



March 21, 2014

2013 Annual Report and Management Discussion & Analysis

The Management Board of Cognor S.A. (Cognor, the Company, the Group) presents the following deliberations over the key facts and figures contained in the consolidated financial report for the year ended December 31, 2013.

I. REPORTED STATEMENT

The year 2012 brought a significant decline in the steel industry in Europe after the fairly positive business environment of 2011. Unfortunately last year saw a continuation of that negative trend and the cautious expectations of recovery of a year ago did not materialize. Moreover, the North American steel sector has also experienced softening of the demand, as opposed to 2012. Traditionally, Asian economies fuelled the global growth however, since almost all of our products are sold in Poland as well as to other European Union countries, we rely entirely on the situation in this market where the steel manufacturers had to reduce their output in line with lesser demand for the products from the key steel consuming sectors.

| CRUDE STEEL PRODUCTION | 2013 | % YoY | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>m tonnes</i> | | | | | | | | |
| Europe | 311 | -2% | 318 | 327 | 314 | 266 | 344 | 365 |
| Poland | 8.0 | -5% | 8.4 | 8.8 | 8.0 | 7.2 | 9.7 | 10.6 |
| UE (27) | 166 | -2% | 169 | 177 | 173 | 139 | 198 | 210 |
| CIS | 109 | -2% | 111 | 112 | 108 | 98 | 114 | 124 |
| North America | 119 | -2% | 122 | 119 | 112 | 82 | 125 | 133 |
| USA | 87 | -2% | 89 | 86 | 81 | 58 | 91 | 98 |
| South America | 46 | -2% | 47 | 48 | 44 | 38 | 47 | 48 |
| Africa / Middle East | 42 | 24% | 34 | 34 | 36 | 32 | 34 | 36 |
| Asia | 1059 | 8% | 983 | 954 | 881 | 795 | 768 | 757 |
| China | 779 | 10% | 709 | 683 | 627 | 568 | 500 | 489 |
| Japan | 111 | 4% | 107 | 108 | 109 | 88 | 119 | 120 |
| Oceania | 6 | 0% | 6 | 7 | 8 | 6 | 8 | 9 |
| Total | 1582 | 5% | 1510 | 1490 | 1396 | 1220 | 1326 | 1346 |

Source: World Steel Association

Steel business cyclicity is driven by demand in the construction and the automotive industries. Since 2009, both construction activity and car sales have been falling in Europe and the demand for steel followed accordingly. In the other regions the production of steel managed to get close to or even exceed its pre-crisis levels while Europe is still struggling to start moving ahead. The sovereign debt burden is probably to blame, therefore any upcoming recovery is expected to be rather slow.

In spite of that fact we continue to be positive as to the prospects for the local market. The economy in Poland has been performing much better than elsewhere in the EU for the past few years, being one of the few GDP positive countries. Public indebtedness and the state deficit look to be under proper control. The healthy banking sector is set up well to contribute to future expansion. The wider geographical context needs to be noted however, as the steel production in Poland relies too much on external demand, particularly Germany.

The business conditions persisted to be difficult with some positive upturn into the second half. Prices of billets and finished products decreased with the faster pace of the decline in the demand for the finished products both of Ferrostal and HSJ. Only in the case of the semi finished products (billets) did manage to see some spread increase when compared with the scrap metal cost. Product spreads narrowed significantly further leaving even less space for profitability and being the clear indicator of weak market environment.

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 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------|-------|-------|-------|-------|-------|-------|
| <i>(pln/ tonne)</i> | | | | | | | |
| FERROSTAL | | | | | | | |
| scrap metal price <i>(all qualities, freight cost inclusive)</i> | 1 096 | 1 236 | 1 152 | 891 | 672 | 1 081 | 758 |
| billet price <i>(all qualities)</i> | 2 015 | 2 121 | 2 038 | 1 629 | 1 312 | 1 906 | 1 672 |
| <i>billet spread</i> | 919 | 885 | 885 | 738 | 640 | 825 | 914 |
| finished product price <i>(all types)</i> | 2 131 | 2 337 | 2 285 | 1 929 | 1 616 | 2 160 | 1 953 |
| <i>product spread</i> | 1 036 | 1 101 | 1 132 | 1 039 | 944 | 1 079 | 1 195 |
| HSJ | | | | | | | |
| scrap metal price <i>(all qualities, freight cost inclusive)</i> | 1 114 | 1 220 | 1 175 | 926 | 694 | 983 | 866 |
| finished product price <i>(all types)</i> | 2 937 | 3 387 | 3 535 | 3 007 | 2 489 | 3 066 | 2 838 |
| <i>product spread</i> | 1 823 | 2 167 | 2 359 | 2 080 | 1 795 | 2 082 | 1 972 |

