

Poraj, dated 21 March 2017

MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR HOLDING 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 Holding 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 2016 and as of the date of this report the shareholding of Cognor Holding 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.	50 800 324	67,49%	50 800 324	67,49%
Other	24 465 544	32,51%	24 465 544	32,51%
Total	75 265 868	100,00%	75 265 868	100,00%

3. Employment

As of 31 December 2016 employment figures in fully consolidated companies of the Capital Group were presented in the following way:

- Cognor Holding S.A. – 12 people
- Huta Stali Jakościowych S.A. – 853 people
- Ferrostał Łabędy Sp. z o.o. – 310 people
- ZW-Walcownia Bruzdowa Sp. z o.o. – 272 people (including 249 people employed by external firms)
- Złomrex Metal Sp. o.o. – 232 people
- Cognor Blachy Dachowe S.A. – 9 people
- Business Support Services Sp. z o.o. – 4 person
- ZW Profil S.A. – 322 people
- PTS Sp. z o.o. – 167 people
- Cognor International Finance Plc – 0 people
- Cognor Holding SA Sp.k. – 2 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 2016 in Poland was a period of a decreased in the production of steel, but in global market, especially in China, production of steel slightly growth.

STEEL PRODUCTION (million tonnes)	2016	YoY	2015	2014	2013	2012
Poland	8,9	-3,3%	9,2	8,6	8,0	8,4
EU (28)	162,3	-2,3%	166,1	169,2	165,6	169,4
China	808,4	1,2%	798,8	822,7	779,0	708,8
World	1 628,5	0,8%	1 615,4	1 637,0	1 582,5	1 510,2

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 Holding S.A.

As of 31 December 2016, the structure of the Capital Group was presented as follows:

Entity	Seat	Share in equity and voting rights	Abbreviations
Cognor S.A.	Poland	94,38%*	COG
Business Support Services Sp. z o.o.	Poland	100,0%*	BSS
Cognor Blachy Dachowe S.A.	Poland	100,0%*	COGNOR BLACHY
Cognor Holding S.A. Sp.k.	Poland	51,0%*	COGNOR SK
AB Stahl AG w likwidacji	Germany	100,0%*	AB STAHL
Cognor International Finance PLC	UK	100,0%**	CIF
Złomrex Metal Sp. z o.o.	Poland	100,0%**	ZŁOMREX METAL, ZLMET
Przedsiębiorstwo Transportu Samochodowego S.A.	Poland	92,96%**	PTS
Madrohut Sp. z o.o.	Poland	25%***	MADROHUT
4Groups Sp. z o.o.	Poland	30,0%****	4GR

