

Poraj, dated 21 March 2016

## MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR S.A. CAPITAL GROUP IN 2016

### 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 2015 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	62,55%	43 691 307	62,55%
Other	26 160 180	37,45%	26 160 180	37,45%
<b>Total</b>	<b>69 851 487</b>	<b>100,00%</b>	<b>69 851 487</b>	<b>100,00%</b>

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<b>Total</b>	<b>69 851 487</b>	<b>100,00%</b>	<b>69 851 487</b>	<b>100,00%</b>

#### 3. Employment

As of 31 December 2015 employment figures in fully consolidated companies of the Capital Group were presented in the following way:

- Cognor S.A. – 12 people
- Huta Stali Jakościowych S.A. – 848 people
- Ferrostal Łabędy Sp. z o.o. – 304 people
- ZW-WalcoWnia Bruzdowa Sp. z o.o. – 253 people (including 228 people employed by external firms)
- Złomrex Metal Sp. o.o. – 234 people
- Cognor Blachy Dachowe S.A. – 24 people
- Business Support Services Sp. z o.o. – 5 person
- ZW Profil S.A. – 311 people
- PTS Sp. z o.o. – 174 people
- Cognor International Finance Plc – 2 people
- Cognor SA Sp.k. – 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 Sztuczkowski – 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 in Poland was a period of a growth in the production of steel, but in global market, especially in China, production of steel decreased.

STEEL PRODUCTION (million tonnes)	2015	YoY	2014	2013	2012	2011
Poland	9.1	6%	8.6	8.0	8.4	8.8
EU (28)	166.2	-2%	169.2	165.6	169.4	177.4
China	803.8	-2%	822.7	779.0	708.8	683.3
<b>World</b>	<b>1 599.5</b>	<b>-2%</b>	<b>1 637.0</b>	<b>1 582.5</b>	<b>1 510.2</b>	<b>1 490.1</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 2015, the structure of the Capital Group was presented as follows:

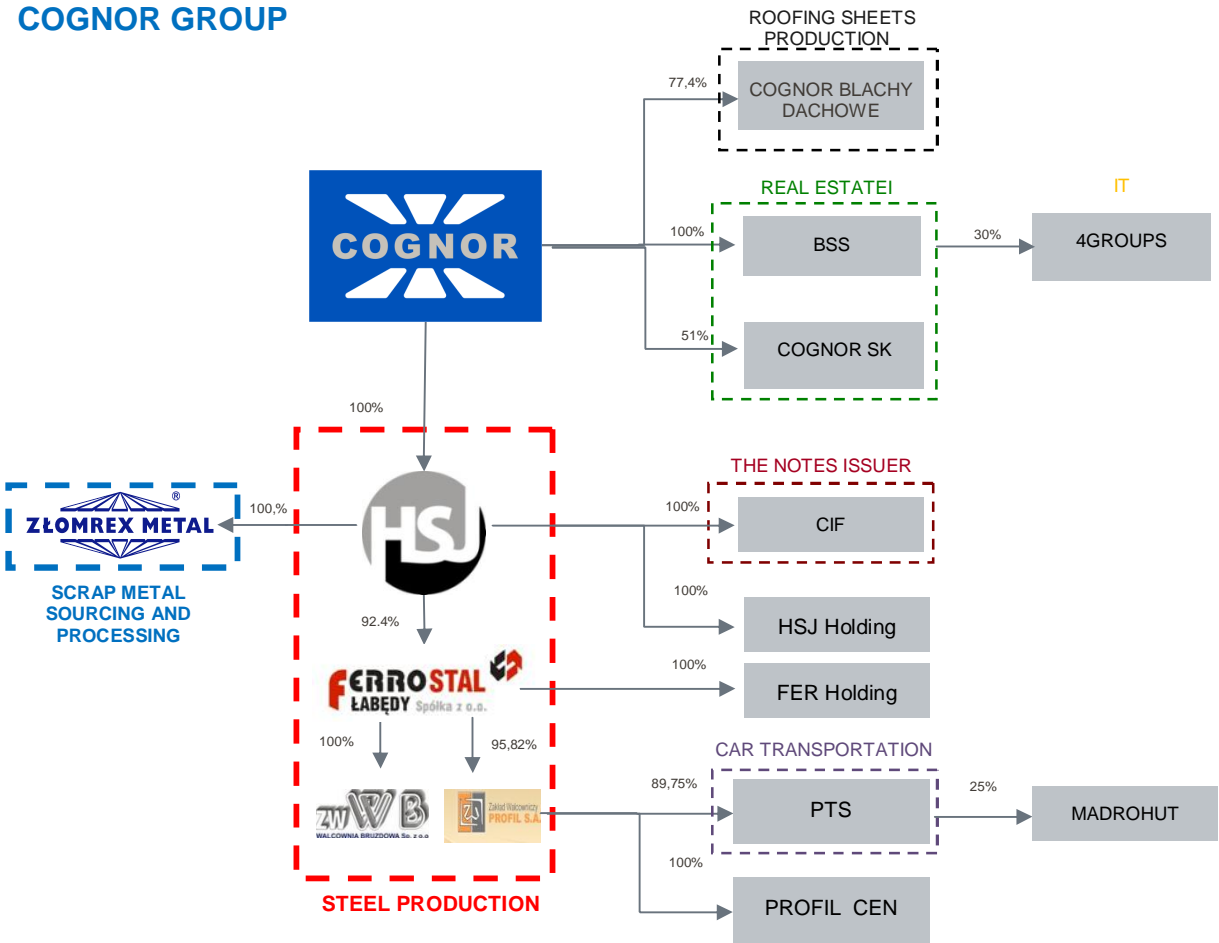
Entity	Seat	Share in equity and voting rights	Abbreviations
Cognor Blachy Dachowe S.A.	Poland	77,4%	COGNOR BLACHY
Business Support Services Sp. z o.o.	Poland	100,0%	BSS
Huta Stali Jako ciowych S.A.	Poland	100,0%	HSJ
HSJ Holding Sp. z o.o.	Poland	100,0%	HSJHOL
Cognor S.A. Sp.k.	Poland	51,0%	COGNOR SK
4Groups Sp. z o.o.	Poland	30,0%	4GR
Ferrostal ýab dy Sp. z o.o.	Poland	92,4%	FERROSTAL, FERR
ZW-Walcownia Bruzdowa Sp. z o.o.	Poland	100,0%	ZW-WB
FER Holding Sp. z o.o.	Poland	100,0%*	FERHOL
Cognor International Finance PLC	UK	100,0%	CIF
Zýmrex Metal Sp. z o.o.	Poland	100,0%	ZýOMREX METAL, ZLMET
ZW Profil S.A.	Poland	95,82%*	PROFIL
Przedsi biorstwo Transportu Samochodowego S.A.	Poland	89,75%**	PTS
Profil Centrum Sp. z o.o. w likwidacji	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, HSJ Holding Sp. z o.o., FER Holding Sp. z o.o. 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 2015 in the form of a diagram looks as follows:



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

- on 30 April 2015, the Register Court registered new entity FER Holding Sp z o.o. established by Ferrostal Łąbędy Sp. z o.o. who represent 100% of the share capital of the company
- on 4 May 2015, the Register Court registered new entity HSJ Holding Sp z o.o. established by Huta Stali Jakościowych SA who represent 100% of the share capital of the company
- on 2015, in a few transaction ZW Profil SA purchased 5 148 shares of Przedsiębiorstwo Transportu Samochodowego SA. As a result of purchases of shares as at December 31, 2015 ZW Profil SA represent 89.75% of the share capital of the company
- on June and July 2015 , Ferrostal Łąbędy Sp. z o.o. purchased 80 shares in ZW Profil S.A. As a result of purchase of shares in ZW Profil S.A. as at December 31, 2015, Ferrostal Łąbędy Sp. z o.o. has total of 82 683 shares, which represent 95.82% of the share capital of the company
- on 14 December 2015, Cognor SA bought (from Huta Stali Jakościowych SA) Kapitał SA Sp.k. and changed name of the company to Cognor SA Sp.k.
- on 18 December 2015, Huta Stali Jakościowych SA (as the acquiring entity) merged with a subsidiary Kapitał SA (the acquired entity)
- on 23 December 2015, the French Register Court liquidated Zlomrex International Finance SA