Source: the Company

In summary, the past year was very challenging due to weak demand and falling margins. The Company tried to offset the negative contribution of the environment by maintaining the appropriate cost control and increasing its market share in Poland.

1. Statements of profit or loss and other comprehensive income

The challenging market environment with declining demand and prices led to a decrease in consolidated sales. Revenues decreased by 7.5% primarily due to a decrease in prices. The decrease tonnage-wise was more modest with just 2.2% of a decrease in the combined shipments of ferrous scrap, billets and finished products. Interestingly, despite the discussed margin compression, Cognor saw a slight increase in gross profit and EBIT and only a slight EBITDA decline. This was due to the increase in shipments of the combined billets and finished products by 5.3% as compared to 2012 where the Company's margins are higher than the margins realized on scrap metal sales. Gross profit improved by 7.7% and EBIT by 13.1%. Practically all revenues and profits were generated at the level of Subsidiary Guarantors (as defined in Cognor's Senior Notes' Indenture). The net result was negative due to the increased financing costs, including negative FX result on the Group's indebtedness at the amount of pln (-) 7.1 million.

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 2013 | 2012 | 2011 |
|--|-----------------|----------------|----------------|
| | <i>'000 PLN</i> | | |
| Sales revenue | 1 294 269 | 1 399 674 | 1 549 647 |
| Cost of sales | -1 191 124 | -1 303 894 | -1 377 076 |
| Gross profit | 103 145 | 95 780 | 172 571 |
| Other income | 10 956 | 11 571 | 9 919 |
| Distribution expenses | -39 518 | -33 950 | -36 171 |
| Administrative expenses | -34 964 | -34 691 | -46 600 |
| Other gains/(losses) . net | 1 979 | -2 224 | 15 309 |
| Other expenses | -13 485 | -11 636 | -14 546 |
| EBIT | 28 113 | 24 850 | 100 482 |
| Financial income | - | 36 675 | 6 562 |
| Financial expenses | -75 955 | -62 424 | -105 041 |
| Net financing costs | -75 955 | -25 749 | -98 479 |
| Share of profits of associates | 2 759 | 0 | 0 |
| Profit before tax | -45 083 | -899 | 2 003 |
| Income tax expense | -2 619 | 1 086 | 21 887 |
| Profit/loss for the period from discontinued operations | 0 | 0 | 92 011 |
| Profit for the period | -47 702 | 187 | 115 901 |
| Depreciation and amortization | -37 078 | -41 532 | -44 169 |
| EBITDA | 65 191 | 66 382 | 144 651 |

Source: the Company

| SALES | 2013 | % YoY | 2012 | 2011 |
|-------------------|------------------|--------------|------------------|------------------|
| | <i>'000 PLN</i> | | | |
| Scrap metal | 88 737 | -31.9% | 130 366 | 120 064 |
| Billets | 346 415 | -29.8% | 493 767 | 551 525 |
| Finished products | 745 598 | 20.5% | 618 700 | 718 070 |
| Total | 1 180 750 | -5,0% | 1 242 833 | 1 389 659 |
| | <i>Tonnes</i> | | | |
| Scrap metal | 87 450 | -28.8% | 122 750 | 118 098 |
| Billets | 170 018 | -27.0% | 232 814 | 269 148 |
| Finished products | 292 523 | 41.6% | 206 541 | 231 573 |
| Total | 549 991 | -2,2% | 562 105 | 618 819 |

Source: the Company

The exchange rate of the EUR/PLN had no effect on the Company's revenues with some negative contribution from the USD/PLN. This was however limited because our US dollar sales are much smaller than the euro denominated ones.