* shares and votes belong to Cognor Holding SA

** shares and votes belong to COG

*** shares and votes belong to do PTS

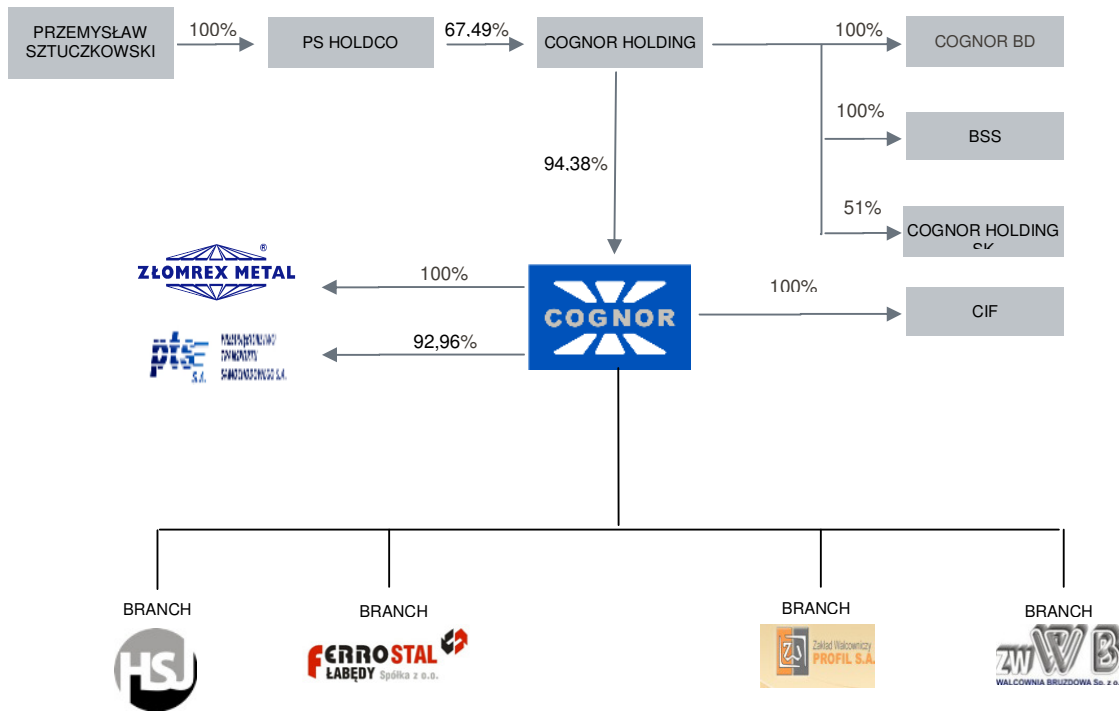
**** shares and votes belong to do BSS

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

Branches of the Cognor SA:

Branch	Seat	Abbreviations
Cognor SA Ferrostal Łabędy Branch in Gliwice	Polska	FERR
Cognor SA Ferrostal Łabędy Branch in Zawiercie	Polska	ZW-WB
Cognor SA Ferrostal Łabędy Branch in Kraków	Polska	PROFIL
Cognor SA HSJ Branch In Stalowa Wola	Polska	HSJ

Structure as of 31 December 2016 in the form of a diagram looks as follows:



2. Changes in the organization of the Capital Group

- on 28 January 2016 Profil Centrum Sp. z o.o. was liquidated
- on February and April 2016, FERR purchased 490 shares in ZW Profil S.A. As a result of purchase of shares in ZW Profil S.A. as at May 20, 2016, Ferrostal Łąbędy Sp. z o.o. had total 96,41% of shares, which sold that day to HSJ (present Cognor SA)
- on 19 May 2016 FERR sold to HSJ 19 100 shares of ZW-Walcownia Bruzdowa Sp. z o.o. which represent 100% of the share capital of the company
- on 20 May 2016 FERR sold to HSJ 76 638 shares of ZW Profil SA which represent 96,41% of the share capital of the company
- between January and August 2016 ZW Profil SA purchased 1 693 shares of PTS. As a result of purchase ZW Profil had total 92,96% of shares, of PTS
- on 3 October 2016 FERR sold to PS Holdco Sp. z o.o. 10 shares of FER Holding Sp. z o.o. which represent 100% of the share capital of the company
- on 3 October 2016 HSJ sold to PS Holdco Sp. z o.o. 10 shares of HSJ Holding Sp. z o.o. which represent 100% of the share capital of the company
- on 29 November 2016 Cognor SA changed its name into Cognor Holding SA
- on 14 December 2016 HSJ as an acquiring company merged with FERR, ZW Profil SA and ZW-Walcownia Bruzdowa Sp. z o.o. as acquired companies. After the merge HSJ has changed its name into Cognor SA and has separated from its structure into 4 branches: Cognor SA HSJ Branch in Stalowa Wola, Cognor SA Ferrostal Łąbędy Branch in Gliwice, Cognor SA Ferrostal Łąbędy Branch in Kraków and Cognor SA Ferrostal Łąbędy Branch in Zawiercie

