513 thousand. The options included in assets are valued at cost less amortization, use or termination of rights to use own capital instruments.

Implementation of these agreements / resolutions may have an impact on the current proportion of shares held by particular shareholders wherein the quantification of this impact depends on the amount and the time in which the described operations would take place.

#### **XXV. Information about the system of controlling employee action programmes**

Neither the parent company, nor the subsidiary companies have employee action programmes.

#### **XXVI. Information about the following:**

- a) The date of entering the agreement on the part of the issuer with the entity authorized to analyse or review the financial report or the consolidated financial statement, as well as the period in which the agreement was entered.

The parent company entered an agreement on 28 November 2014 with KPMG Audyt Sp. z o.o. Sp. k. with its headquarters in Warsaw on the audit of separate and consolidated financial statements for the year ended 31 December 2014.

- b) The remuneration of the entity authorized to analyse the financial statements paid out or due for the trading year in separate form for the following:
- analysis of the annual financial statement,
  - other services rendered, including a review of the financial report,
  - tax advisory services,
  - other services.

The value of the agreement on the audit of separate and consolidated financial statements for the year ended 31 December 2014 amounts to 84,800 PLN net.

- c) Information defined in lit. b should be also provided for the previous trading year

The auditor of the separate and the consolidated financial statements for the year ended 31 December 2013 was KPMG Audyt Sp. z o.o. Sp. k. with its headquarters in Warsaw. The value of the agreement on the audit of separate and consolidated financial statements for the year ended 31 December 2013 amounted to 116,100 PLN net.

**XXVII. Characteristics of the structure of assets and passive income in a consolidated balance sheet, including the viewpoint of the solvency of the Capital Group issuer**

<b>ASSETS (000 PLN)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Property, plant and equipment	289 565	293 145	317 671
Intangible assets	11 338	12 163	15 435
Investment property	0	0	603
Investments in associates	3 232	4 946	0
Other investments	13 768	6 352	7 117
Other receivables	34	41 500	40 943
Prepaid perpetual usufruct of land	22 794	18 535	18 954
Deferred tax assets	81 932	74 319	71 744
<b>Total non-current assets</b>	<b>422 663</b>	<b>450 960</b>	<b>472 467</b>
Inventories	283 058	234 816	179 201
Other investments	4 607	5 190	5 131
Current income tax receivables	10	12	82
Trade and other receivables	187 421	186 553	181 691
Prepayments	0	9 205	0
Cash and cash equivalents	35 648	14 778	64 151
Assets classified as held for sale	7 110	8 951	11 786
<b>Total current assets</b>	<b>517 854</b>	<b>459 505</b>	<b>442 042</b>
<b>Total assets</b>	<b>940 517</b>	<b>910 465</b>	<b>914 509</b>

<b>EQUITY AND LIABILITIES (000 PLN)</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Issued share capital	132 444	132 444	132 444
Reserves	202 193	149 575	141 312
Foreign currency translation reserves	-540	-477	-471
Accumulated losses	-168 074	-166 107	-109 274
<b>Total equity attributable to owners of the Parent Company</b>	<b>166 023</b>	<b>115 435</b>	<b>164 011</b>
Non-controlling interests	21 263	13 699	12 831
<b>Total equity</b>	<b>187 286</b>	<b>129 134</b>	<b>176 842</b>
Interest-bearing loans and borrowings	408 896	6 677	487 020
Employee benefits obligation	9 597	7 313	6 735
Other payables	34 294	0	0
Government grants and other deferred income	0	0	0
Deferred tax liabilities	11 011	11 637	6 618
<b>Total non-current liabilities</b>	<b>463 798</b>	<b>25 627</b>	<b>500 373</b>
Bank overdraft	6 969	0	15 495
Interest-bearing loans and borrowings	87 402	562 906	75 333
Employee benefits obligation	4 588	3 250	2 815
Current income tax payables	105	152	315
Provisions for payables	6 535	516	430
Trade and other payables	183 717	188 763	142 170
Government grants and other deferred income	117	117	736
<b>Total current liabilities</b>	<b>289 433</b>	<b>755 704</b>	<b>237 294</b>
<b>Total liabilities</b>	<b>753 231</b>	<b>781 331</b>	<b>737 667</b>
<b>Total equity and liabilities</b>	<b>940 517</b>	<b>910 465</b>	<b>914 509</b>

The level of fixed assets decreased primarily due to valuation allowance raised against the claim owned from the Government of Croatia at the amount of EUR 10.0 million which resulted in appropriate reduction of value of non current receivables. Depreciation charges at the amount of PLN 35.1 million were partially offset by CAPEX at the amount of PLN 23.4 million minus PLN 17.6 million of the

disposed assets. The current assets increased by 12.7% as a result of the 20.5% increase of inventories and the enlargement of our cash position. The increase in inventories was caused primarily by higher stock of semi-products and finished products

Equity increased due to the positive result for the period and as a result of finalisation of Cognor's financial restructuring by which the indebtedness at the amount of EUR 25.0 million has been extended in the form of subordinated notes maturing in February 2021 convertible mandatorily by that date into Cognor's share capital (the Exchangeable Notes). These notes are now accounted for as equity. Interest bearing loans and borrowings net of cash went down by PLN 87.2 million primarily in connection with the completion of the financial restructuring. A portion of that increase was also driven by the FX result on the Group's indebtedness at the amount of pln (-) 12.5 million. The shift of liabilities from current to non-current resulted from the restructuring by which the maturity of majority of our debt has been postponed till February 2020.