| YEARLY AVERAGE EXCHANGE RATES | | 2013 | 2012 | 2011 |
|-------------------------------|------------|------|------|------|
| | <i>PLN</i> | | | |
| EUR/PLN | | 4.19 | 4.19 | 4.12 |
| | % change | 0% | 2% | 3% |
| USD/PLN | | 3.16 | 3.26 | 2.96 |
| | % change | -3% | 10% | -2% |

Source: Polish National Bank

In 2013 we saw fairly modest foreign currency volatility resulting in less significant FX gains and losses related to the Company's assets, liabilities or operations.

| END OF PERIOD EXCHANGE RATES | | Dec-2013 | Dec-2012 | Dec-2011 |
|------------------------------|------------|----------|----------|----------|
| | <i>PLN</i> | | | |
| EUR/PLN | | 4.15 | 4.09 | 4.42 |
| | % change | 1% | -7% | 12% |
| USD/PLN | | 3.01 | 3.10 | 3.42 |
| | % change | -3% | -9% | 16% |

Source: Polish National Bank

When discussing our profitability, it needs to be noted that certain book entries affecting the overall level of EBITDA can be of a one-off nature. They divert the EBITDA and net result in both positive and negative ways. Last year the compound amount of the adjustments proved negligible for EBITDA with a more significant impact on our net result. Consequently the adjusted, out of the ordinary course of business EBITDA and net results are similar for 2013 and 2012.

| DESCRIPTION | 2013 | 2012 |
|-----------------------------------|----------------|----------------|
| <i>€00 PLN</i> | | |
| Reported EBITDA | 65 191 | 66 382 |
| Non-recurring items including: | 2 345 | 1 503 |
| - costs of sales | 213 | 3 701 |
| - other income | 1 830 | 3 523 |
| - distribution expenses | (385) | 1 333 |
| - administrative expenses | 0 | -1769 |
| - other gains/losses | 1 128 | 4 555 |
| - operational FX result | 924 | (6 778) |
| - other impairments | (1 365) | (3 062) |
| Adjusted EBITDA | 62 846 | 64 879 |
| Reported net result | -47 702 | 187 |
| Non-recurring items including: | -9 132 | 37 792 |
| - EBITDA adjustments | 2 345 | 1 503 |
| - FX result on debt | -7 179 | 36 575 |
| - result related to associates | 2 759 | 0 |
| - PIK coupon increase | -8 162 | 0 |
| - pro-forma income tax adjustment | 1 105 | -286 |
| Adjusted net result | -38 571 | -37 605 |

Source: the Company

2. Statement of financial position

The level of fixed assets decreased primarily due to depreciation charges. That was partially offset by the acquisition of property, plant and equipment and intangible assets at the amount of PLN 13.0 million minus PLN 2.5 million of the disposed assets. The current assets increased by 4.0% as a result of the 31% increase in inventories which was partially offset by the decreasing cash position. The increase in inventories was evenly spread between raw materials, semi-finished products and finished products.

| ASSETS | 2013 | 2012 | 2011 |
|---|----------------|----------------|----------------|
| <i>'000 PLN</i> | | | |
| A. TOTAL NON-CURRENT ASSETS | 450 960 | 472 467 | 499 437 |
| I. Intangible assets | 12 163 | 15 435 | 17 067 |
| II. Property, plant and equipment | 293 145 | 317 671 | 342 734 |
| III. Other receivables | 41 500 | 40 943 | 44 583 |
| IV. Investment property and other investments | 11 298 | 7 720 | 4 377 |
| V. Prepaid perpetual usufruct of land | 18 535 | 18 954 | 19 850 |
| VI. Deferred tax assets | 74 319 | 71 744 | 70 826 |
| B. TOTAL CURRENT ASSETS | 459 505 | 442 042 | 480 180 |
| I. Inventories | 234 816 | 179 201 | 178 472 |
| II. Receivables | 191 755 | 186 904 | 237 834 |
| 1. Trade receivables | 186 553 | 181 691 | 204 904 |
| 2. Current income tax receivable | 12 | 82 | 7 744 |
| 3. Other investments | 5 190 | 5 131 | 25 186 |
| III. Cash and cash equivalents | 14 778 | 64 151 | 47 166 |
| IV. Cash and cash equivalents | 9 205 | 0 | 0 |
| V. Assets classified as held for sale | 8 951 | 11 786 | 16 708 |
| Total | 910 465 | 914 509 | 979 617 |