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	2016	2015	2014	
	<i>'000 PLN</i>			
Revenue	1 352 393	1 364 804	1 422 546	
Cost of sales	-1 209 687	-1 268 982	-1 275 863	
Gross profit	142 706	95 822	146 683	
Other income	5 727	4 717	11 383	
Distribution expenses	-49 970	-47 791	-43 033	
Administrative expenses	-37 918	-34 640	-38 496	
Other gains/(losses) – net	2 697	2 952	647	
Other expenses	-6 724	-7 913	-11 159	
EBIT	56 518	13 147	66 025	
Financial income	5 216	26 678	1 789	
Financial expenses	-68 212	-57 009	-69 092	
Net financing costs	-62 996	-30 331	-67 303	
Share of profits of associates	103	-85	-626	
Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost	0	0	5 859	
Profit before tax	-6 375	-17 269	3 955	
Income tax expense	7 901	3 324	5 790	
Loss for the period from discontinued operations	0	0	-4 047	
Profit for the period	1 526	-13 945	5 698	
Depreciation and amortization	-38 320	-35 863	-35 072	
EBITDA	94 838	49 010	101 097	

SALES	2015	% YoY	2014	2013
	<i>'000 PLN</i>			
Scrap metal	71 608	-28,4%	100 051	94 186
Billets	198 790	-12,9%	228 178	360 524
Finished products	941 127	8,3%	868 672	823 098
Total	1 211 525	1,2%	1 196 901	1 277 808
	<i>Tonnes</i>			
Scrap metal	95 047	-20,1%	118 994	100 059
Billets	125 816	-4,9%	132 261	188 053
Finished products	478 803	21,9%	392 888	338 359
Total	699 666	8,6%	644 143	626 471

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

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

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	2016	2015	2014	2013	2012	2011
(pln/ tonne)						
FERROSTAL						
scrap metal price (all qualities, freight cost inclusive)	753	864	989	1 096	1 236	1 152
billet price (all qualities)	1 491	1 660	1 858	2 015	2 121	2 038
<i>billet spread</i>	687	796	869	919	885	885
finished product price (all types)	1 714	1 842	2 036	2 131	2 337	2 285
<i>product spread</i>	959	978	1 047	1 036	1 101	1 132
HSJ						
scrap metal price (all qualities, freight cost inclusive)	823	902	1 041	1 114	1 220	1 175
finished product price (all types)	2 463	2 703	2 920	2 937	3 387	3 535
<i>product spread</i>	1 640	1 801	1 879	1 823	2 167	2 359

2. Main Metrics

MAIN METRICS	Y 2016	Y 2015	Y 2014
Liquidity ratio	1.46	1.84	1.79
Quick ratio	0.54	0.73	0.81
Inventories turnover <i>days</i>	90	76	81
Receivables turnover <i>days</i>	37	34	48
EBITDA margin	7.0%	3.6%	7.1%
Net profit margin	0.1%	-1.0%	0.4%
Equity <i>'000 PLN</i>	155 903	168 691	187 286
Net debt <i>'000 PLN</i>	447 023	414 237	467 619
Net debt / EBITDA	4.7	8.5	4.6

Liquidity metrics deteriorated but remained at satisfactory levels.

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

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

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

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:

The individual and the consolidated financial statements as of and for the year ended 31 December 2016 have been prepared on the going concern basis.

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 important from the point of view of the Group:

- 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: Cognor SA HSJ Branch in Stalowa Wola (HSJ), Cognor SA Ferrostal Łabędy Branch in Gliwice (Ferrostal), Cognor SA Ferrostal Łabędy Branch in Zawiercie (ZW-WB) and Cognor SA Ferrostal Łabędy Branch in Kraków (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		2016	2015	2014
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>			
FERR		358 383	269 155	245 487
ZLMET		306 145	321 631	361 078
HSJ		138 704	131 897	106 711
INTERNAL USE	<i>Tonnes</i>			
FERR		412 345	408 941	423 865
HSJ		258 680	252 364	230 046
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
ZLMET		95 047	118 994	100 059
SALES	<i>'000 PLN</i>			
CONSOLIDATED		71 608	100 051	94 186
TOTAL PURCHASES in TONNES		803 232	722 683	713 276
TOTAL INTERNAL USE in TONNES		671 025	661 305	653 911
TOTAL SALES in TONNES		95 047	118 994	100 059
TOTAL SALES in '000 PLN		71 608	100 051	94 186