**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

<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>'000 PLN</i>			
Revenue	1 364 804	1 422 546	1 294 269
Cost of sales	-1 268 982	-1 275 863	-1 191 124
<b>Gross profit</b>	<b>95 822</b>	<b>146 683</b>	<b>103 145</b>
Other income	4 717	11 383	10 956
Distribution expenses	-47 791	-43 033	-39 518
Administrative expenses	-34 640	-38 496	-34 964
Other gains/(losses) . net	2 952	647	1 979
Other expenses	-7 913	-11 159	-13 485
<b>EBIT</b>	<b>13 147</b>	<b>66 025</b>	<b>28 113</b>
Financial income	26 678	1 789	0
Financial expenses	-57 009	-69 092	-75 955
<b>Net financing costs</b>	<b>-30 331</b>	<b>-67 303</b>	<b>-75 955</b>
Share of profits of associates	-85	-626	2 759
Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost	0	5 859	0
<b>Profit before tax</b>	<b>-17 269</b>	<b>3 955</b>	<b>-45 083</b>
Income tax expense	3 324	5 790	-2 619
Loss for the period from discontinued operations	0	-4 047	0
<b>Profit for the period</b>	<b>-13 945</b>	<b>5 698</b>	<b>-47 702</b>
Depreciation and amortization	-35 863	-35 072	-37 078
<b>EBITDA</b>	<b>49 010</b>	<b>101 097</b>	<b>65 191</b>

<b>SALES</b>	<b>2015</b>	<b>% YoY</b>	<b>2014</b>	<b>2013</b>
<i>'000 PLN</i>				
Scrap metal	100 051	6,2%	94 186	88 737
Billets	228 178	-36,7%	360 524	346 415
Finished products	868 672	5,5%	823 098	745 598
<b>Total</b>	<b>1 196 901</b>	<b>-6,3%</b>	<b>1 277 808</b>	<b>1 180 750</b>
<i>Tonnes</i>				
Scrap metal	118 994	18,9%	100 059	87 450
Billets	132 261	-29,7%	188 053	170 018
Finished products	392 888	16,1%	338 359	292 523
<b>Total</b>	<b>644 143</b>	<b>2,8%</b>	<b>626 471</b>	<b>549 991</b>

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

Cognor saw a significant deterioration of gross profit – by PLN 50.9 million and (-) 34.7%, EBIT – by PLN 52.9 million and (-) 80.1% and EBITDA – by PLN 52.1 million and (-) 51.5%. The negative development of spreads was responsible for PLN 36.1 million of the decrease. Similar impact, at the amount of PLN 32.5 million, came from the very price dynamics where Cognor was selling its products from stock according to the FIFO method in the decreasing price environment.

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

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	2015	2014	2013	2012	2011	2010
<i>(pln/ tonne)</i>						
<b>FERROSTAL</b>						
scrap metal price <i>(all qualities, fright cost inclusive)</i>	864	989	1 096	1 236	1 152	891
billet price <i>(all qualities)</i>	1 660	1 858	2 015	2 121	2 038	1 629
<i>billet spread</i>	796	869	919	885	885	738
finished product price <i>(all types)</i>	1 842	2 036	2 131	2 337	2 285	1 929
<i>product spread</i>	978	1 047	1 036	1 101	1 132	1 039
<b>HSJ</b>						
scrap metal price <i>(all qualities, fright cost inclusive)</i>	902	1 041	1 114	1 220	1 175	926
finished product price <i>(all types)</i>	2 703	2 920	2 937	3 387	3 535	3 007
<i>product spread</i>	1 801	1 879	1 823	2 167	2 359	2 080

## 2. Main Metrics

MAIN METRICS	Y 2015	Y 2014	Y 2013
Liquidity ratio	1.84	1.79	0.61
Quick ratio	0.73	0.81	0.30
Inventories turnover <i>days</i>	76	81	72
Receivables turnover <i>days</i>	34	48	53
EBITDA margin	3,6%	7.1%	5.0%
Net profit margin	-1.0%	0,4%	-3.7%
Equity <i>ϕ00 PLN</i>	168 691	187 286	129 134
Net debt <i>ϕ00 PLN</i>	414 237	467 619	554 805
Net debt / EBITDA	8.5	4.6	8.5

Liquidity metrics remained at good levels.

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

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

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

## 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 2015 the Group's financial results deteriorated due to difficulties in the steel industry. The Management Board finds last year exceptionally bad for the industry and it expects some improvement in following years.

Moreover, as a result of the successfully conducted issues of two series of bonds on 4 February 2014, including the bonds convertible on shares of Cognor S.A., the Group acquired a stable and long-term source of financing. In 2015 the Group has repurchased and remitted a part of its own bonds. The lower indebtedness will result in lower future interests.

Furthermore, the Group diversified its short-term financing providers and decreased short-term debt carrying amount by entering into new, non-recourse factoring arrangements based on the risk profile of our customers.