Source: the Company

Equity decreased due to the negative result for the period. Interest bearing loans and borrowings net of cash went up by PLN 41.1 million in connection with primarily: (i) requirements from working capital by pln 16.2 million and (ii) expenditures related to the financial restructuring at pln 9.2 million. A portion of that increase was also driven by the FX result on the Group's indebtedness at the amount of pln (-) 7.1 million. Current liabilities went significantly up as a result of reclassification of the Company's Senior Notes from long-term liability to the short-term position. Subsequent to the date of this report the Notes were refinanced in February 4, 2014 and so they will be accounted for as a long-term liability in our next quarterly report.

| EQUITY AND LIABILITIES | 2013 | 2012 | 2011 |
|---|-----------------|----------------|----------------|
| | <i>'000 PLN</i> | | |
| A. EQUITY | 129 134 | 176 842 | 176 441 |
| I. Issued share capital | 132 444 | 132 444 | 132 444 |
| II. Reserves and retained earnings | -17 009 | 31 567 | 31 796 |
| III. Minority interest | 13 699 | 12 831 | 12 201 |
| B. LIABILITIES | 781 331 | 737 667 | 803 176 |
| I. Non-current liabilities | 25 627 | 500 373 | 548 729 |
| 1. <i>Employee benefits obligation</i> | <i>7 313</i> | <i>6 735</i> | <i>7 970</i> |
| 2. <i>Interest-bearing loans and borrowings</i> | <i>6 677</i> | <i>487 020</i> | <i>532 138</i> |
| 3. <i>Other</i> | <i>11 637</i> | <i>6 618</i> | <i>8 621</i> |
| II. Current liabilities | 755 704 | 237 294 | 254 447 |
| 1. <i>Interest-bearing loans and borrowings</i> | <i>562 906</i> | <i>75 333</i> | <i>45 878</i> |
| 2. <i>Bank overdraft</i> | <i>0</i> | <i>15 495</i> | <i>25 236</i> |
| 3. <i>Trade payables</i> | <i>188 763</i> | <i>142 170</i> | <i>176 117</i> |
| 4. <i>Deferred government grants</i> | <i>117</i> | <i>736</i> | <i>865</i> |
| 5. <i>Employee benefits obligation</i> | <i>3 250</i> | <i>2 815</i> | <i>5 677</i> |
| 6. <i>Current income tax payable</i> | <i>152</i> | <i>315</i> | <i>293</i> |
| 7. <i>Provisions for payables</i> | <i>516</i> | <i>430</i> | <i>381</i> |
| Total | 910 465 | 914 509 | 979 617 |

Source: the Company

3. Cash Flow Statement

The Company generated positive cash flow from its operating activities primarily due to depreciation and amortization charges. Working capital needs used up an amount of cash to the tune of PLN 16.2 million.

Cash flow involving investment activities was slightly negative with capital expenditures largely matched by inflows from the disposition of assets.

Cash flow involving negative financing resulted primarily from the repayment of the principal at the amount of PLN 27.1 million and the interest and other costs at the amount of PLN 59.3, all related to the Company's indebtedness including expenditures connected with the financial restructuring at pln 9.2 million. This was offset by the proceeds from our factoring lines at the amount of PLN 12.3 million.

| CASH FLOW | Y 2012 | Y 2012 | Y 2011 |
|--------------------------------|-----------------|----------------|-----------------|
| | <i>'000 PLN</i> | | |
| A. OPERATING ACTIVITIES | 46 467 | 39 282 | -38 090 |
| B. INVESTING ACTIVITIES | -1 742 | 23 247 | 269 136 |
| C. FINANCING ACTIVITIES | -78 591 | -35 801 | -141 413 |
| Net increase in cash | -33 866 | 26 728 | 89 633 |

Source: the Company

4. Main Metrics

Liquidity metrics suffered very significantly after the reclassification of the Company's senior notes as a short-term liability. Liquidity metrics will turn positive again in the Cognor's upcoming quarterly report where the closing of the refinancing transaction that occurred on February 4, 2014, will be accounted for.

Turnover of inventories increased by 22 days while turnover of receivables went up by 6 days. The increased level of inventories was due to the increase of production of finished products within the toll-treatment agreement entered into in February 2013 with a rolling mill company called Profil, seated in Kraków, Poland.