2. Semi-products (billets and ingots)

BILLETS		2016	2015	2014
PURCHASES	<i>Tonnes</i>			
FERR		0	26	0
PRODUCTION	<i>Tonnes</i>			
FERR		402 676	363 492	381 477
HSJ		226 090	219 962	201 072
INTERNAL USE	<i>Tonnes</i>			
FERR		311 048	259 379	211 573
HSJ		185 611	191 840	182 923
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		85 337	104 113	169 904
HSJ		40 479	28 148	18 149
SALES	<i>'000 PLN</i>			
CONSOLIDATED		198 790	228 178	360 524
TOTAL PURCHASES in TONNES		0	26	0
TOTAL PRODUCTION in TONNES		628 766	583 454	582 549
TOTAL INTERNAL USE in TONNES		496 659	451 222	394 496
TOTAL SALES in TONNES		125 816	132 261	188 053
TOTAL SALES in '000 PLN		198 790	228 178	360 524

3. Finished goods

FINISHED PRODUCTS		2016	2015	2014
PURCHASES	<i>Tonnes</i>			
FERR		132	582	0
PRODUCTION	<i>Tonnes</i>			
ZWWB		80 480	78 441	79 627
PROFIL		156 858	150 402	108 656
HSJ		223 029	172 937	160 053
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		318 095	224 491	186 571
HSJ		160 708	168 397	151 788
SALES	<i>'000 PLN</i>			
CONSOLIDATED		941 127	868 672	823 098
PURCHASED		132	582	0
TOTAL PRODUCTION in TONNES		460 367	401 780	348 336
TOTAL BULK PRODUCT SALES in TONNES		478 803	392 888	338 359
TOTAL SALES in '000 PLN		941 127	868 672	823 098

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	50.2%
Foreign	49.8%

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 17.0%. Złomrex Metal Sp. z o.o. is a subsidiary in Cognor Capital Group and delivers Huta Stali Jakościowych SA scrap batch for the production of steel.

2. FERR

Market	Participation in sales
Domestic	86.2%
Foreign	13.8%

Customers:

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

Suppliers:

Supplies from two of the suppliers exceed 10% of the total purchases of FERR and is: 15.0% from Złomrex Metal Sp. z o.o. and 12.3% from ZW Profil SA. Złomrex Metal Sp. z o.o. is a subsidiary in Cognor Capital Group and ZW Profil SA now is a branch of Cognor SA which is subsidiary in Cognor Capital Group.

3. ZLMET

Market	Participation in sales
Domestic	96.6%
Foreign	3.4%

Customers:

Sale to two customers exceed 10% of the total sale of ZM and is: 25.6% to Ferrostal Łabędy Sp. z o.o. and 22.8% 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. now are branches of Cognor SA which is a subsidiary in 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 2016 and before 2016 but still active:

- on March 5, 2012 Cognor Holding 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. On 27 July 2016 established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 25 000 000 and extended the limit until 27 July 2017. The overdraft balance as at 31 December 2016 was: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 23 154 158
- 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. Annex from 20 September 2016 extended the limit until 30 September 2017. The overdraft balance as at 31 December 2016 was PLN 0
- on March 31, 2008 ZW Profil SA signed the loan agreement of investment credit with the limit PLN 7 000 000, interest rate is WIBOR + points of margin and the limit of credit 30 March 2018. The overdraft balance as at 31 December 2016 was PLN 949 000

b) Terminated: none

2. Loans:

a) Taken in 2016:

- Huta Stali Jakościowych SA took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount 4 000 000 PLN, in which the agreement was entered on 13 June 2016 for the period up to 31 August 2016, with interest at 10.7% at a scale of the year as a whole. On 21 July 2016 the limit was raised to 13 000 000 and extended the limit of a loan until 30 September 2016. Upon the next annexes the limit was raised to 14 000 000 and extended the limit of a loan until 31 December 2016. After HSJ merge on 14 December 2016 with Ferrostal Łabędy Sp. z o.o. the loan was settled
- Cognor Holding SA took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount 25 500 000 PLN, in which the agreement was entered on 25 April 2016 for the period up to 31 December 2016, with interest at 10.7% at a scale of the year as a whole. Upon the next annexes the limit was raised to 33 500 000 PLN, extended the limit of a loan until 31 December 2017 and until 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 903 PLN