Due to those actions, our net debt, calculated as interest-bearing loans and borrowings increased by bank overdraft and decreased by cash and cash equivalents, decreased to PLN 414 237 thousand from PLN 467 619 thousand at the end of 2014.

This year Cognor Group intends to improve operating results and cash flows, further reduce its indebtedness and to continue optimizing its financing sources in order to reduce its financing costs.

Cognor Group assumes that the availability of the currently held short-term facilities will continue throughout 2016, which in a combination with the lack of maturity of principal repayments of other loans and borrowings, allows the Management Board of Cognor S.A. to believe that, on the date of preparation of these consolidated financial statements, there are no threats that might affect the ability of the Group to continue its activities in the next reporting period.

**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 is one proceeding before the court 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 in 2014 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 in 2014. 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 the available path.

Additionally, as important from the point of view of the Group, there is the following procedure:

- The company Złomrex Metal Sp. z o.o. filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015. The company is currently waiting for the hearing date. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by Złomrex Metal Sp. z o.o. in 2014.

**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		2015	2014	2013
<b>PURCHASES FROM EXTERNAL SUPPLIERS</b>	<i>Tonnes</i>			
FERR		269 155	245 487	179 334
ZLMET		321 631	361 078	361 942
HSJ		131 897	106 711	92 238
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		408 941	423 865	363 531
HSJ		252 364	230 046	205 929
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
ZLMET		118 994	100 059	87 450
OTHER		0	0	0
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		100 051	94 186	88 737
<b>TOTAL PURCHASES in TONNES</b>		<b>722 683</b>	<b>713 276</b>	<b>633 514</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>661 305</b>	<b>653 911</b>	<b>569 460</b>
<b>TOTAL SALES in TONNES</b>		<b>118 994</b>	<b>100 059</b>	<b>87 450</b>
<b>TOTAL SALES in '000 PLN</b>		<b>100 051</b>	<b>94 186</b>	<b>88 737</b>



2. Semi-products (billets and ingots)

BILLETS		2015	2014	2013
<b>PURCHASES</b>	<i>Tonnes</i>			
FERR		29	0	0
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR		363 492	381 477	324 695
HSJ		219 962	201 072	181 271
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		259 379	211 573	163 797
HSJ		191 840	182 923	172 151
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		104 113	169 904	160 898
HSJ		28 148	18 149	9 120
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		228 178	360 524	346 415
<b>TOTAL PURCHASES in TONNES</b>		<b>29</b>	<b>0</b>	<b>0</b>
<b>TOTAL PRODUCTION in TONNES</b>		<b>583 454</b>	<b>582 549</b>	<b>505 966</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>451 222</b>	<b>394 496</b>	<b>335 948</b>
<b>TOTAL SALES in TONNES</b>		<b>132 261</b>	<b>188 053</b>	<b>170 018</b>
<b>TOTAL SALES in '000 PLN</b>		<b>228 178</b>	<b>360 524</b>	<b>346 415</b>

3. Finished goods

FINISHED PRODUCTS		2015	2014	2013
<b>PURCHASES</b>	<i>Tonnes</i>			
FERR		582	0	0
<b>PRODUCTION</b>	<i>Tonnes</i>			
ZWWB		78 441	79 627	71 947
PROFIL		150 402	108 656	70 931
HSJ		172 937	160 053	156 212
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		224 491	186 571	142 425
HSJ		168 397	151 788	150 098
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		868 672	823 098	745 598
<b>PURCHASED</b>		<b>582</b>	<b>0</b>	<b>0</b>
<b>TOTAL PRODUCTION in TONNES</b>		<b>401 780</b>	<b>348 336</b>	<b>299 090</b>
<b>TOTAL BULK PRODUCT SALES in TONNES</b>		<b>392 888</b>	<b>338 359</b>	<b>292 523</b>
<b>TOTAL SALES in '000 PLN</b>		<b>868 672</b>	<b>823 098</b>	<b>745 598</b>

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	51.8%
Foreign	48.2%

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 18.2%. 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	75.0%
Foreign	25.0%

Customers:

Sale to one customer – C&F International GmbH - exceed 10% of the total sale of FERR and is 10.4%. C&F International GmbH 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 21.0%. 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	96.1%
Foreign	3.9%

Customers:

Sale to two customers exceed 10% of the total sale of ZM and is: 26.0% to Ferrostal Łabędy Sp. z o.o. and 20.4% 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.**

Not applicable.