The profitability metrics stayed at low levels with no significant change while leverage metrics contracted on the back of the increased net indebtedness and negative net result.

| MAIN METRICS | Y 2013 | Y 2012 | Y 2011 |
|----------------------------------|---------|---------|---------|
| Liquidity ratio | 0.61 | 1.86 | 1.89 |
| Quick ratio | 0.30 | 1.11 | 1.19 |
| Inventories turnover <i>days</i> | 72 | 50 | 47 |
| Receivables turnover <i>days</i> | 53 | 47 | 48 |
| EBITDA margin | 5.0% | 4.7% | 9.3% |
| Net profit margin | -3.7% | 0.0% | 7.5% |
| Equity <i>ϕ00 PLN</i> | 129 134 | 176 842 | 176 441 |
| Net debt <i>ϕ00 PLN</i> | 554 805 | 513 697 | 556 086 |
| Net debt / EBITDA | 8.5 | 7.7 | 3.8 |

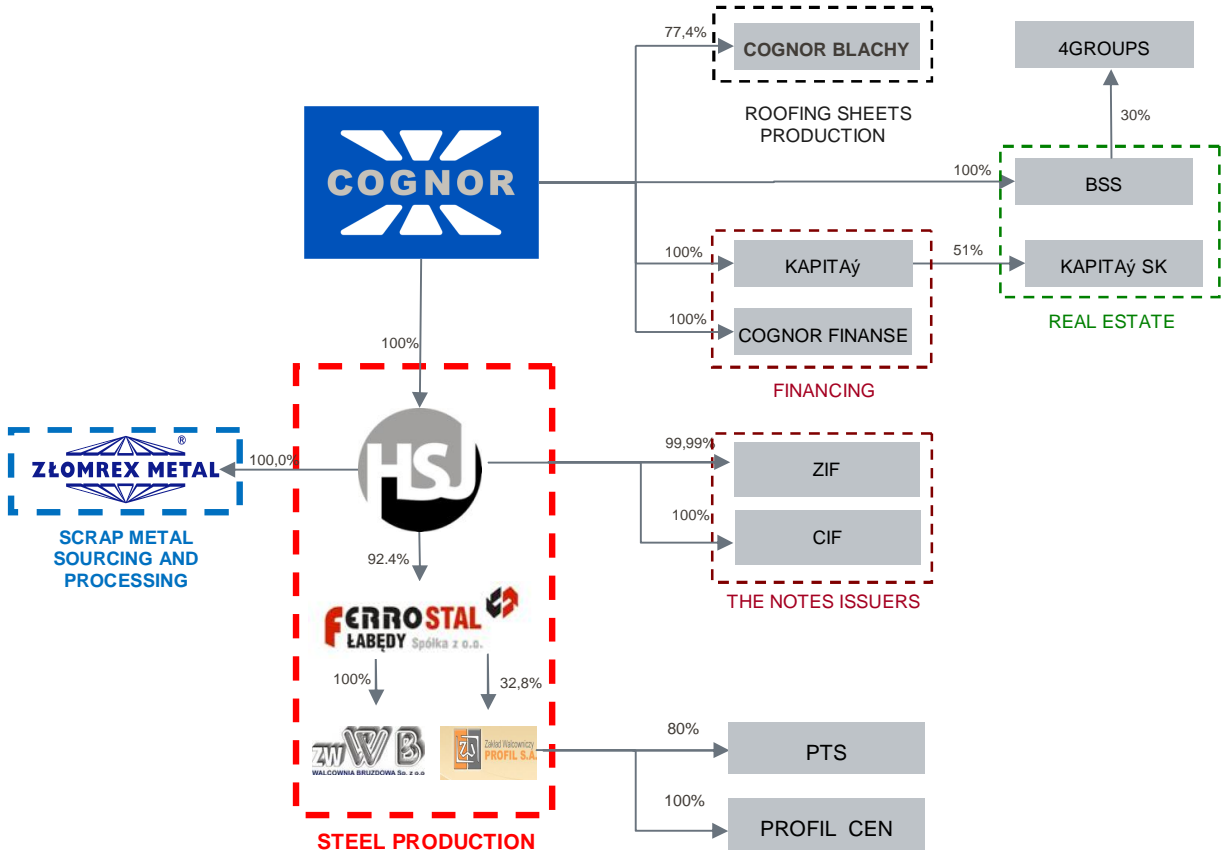
Source: the Company

II. COGNOR GROUP STRUCTURE

1. Cognor Group Organisational Chart

The Group’s structure in 2013 was substantially no different to the one at the end of 2012. After several years of changes aimed at the simplification of our organization we are of the opinion that the actual one generally represents the final shape of Cognor Group.