- Cognor Holding SA took out a loan from Huta Stali Jakościowych SA with the amount 4 000 000 PLN, in which the agreement was entered on 4 January 2016 for the period up to 31 December 2016, with interest at 7.75% at a scale of the year as a whole and 10.7% from 1 February 2016. On 31 December 2016 the limit was reduced to 1 300 000 PLN, extended the limit of a loan until 31 December 2017 and until 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 278 000 PLN
- Cognor SA took out a loan from Huta Stali Jakościowych SA with the amount 111 345 869 PLN, in which the agreement was entered on 19 May 2016 for the period up to 30 June 2016, with interest at 10.7% at a scale of the year as a whole. Loan was repaid in time
- ZW Profil SA took out a loan from PTS SA with the amount 1 750 000 PLN, in which the agreement was entered on 26 June 2016 for the period up to 30 June 2016, with interest at 10.0% at a scale of the year as a whole. As at 31 December 2016 the amount was 1 750 000 PLN
- Huta Stali Jakościowych SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 5 383 285 PLN, in which the agreement was entered on 20 May 2016 for the period up to 31 December 2019, with interest at 0.72% rediscount rate for promissory note but not less than 3.5% at a scale of the year as a whole. As at 31 December 2016 the amount was 5 383 285 PLN
- Huta Stali Jakościowych SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 992 000 PLN, in which the agreement was entered on 4 October 2016 for the period up to 31 September 2021, with interest at 0.72% rediscount rate for promissory note but not less than 3.5% at a scale of the year as a whole. As at 31 December 2016 the amount was 992 000 PLN
- Cognor Holding SA Sp.k. took out a loan from Cognor Holding SA with the amount 2 600 000 PLN, in which the agreement was entered on 25 November 2016 for the period up to 31 December 2017, with interest at 10.7% at a scale of the year as a whole. On 30 December 2016 the limit was raised to 2 625 000 PLN. On 1 February 2016 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 850 000 PLN

b) Taken before 2016, but still active:

- 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%. On 31 December 2016 extended the limit of a loan until 31 December 2017 and, from 1 February 2017, the interest was raised up to 13.2%. As at 31 December 2016 the amount was 3 000 000 PLN
- 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 4 300 000 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% and the limit was raised up to 4 800 000 PLN. As at 31 December 2016 the amount was 4 641 379,29 PLN
- Kapitał SA Sp.k. (recent Cognor Holding 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 5 000 000 PLN, on 3 February 2014 the limit was raised up to 7 000 000 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%. On 2 January 2017 extended the limit of a loan until 31 December 2017 and from 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 2 468 000 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 2016 the amount was 176 700 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 2016 the amount was 327 360 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. Upon the next annexes the limit was raised up to 3 200 000 PLN, the limit was extended until 31 December 2017 and from 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 2 508 585,60 PLN

- Cognor Holding 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%. On 31 December 2016 extended the limit of a loan until 31 December 2017 and, from 1 February 2017, the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 500 000 PLN

c) Terminated:

- Cognor Holding SA took out a loan from Huta Stali Jakościowych SA with the amount 111 345 869 PLN, in which the agreement was entered on 19 May 2016 for the period up to 30 June 2016, with interest at 10.7% at a scale of the year as a whole. Loan was repaid in time
- Cognor Holding 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. Loan was repaid on January 2016
- Huta Stali Jakościowych SA took out a loan from Cognor Holding 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%. Loan was repaid on June 2016
- 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. Loan was repaid in time
- Huta Stali Jakościowych SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 324 800 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. Loan was repaid on August 2016
- Huta Stali Jakościowych SA took out a loan from Ferrostal Łabędy Sp. z o.o. with the amount 4 000 000 PLN, in which the agreement was entered on 13 June 2016 for the period up to 31 August 2016, with interest at 10.7% at a scale of the year as a whole. On 21 July 2016 the limit was raised to 13 000 000 and extended the limit of a loan until 30 September 2016. Upon the next annexes the limit was raised to 14 000 000 and extended the limit of a loan until 31 December 2016. After HSJ merge on 14 December 2016 with Ferrostal Łabędy Sp. z o.o. the loan was settled
- Cognor Holding 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. On 1 February 2016 the interest was raised up to 10.7%. Loan was repaid on December 2016