**XXVIII. Most important events that have a significant impact on the business activities and financial results of the capital Group issuer in the trading year or whose impact is possible in the upcoming years**

- a) On 10 January 2013 the parent company, together with its subsidiary Ferrostal Łabędy Spółka z o.o. entered an agreement on cooperation with ZW Profil S.A. in Kraków. Consequently, commencing from 1 February 2013 Ferrostal Łabędy Sp. z o.o. became the exclusive supplier of steel billets to ZW Profil S.A. with the aim of their further processing and sale of goods produced from them. The agreement was originally extended to 31 December 2014, with a further extension to the end of 2015, due to the need to standardize rolling's contracts concluded with subsidiaries of Ferrostal Łabędy Sp. z o.o., is in the process of negotiations. In addition, in September 2013, Ferrostal Łabędy Sp. z o.o. bought a 33% stake in ZW Profil S.A. On 25 March 2014, Ferrostal Łabędy Sp. z o.o. (subsidiary) obtained the permission of the Office of Competition and Consumer Protection to take over the controlling package of shares of ZW Profil S.A. in Kraków. On 11 April 2014, Ferrostal Łabędy Sp. z o.o. purchased 2 000 shares in ZW Profil S.A. what representing in total 53.06% of the share capital of the company. As a result of subsequent purchases of shares in ZW Profil S.A. and the increase of share capital - as at December 31, 2014, Ferrostal Łabędy Sp. z o.o. has total of 82 063 shares, which represent 95.72% of the share capital of the company.
- b) On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Złomrex International Finance S.A. with the maturity date of February 2014. The new issue was allocated to the holders in proportion to bonds that they owned.
- The Senior Secured Notes have an aggregate principal amount of EUR 100 348 109.00, mature on February 1, 2020, interest will be payable semi-annually in arrears on February 1 and August 1 in each year and depend on the interest payment periods:
- 1st and 2nd years – 7.5%
  - 3rd year – 10.0%
  - 4th to 6th years – 12.5%

The Senior Secured Notes are guaranteed by: PS Holdco Sp. z o.o., Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Finance Sp. z o.o. and Kapitał S.A.

The guarantee of Senior Secured Notes' issue including:

- first ranking financial pledges established by:

- (i) shares of Odlewnia Metali Szopienice Sp. z o.o. , ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Finance Sp. z o.o., Kapitał S.A.
  - (ii) certain fixed assets of Cognor S.A. currently leased by Ferrostal Łabędy Sp. z o.o.
  - (iii) certain fixed assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
  - (iv) Intercompany Proceeds Note issued by Huta Stali Jakościowych S.A
- mortgages established over the real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
- an English law equitable charge over all the shares in Cognor International Finance Plc
- submission to enforcement by Cognor International Finance and each of the Guarantors in a form of notarial deed.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021, interest will be payable semi-annually in arrears on February 1 and August 1 and the fixed interest rate is 5%.The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor S.A. new and/or existing shares, credited as fully paid, in the period from March 15, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to: (i) deliver (or procure the issue or transfer and delivery of) Cognor S.A. shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35. The Exchangeable Notes will be unsecured and guaranteed by Cognor S.A.

**XXIX. Description of the structure of the main capital deposits or main capital investments carried out within the framework of the Capital Group issuer in the given trading year**

Not applicable

**XXX. Characteristics of policies in the sphere of the direction of development of the Capital Group issuer**

The policy of development of the Group has been geared for many years towards that of organic growth by means of availing of the possibilities of improving the efficiency of the technological equipment at our disposal by way of capital expenditures. The aim of this policy is to increase the production capacity of the most profitable products manufactured for the automotive industry. The ambition of the Management Board of the Group is to create a cost-effective producer of specialized steel steels, characterized by the highest level of quality in terms of the goods on offer.

**XXXI. Description of the significant positions outside of the balance sheet in a subjective, objective and valuation notion**

Not applicable

**XXXII. Recommendations of the Management Board in the field of allocating profit / covering the losses of the parent company in 2014**

The Management Board recommends that the losses of the parent company for the year 2014 to cover profit from future years.

Przemysław Sztuczkowski  
*Chairman of the Board*

Przemysław Grzesiak  
*Vice-Chairman of the Board*

Krzysztof Zoła  
*Member of the Board*

Dominik Barszcz  
*Member of the Board*

***Poraj, dated 20 March 2015***