**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) Taken in 2015 and before 2015 but still active:

- 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 10 000 000 with mBank S.A., interest rate is WIBOR + points of margin, and in 2014 the limit was split between Ferrostal Łabędy Sp. z o.o. (PLN 3 700 000) and Huta Stali Jakościowych S.A. (PLN 6 300 000). 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 9 100 000 and established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 3 700 000, Huta Stali Jakościowych SA PLN 5 400 000. Annex No. 10 of 29 June 2015 extended the limit of bank overdraft until 29 June 2016, established the amount of the loan for PLN 25 000 000 and established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 11 650 000, Huta Stali Jakościowych SA PLN 13 350 000. On 7 January 2016 established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 0. On 27 January 2016 established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 10 000 000. The overdraft balance as at 31 December 2015 was: Ferrostal Łabędy Sp. z o.o. PLN 10 847 703, Huta Stali Jakościowych SA PLN 0
- on September 21, 2015 Ferrostal Łabędy Sp. z o.o. signed the loan agreement of bank overdraft with the limit of PLN 5 000 000 with Pekao S.A., interest rate is WIBOR + points of margin and the limit of bank overdraft 20 September 2016. The overdraft balance as at 31 December 2015 was PLN 4 998 175

b) Terminated:

- on July 7, 2006 ZW Profil SA signed the loan agreement of bank overdraft with the limit of PLN 800 000 with PKO BP S.A., interest rate is WIBOR + points of margin. Annex from 30 September 2014 established the amount of the loan for PLN 800 000 and the limit of bank overdraft 31 May 2015. The agreement terminated on 31 May 2015.

2. Loans:

a) Taken in 2015:

- Huta Stali Jakościowych SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 324 000 PLN, in which the agreement was entered on 13 May 2015 for the period up to 31 December 2017, with interest at 0.48% rediscount rate for promissory note but not less than 3.5% at a scale of the year as a whole. As at 31 December 2015 the amount was 324 800 PLN
- Huta Stali Jakościowych SA took out a loan from Cognor SA with the amount 7 500 000 PLN, in which the agreement was entered on 8 October 2015 for the period up to 31 December 2015, with interest at 7.75% at a scale of the year as a whole. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 7 238 714,40 PLN
- Huta Stali Jakościowych SA took out a loan from SG Equipment Leasing Polska SA with the amount EUR 1 200 000, in which the agreement was entered on 27 July 2015 for the period up to December 2015, with interest at 3.9% at a scale of the year as a

whole. On 26 November 2015 extended the limit of a loan until 31 January 2016. As at 31 December 2015 the amount was EUR 900 000

- Huta Stali Jakościowych SA (former Kapitał SA) took out a loan from Cognor Blachy Dachowe SA with the amount 3 000 000 PLN, in which the agreement was entered on 24 June 2015 for the period up to 31 December 2015, with interest at 7.75% at a scale of the year as a whole. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 3 093 877,02 PLN
- Cognor SA took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount 14 000 000 PLN, in which the agreement was entered on 30 December 2015 for the period up to 31 January 2016, with interest at 7.75% at a scale of the year as a whole. As at 31 December 2015 the amount was 14 000 000 PLN. Loan was repaid in January 2016
- Cognor SA took out a loan from ZW-Profil SA with the amount 4 000 000 PLN, in which the agreement was entered on 15 June 2015 for the period up to 31 December 2015, with interest at 7.75% at a scale of the year as a whole. On 31 December 2015 extended the limit of a loan until 31 December 2016 and until 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 4 140 466,83 PLN

b) Taken before 2015, but still active:

- Huta Stali Jakościowych SA took out a loan from Business Support Services Sp. z o.o. with 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. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 4 361 849,73 PLN
- Kapitał SA Sp.k. (recent Cognor SA Sp.k.) took out a loan from Kapitał SA (recent Huta Stali Jakościowych SA) 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. On 4 January 2016 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 1 613 606,84 PLN
- Przedsiębiorstwo Transportu Samochodowego SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with 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 2015 the amount was 199 500 PLN
- Przedsiębiorstwo Transportu Samochodowego SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with 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 2015 the amount was 369 600 PLN
- Business Support Services Sp. z o.o. took out a loan from 4Workers with 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. On 26 January 2015 2013 the limit was raised up to 1 650 000 PLN. On 1 February 2016 the limit was raised up to 1 750 000 PLN and the limit was extended until 31 December 2016. As at 31 December 2015 the amount was 1 644 652,45 PLN
- ZW-Walcownia Bruzdowa Sp. z o.o. took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount 3 344 867,01 PLN, in which the agreement was entered on 30 October 2009 for the period up to 31 December 2010, with interest at WIBOR 3M from the last quarter plus 2% at a scale of the year as a whole. On 2 January 2014 extended the limit of a loan until 31 December 2015. On 14 January 2013 the limit was raised up to 4 944 867,01 PLN. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 3 158 118,40 PLN

c) Terminated:

- Huta Stali Jakościowych SA took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount EUR 1 533 698,16, in which the agreement was entered on 27 July 2015 for the period up to 31 October 2015, with interest at 7,75% at a scale of the year as a whole. Loan was repaid in 2015
- Huta Stali Jakościowych SA took out a loan from Ferrostal Łabędy Sp. z o.o. with 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. Loan was repaid in 2015
- Huta Stali Jakościowych SA took out a loan from Kapitał SA with 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:

- on 13 March 2014 the limit was raised up to 10 000 000 PLN,
- on 31 October 2014 the limit was raised up to 12 000 000 PLN,
- on 18 December 2014 the limit was raised up to 25 000 000 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 35 000 000 PLN,

- on 1 April 2015 the limit was raised up to 50 000 000 PLN,

- on 23 June 2015 the limit was raised up to 55 000 000 PLN,

- on 28 August 2015 the limit was raised up to 57 000 000 PLN,

On December 2015 Huta Stali Jakościowych SA (as the acquiring entity) merged with a subsidiary Kapitał SA (the acquired entity). As at the day of the merger the amount was 56 468 309,32 PLN

- Huta Stali Jakościowych SA took out a loan from Kapitał SA with the amount 2 000 000 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. On December 2015 Huta Stali Jakościowych SA (as the acquiring entity) merged with a subsidiary Kapitał SA (the acquired entity). As at the day of the merger the amount was 2 000 000 PLN
- Ferrostal Łabędy Sp. z o.o. took out a loan from Kapitał SA with 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. Loan was repaid in 2015
- Ferrostal Łabędy Sp. z o.o. took out a loan from Cognor SA with the amount 11 000 000 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. Loan was repaid in 2015
- Złomrex Metal Sp. z o.o. took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount 3 100 000 PLN, in which the agreement was entered on 26 August 2015 for the period up to 11 September 2015, with interest at 7,7% at a scale of the year as a whole. Loan was repaid in 2015
- Cognor SA (of that time Cognor Services Sp. z o.o.) took out a loan from Kapitał SA (of that time Centrostal Sp. z o.o. Szczecin) with the amount 50 000 000 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. Loan was repaid in 2015

## **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 in 2015 to the affiliated entities:

- Cognor SA granted Huta Stali Jakościowych SA with a loan in the amount 7 500 000 PLN, in which the agreement was entered on 8 October 2015 for the period up to 31 December 2015, with interest at 7.75% at a scale of the year as a whole. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 7 238 714,40 PLN
- Cognor Blachy Dachowe SA granted Huta Stali Jakościowych SA (former Kapitał SA) with a loan in the amount 3 000 000 PLN, in which the agreement was entered on 24 June 2015 for the period up to 31 December 2015, with interest at 7.75% at a scale of the year as a whole. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 3 093 877,02 PLN
- Ferrostal Łabędy Sp. z o.o. granted Cognor SA with a loan in the amount 14 000 000 PLN, in which the agreement was entered on 30 December 2015 for the period up to 31 January 2016, with interest at 7.75% at a scale of the year as a whole. As at 31 December 2015 the amount was 14 000 000 PLN. Loan was repaid in January 2016

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

- 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. On 31 December 2015 extended the

limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 4 361 849,73 PLN

- Kapitał SA (recent Huta Stali Jakościowych SA) granted Kapitał SA Sp.k. (recent Cognor 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. On 4 January 2016 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 1 613 606,84 PLN
- 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 2015 the amount was 199 500 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 2015 the amount was 369 600 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. On 26 January 2015 2013 the limit was raised up to 1 650 000 PLN. On 1 February 2016 the limit was raised up to 1 750 000 PLN and the limit was extended until 31 December 2016. As at 31 December 2015 the amount was 1 644 652,45 PLN
- Ferrostal Łabędy Sp. z o.o granted ZW-Walcownia Bruzdowa Sp. z o.o. with a loan in the amount 3 344 867,01 PLN, in which the agreement was entered on 30 October 2009 for the period up to 31 December 2010, with interest at WIBOR 3M from the last quarter plus 2% at a scale of the year as a whole. On 2 January 2014 extended the limit of a loan until 31 December 2015. On 14 January 2013 the limit was raised up to 4 944 867,01 PLN. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 3 158 118,40 PLN
- ZW-Profil SA granted Cognor SA with a loan in the amount 4 000 000 PLN, in which the agreement was entered on 15 June 2015 for the period up to 31 December 2015, with interest at 7.75% at a scale of the year as a whole. On 31 December 2015 extended the limit of a loan until 31 December 2016 and until 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 4 140 466,83 PLN
- Cognor SA (former Cognor Services Sp. z o.o., then Cognor Finanse Sp. z o.o.) granted Odlewnia Metali Szopienice Sp. z o.o. with a loan in the amount 3 000 000 PLN in which the agreement was entered on 6 May 2011 for the period up to 31 December 2011, with interest at 9.2% at a scale of the year as a whole. The agreement extended the limit of a loan with several annexes On 3 February 2014 the interest was raised up to 7,7%. On 4 January 2016 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. As at 31 December 2015 the amount was 4 066 960,36 PLN

### **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**

#### 1) Granted in 2015:

- a. Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych S.A. a guarantee for 2 leasing agreements
- b. Ferrostal Łabędy Sp. z o.o. granted ZW Profil S.A. a guarantee for leasing agreement
- c. Huta Stali Jakościowych S.A. granted Ferrostal Łabędy Sp. z o.o a guarantee for credit agreement

#### 2) Granted before 2015, but still active:

- d. Huta Stali Jakościowych S.A. granted Cognor International Finance PLC a senior secured notes indenture
- e. Ferrostal Łabędy Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- f. Złomrex Metal Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- g. Cognor S.A. granted Cognor International Finance PLC a senior secured notes indenture
- h. ZW-Walcownia Bruzdowa Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- i. Odlewnia Metali Szopienice Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- j. PS Holdco Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture

- k. Ferrostal Łabędy Sp. z o.o. granted Przedsiębiorstwo Transportu Samochodowego S.A. a guarantee for 2 loans
- l. Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych S.A. a guarantee for 3 leasing agreements
- m. Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych S.A. a guarantee for credit agreement
- n. Ferrostal Łabędy Sp. z o.o. granted Cognor S.A. a guarantee for credit agreement
- o. Huta Stali Jakościowych S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for credit agreement
- p. Cognor S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for credit agreement
- q. Cognor S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for trade agreement
- r. Cognor S.A. granted Huta Stali Jakościowych S.A. a guarantee for credit agreement
- s. Cognor S.A. granted Cognor Blachy Dachowe S.A. a guarantee for 2 trade agreements

3) Terminated:

- t. Kapitał S.A. granted Cognor International Finance PLC a senior secured notes indenture
- u. Ferrostal Łabędy Sp. z o.o. granted Złomrex Metal Sp. z o.o. a guarantee for factoring agreement

**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**

On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Exchangeable Notes. The Exchangeable Notes will be unsecured and guaranteed by Cognor S.A. The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021. 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 1, 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.

In connection with the request of the holders of Exchangeable Notes (EN) to a subsidiary Cognor International Finance plc for conversion of Notes held by them into shares of Cognor SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor S.A. :

- July 9, 2015 admitted to trading 50 000 of shares,
- August 3, 2015 admitted to trading 41 489 of shares
- September 7, 2015 admitted to trading 457 446 of shares
- November 17, 2015 admitted to trading 3 080 304 of shares

Altogether admitted to trading in 2015 3 629 239 of shares of Cognor SA in exchange for the conversion of 1 983 422 EUR of Exchangeable Notes into shares. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2015 is 23 103 581 EUR.

**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 2015. 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 2016, 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

**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 2015:

Management Board

- Przemysław Sztuczkowski – 2 814 000 PLN
- Przemysław Grzesiak – 1 536 000 PLN
- Krzysztof Zoła 444 000 PLN
- Dominik Barszcz 318 000 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 Sztuczowski due to fulfilling the function of the Chairman of the Board in the subsidiary Ferrostal Łąbędy Sp. z o.o. received a remuneration of 750,9 kPLN gross in 2015.

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 252 kPLN gross in 2015.