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 2016 to the affiliated entities:

- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych SA with a loan in the amount 4 000 000 PLN, in which the agreement was entered on 13 June 2016 for the period up to 31 August 2016, with interest at 10.7% at a scale of the year as a whole. On 21 July 2016 the limit was raised to 13 000 000 and extended the limit of a loan until 30 September 2016. Upon the next annexes the limit was raised to 14 000 000 and extended the limit of a loan until 31 December 2016. After HSJ merge on 14 December 2016 with Ferrostal Łabędy Sp. z o.o. the loan was settled
- Ferrostal Łabędy Sp. z o.o. granted Cognor Holding SA with a loan in the amount 25 500 000 PLN, in which the agreement was entered on 25 April 2016 for the period up to 31 December 2016, with interest at 10.7% at a scale of the year as a whole. Upon the next annexes the limit was raised to 33 500 000 PLN, extended the limit of a loan until 31 December 2017 and until 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 903 PLN

- Huta Stali Jakościowych SA granted Cognor Holding SA with a loan in the amount 4 000 000 PLN, in which the agreement was entered on 4 January 2016 for the period up to 31 December 2016, with interest at 7.75% at a scale of the year as a whole and 10.7% from 1 February 2016. On 31 December 2016 the limit was reduced to 1 300 000 PLN, extended the limit of a loan until 31 December 2017 and until 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 278 000 PLN
- Huta Stali Jakościowych SA granted Cognor Holding SA with a loan in the amount 111 345 869 PLN, in which the agreement was entered on 19 May 2016 for the period up to 30 June 2016, with interest at 10.7% at a scale of the year as a whole. Loan was repaid in time
- PTS SA granted ZW Profil SA with a loan in the amount 1 750 000 PLN, in which the agreement was entered on 26 June 2016 for the period up to 30 June 2016, with interest at 10.0% at a scale of the year as a whole. As at 31 December 2016 the amount was 1 750 000 PLN
- Cognor Holding SA granted Cognor Holding SA Sp.k. with a loan in the amount 2 600 000 PLN, in which the agreement was entered on 25 November 2016 for the period up to 31 December 2017, with interest at 10.7% at a scale of the year as a whole. On 30 December 2016 the limit was raised to 2 625 000 PLN. On 1 February 2016 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 1 850 000 PLN

b) Credit loans granted to the affiliated entities before 2016, but still active:

- 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%. On 31 December 2016 extended the limit of a loan until 31 December 2017 and, from 1 February 2017, the interest was raised up to 13.2%. As at 31 December 2016 the amount was 3 000 000 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 4 300 000 mIn 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% and the limit was raised up to 4 800 000 PLN. As at 31 December 2016 the amount was 4 641 379,29 PLN
- Kapitał SA (recent Huta Stali Jakościowych SA) granted Kapitał SA Sp.k. (recent Cognor Holding 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 5 000 000 PLN, on 3 February 2014 the limit was raised up to 7 000 000 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%. On 2 January 2017 extended the limit of a loan until 31 December 2017 and from 1 February 2017 the interest was raised up to 13.2%. As at 31 December 2016 the amount was 2 468 000 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 2016:

- a. Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych S.A. a guarantee for 3 leasing agreements
- b. Złomrex Metal Sp. z o.o. granted Ferrostal Łabędy Sp. z o.o. a guarantee for credit agreement
- c. Cognor Holding S.A. granted Huta Stali Jakościowych S.A a guarantee for loan agreement

2) Granted before 2016, but still active:

- a. Huta Stali Jakościowych S.A. granted Cognor International Finance PLC a senior secured notes indenture
- b. Ferrostal Łabędy Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- c. Złomrex Metal Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- d. Cognor Holding S.A. granted Cognor International Finance PLC a senior secured notes indenture
- e. ZW-Walcownia Bruzdowa Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture

- f. Odlewnia Metali Szopienice Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- g. PS Holdco Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- h. Ferrostal Łabędy Sp. z o.o. granted PTS S.A. a guarantee for 2 trade agreements
- i. Ferrostal Łabędy Sp. z o.o. grantem Huta Stali Jakościowych S.A. a guarantee for 9 leasing agreements
- j. Ferrostal Łabędy Sp. z o.o. grantem Huta Stali Jakościowych S.A. a guarantee for 2 credit agreements
- k. Ferrostal Łabędy Sp. z o.o. granted Cognor Holding S.A. a guarantee for 3 leasing agreements
- l. Huta Stali Jakościowych S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for 2 credit agreements
- m. Cognor Holding S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for credit agreement
- n. Cognor Holding S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for trade agreement
- o. Cognor Holding S.A. granted Huta Stali Jakościowych S.A. a guarantee for credit agreement
- p. Cognor Holding S.A. granted Cognor Blachy Dachowe S.A. a guarantee for 2 trade agreements
- q. Cognor Holding S.A. granted Ferrostal Łabędy Sp. z o.o. a guarantee for factoring agreement
- r. Cognor Holding S.A. granted Huta Stali Jakościowych S.A. a guarantee for 2 factoring agreements
- s. Ferrostal Łabędy Sp. z o.o. granted ZW Profil S.A. a guarantee for leasing agreement
- t. Ferrostal Łabędy Sp. z o.o. granted ZW-Walcownia Bruzdowa Sp. z o.o. a guarantee for leasing agreement

3) Terminated: none

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 Holding 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 Holding 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 Holding 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 Holding 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 Holding SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor Holding 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
- August 10, 2016 admitted to trading 868 456 of shares
- November 7, 2016 admitted to trading 4 545 925 of shares

Altogether admitted to trading 9 043 620 of shares of Cognor Holding SA in exchange for the conversion of 4 942 446 EUR of Exchangeable Notes into shares. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2016 is 20 14 557 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 2016. 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 2016 that are the result of bank loans granted.

In the perspective of the year 2017, the Management of Cognor Holding 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 2016:

Management Board

- Przemysław Sztuczkowski – 2 580 000 PLN
- Przemysław Grzesiak – 1 620 000 PLN
- Krzysztof Zoła 456 000 PLN
- Dominik Barszcz 374 000 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 Ferrosstal Łabędy Sp. z o.o. (from 14 December 2016 Cognor SA Ferrsotal Łabędy Branch in Gliwice) received a remuneration of 254 kPLN gross in 2016
- The Member of the Board in the subsidiary ZW Profil SA (from 14 December 2016 Cognor SA Ferrsotal Łabędy Branch in Kraków) received a remuneration of 25,6 kPLN gross in 2016

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. (from 14 December 2016 Cognor SA HSJ Branch in Stalowa Wola) received a remuneration of 254 kPLN gross in 2016.

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 Sztuczkowski, 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 directly the owner of 67.49% of shares in the company Cognor SA, providing 67.49% 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. (currently Cognor Holding SA) 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 Cognor 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 Cognor S.A.
- On December 30, 2013 the shareholders' meeting of the Company 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 Holding S.A.
- On December 30, 2013 the shareholders' meeting of the Company 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, 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 Holding 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

Holding 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 Holding 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 Holding 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 Holding SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor Holding 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
- August 10, 2016 admitted to trading 868 456 of shares
- November 7, 2016 admitted to trading 4 545 925 of shares

Altogether admitted to trading 9 043 620 of shares of Cognor Holding SA in exchange for the conversion of 4 942 446 EUR of Exchangeable Notes into shares. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2016 is 20 14 557 EUR.