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**

a) 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.

b) On December 30, 2013 the shareholders' meeting of Cognor S.A. has 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.

c) 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.

d) On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Exchangeable Notes. The Exchangeable Notes will be unsecured and guaranteed by Cognor S.A. The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021. 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 1, 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.

In connection with the request of the holders of Exchangeable Notes (EN) to a subsidiary Cognor International Finance plc for conversion of Notes held by them into shares of Cognor SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor S.A. .:

- July 9, 2015 admitted to trading 50 000 of shares,
- August 3, 2015 admitted to trading 41 489 of shares

- September 7, 2015 admitted to trading 457 446 of shares  
- November 17, 2015 admitted to trading 3 080 304 of shares  
Altogether admitted to trading in 2015 3 629 239 of shares of Cognor SA in exchange for the conversion of 1 983 422 EUR of Exchangeable Notes into shares. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2015 is 23 103 581 EUR.

e) 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.

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 3 July 2015 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 2015.

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 2015 amounts to 97 000 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 2014 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 2014 amounted to 84 800 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>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Property, plant and equipment	278 043	289 565	293 145
Intangible assets	10 834	11 338	12 163
Investments in associates	3 147	3 232	4 946
Other investments	13 578	13 768	6 352
Other receivables	49	34	41 500
Prepaid perpetual usufruct of land	20 828	22 794	18 535
Deferred tax assets	82 018	81 932	74 319
<b>Total non-current assets</b>	<b>408 497</b>	<b>422 663</b>	<b>450 960</b>
Inventories	263 476	283 058	234 816
Other investments	4 236	4 607	5 190
Current income tax receivables	290	10	12
Trade and other receivables	127 378	187 421	186 553
Prepayments	0	0	9 205
Cash and cash equivalents	36 928	35 648	14 778
Assets classified as held for sale	5 506	7 110	8 951
<b>Total current assets</b>	<b>437 814</b>	<b>517 854</b>	<b>459 505</b>
<b>Total assets</b>	<b>846 311</b>	<b>940 517</b>	<b>910 465</b>

<b>EQUITY AND LIABILITIES (000 PLN)</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Issued share capital	139 702	132 444	132 444
Reserves	194 935	202 193	149 575
Foreign currency translation reserves	32	-540	-477
Accumulated losses	-187 547	-168 074	-166 107
<b>Total equity attributable to owners of the Parent Company</b>	<b>147 122</b>	<b>166 023</b>	<b>115 435</b>
Non-controlling interests	21 569	21 263	13 699
<b>Total equity</b>	<b>168 691</b>	<b>187 286</b>	<b>129 134</b>
Interest-bearing loans and borrowings	386 446	408 896	6 677
Employee benefits obligation	9 113	9 597	7 313
Other payables	37 479	34 294	0
Deferred tax liabilities	6 409	11 011	11 637
<b>Total non-current liabilities</b>	<b>439 447</b>	<b>463 798</b>	<b>25 627</b>
Bank overdraft	15 846	6 969	0
Interest-bearing loans and borrowings	48 873	87 402	562 906
Employee benefits obligation	4 867	4 588	3 250
Current income tax payables	5	105	152
Provisions for payables	3 697	6 535	516
Trade and other payables	164 768	183 717	188 763
Government grants and other deferred income	117	117	117
<b>Total current liabilities</b>	<b>238 173</b>	<b>289 433</b>	<b>755 704</b>
<b>Total liabilities</b>	<b>677 620</b>	<b>753 231</b>	<b>781 331</b>
<b>Total equity and liabilities</b>	<b>846 311</b>	<b>940 517</b>	<b>910 465</b>

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

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

**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 extended to 31 December 2016 As a result of subsequent purchases of shares in ZW Profil S.A. and the increase of share capital - as at December 31, 2015, Ferrostal Łabędy Sp. z o.o. has total of 82 683 shares, which represent 95.82% 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 (from 02.2014 to 01.2016) – 7.5%
- 3rd year (from 02.2016 to 01.2017) – 10.0%
- 4th to 6th years (from 02.2017 to 01.2020) – 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.

In connection with the request of the holders of Exchangeable Notes (EN) to a subsidiary Cognor International Finance plc for conversion of Notes held by them into shares of Cognor SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor S.A. .:

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Altogether admitted to trading in 2015 3 629 239 of shares of Cognor SA in exchange for the conversion of 1 983 422 EUR of Exchangeable Notes into shares. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2015 is 23 103 581 EUR.

**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 2015**

The Management Board recommends that the losses of the parent company for the year 2015 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 21 March 2016***