- e) Following the restructuring of Cognor Holding'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 Holding, 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 Holding'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 Holding's equity and for the payment of the price for shares in Złomrex S.A. by Cognor Holding were postponed to 31.12.2021 when the remaining number of warrants series B surviving the conversion of Cognor Holding's convertible notes, will have become known.

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 (the value as at 31.12.2016: PLN 33 218 thousand). Due to the change of schedule of payments this liability has been revalued at amortized cost and has been recognised as the reduction of equity (as at 31.12.2016 at the amount of PLN 8 800 thousand). The Group has recognised as other investments the options for own equity instruments (as at 31.12.2016 in the amount of PLN 4 750 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 7 June 2016 with PricewaterhouseCoopers Sp. z o.o. with its headquarters in Warsaw on the audit of separate and consolidated financial statements for the year ended 31 December 2016.

- 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 2016 amounts to 105 000 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 2015 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 2015 amounted to 97 000 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

ASSETS (000 PLN)	31.12.2016	31.12.2015	31.12.2014
Property, plant and equipment	292 821	278 043	289 565
Intangible assets	11 938	10 834	11 338
Investments in associates	3 250	3 147	3 232
Other investments	4 805	13 578	13 768
Other receivables	126	49	34
Prepaid perpetual usufruct of land	19 944	20 828	22 794
Deferred tax assets	92 058	82 018	81 932
Total non-current assets	424 942	408 497	422 663
Inventories	297 741	263 476	283 058
Other investments	2 721	4 236	4 607
Current income tax receivables	1 908	290	10
Trade and other receivables	136 997	127 378	187 421
Prepayments	0	0	0
Cash and cash equivalents	24 980	36 928	35 648
Assets classified as held for sale	6 012	5 506	7 110
Total current assets	470 359	437 814	517 854
Total assets	895 301	846 311	940 517

EQUITY AND LIABILITIES (000 PLN)	31.12.2016	31.12.2015	31.12.2014
Issued share capital	150 532	139 702	132 444
Reserves	184 617	194 935	202 193
Foreign currency translation reserves	43	32	-540
Accumulated losses	-193 064	-187 547	-168 074
Total equity attributable to owners of the Parent Company	144 076	147 122	166 023
Non-controlling interests	13 75	21 569	21 263
Total equity	157 851	168 691	187 286
Interest-bearing loans and borrowings	376 398	386 446	408 896
Employee benefits obligation	9 058	9 113	9 597
Other payables	25 202	37 479	34 294
Deferred tax liabilities	6 150	6 409	11 011
Total non-current liabilities	416 808	439 447	463 798
Bank overdraft	23 154	15 846	6 969
Interest-bearing loans and borrowings	72 451	48 873	87 402
Employee benefits obligation	4 914	4 867	4 588
Current income tax payables	0	5	105
Provisions for payables	3 130	3 697	6 535
Trade and other payables	218 824	164 768	183 717
Government grants and other deferred income	117	117	117
Total current liabilities	322 590	238 173	289 433
Total liabilities	739 398	677 620	753 231
Total equity and liabilities	895 301	846 311	940 517

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

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

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 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Cognor 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 Łąbędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Holding SA.

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 Łąbędy Sp. z o.o., Złomrex Metal Sp. z o.o.,

(ii) certain fixed assets of Cognor Holding S.A. currently leased by Ferrostal Łąbędy Sp. z o.o.

(iii) certain fixed assets of Ferrostal Łąbędy 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 Łąbędy 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 Holding 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 Holding 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 Holding 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 Holding SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor Holding 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
- August 10, 2016 admitted to trading 868 456 of shares
- November 7, 2016 admitted to trading 4 545 925 of shares

Altogether admitted to trading 9 043 620 of shares of Cognor Holding SA in exchange for the conversion of 4 942 446 EUR of Exchangeable Notes into shares. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2016 is 20 14 557 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 2016

The Management Board recommends that the profit of the parent company for the year 2016 to cover losses from previous 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 2017