In spite of that fact, new entities were incorporated: Cognor International Finance Ltd. – a UK based SPV that has its role in the structuring of the refinancing transaction that closed in February 4, 2014 and ZW Profil SA – rolling mill in Crakow, Poland. At present, we can identify two additional steps towards further simplification and therefore expect to conduct the following: (i) a merger between Cognor and Cognor Finanse and (ii) winding up of ZIF. Both actions shall occur during the course of 2014.



Source: the Company

Cognor's shares are listed on the Warsaw Stock Exchange. In addition to the existing shares, Cognor has issued warrants, for which each of them allows its holders to subscribe for one share per each warrant during the period of the next 8 years at the strike price of PLN 2.35 per share.

As a result of the closure of the refinancing transaction in February 4, 2014 Cognor has issued the new senior secured notes at the amount of eur 100.348.109,00 (the New Senior Notes) and the new exchangeable notes at the amount of eur 25,087,003.00 (the Exchangeable Notes) in exchange for the previously outstanding senior notes (the Senior Notes, the Notes).

In order to structure the Exchangeable Notes all of the warrants held previously by PS HoldCo Sp. z o.o. were transferred to CIF. CIF is holding those on behalf of the noteholders who have the right to exchange into Cognor's capital shares by presenting the warrants and converting their claim under the Exchangeable Notes. Demands to exchange can be filed with CIF from April 1, 2015 to the Exchangeable Notes' maturity. At maturity the conversion becomes mandatory.

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

| HOLDERS | SHARES | % | WARRANTS | % |
|---------------------|-------------------|---------------|--------------|---------------|
| PS HoldCo Sp. z o.o | 43 691 307 | 65.98 | 0 | 0.00 |
| CIF | 0 | 0.00 | 60 860 000 | 91.91 |
| TFI PZU | 4 400 140 | 6.64 | 0 | 0.00 |
| Przemysław Grzesiak | 3 522 951 | 3,81 | 0 | 0.00 |
| Free-float | 14 607 850 | 23,57 | 5 360 000 | 8.09 |
| Total | 66 222 248 | 100.00 | 6 622 | 100.00 |

Source: the Company

PS HoldCo Sp. z o.o. with its one operational subsidiary - Odlewnia Metali Szopienice Sp. z o.o. – are restricted by the Cognor's Note's indenture and act as guarantors together with Cognor and its subsidiaries. They also remain restricted as guarantors under the terms of the New Senior Notes' indenture.

2. Description of Abbreviations

| FULL COMPANY NAME | ABBREVIATIONS |
|--|--------------------------|
| Cognor S.A. | COGNOR |
| Ferrostal -yab dy Sp. z o.o. | FERROSTAL, FERR |
| ZW-Walcownia Bruzdowa Sp. z o.o. | ZW-WB |
| Huta Stali Jako ciowych Sp. z o.o. | HSJ |
| Zymrex Metal Sp. z o.o. | ZyOMREX METAL, ZLMET |
| Cognor Blachy Dachowe S.A. | COGNOR BLACHY, COGBLD |
| KapitaýS.A. | KAPITAý |
| Cognor Finance Sp. z o.o. | COG FINANCE, COGFIN |
| KapitaýS.A. Spółka komandytowa | KAPITAý SK |
| Business Support Services Sp. z o.o. | BSS |
| Zymrex International Finance SA | ZIF |
| Cognor International Finance Ltd | CIF |
| ZW Profil S.A. | PROFIL |
| Przedsi biorstwo Transportu Samochodowego S.A. | PTS |
| Profil Centrum Sp. z o.o. | PROFIL GEN |
| AB Stahl AG | AB STAHL |

III. BUSINESS

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

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

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

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

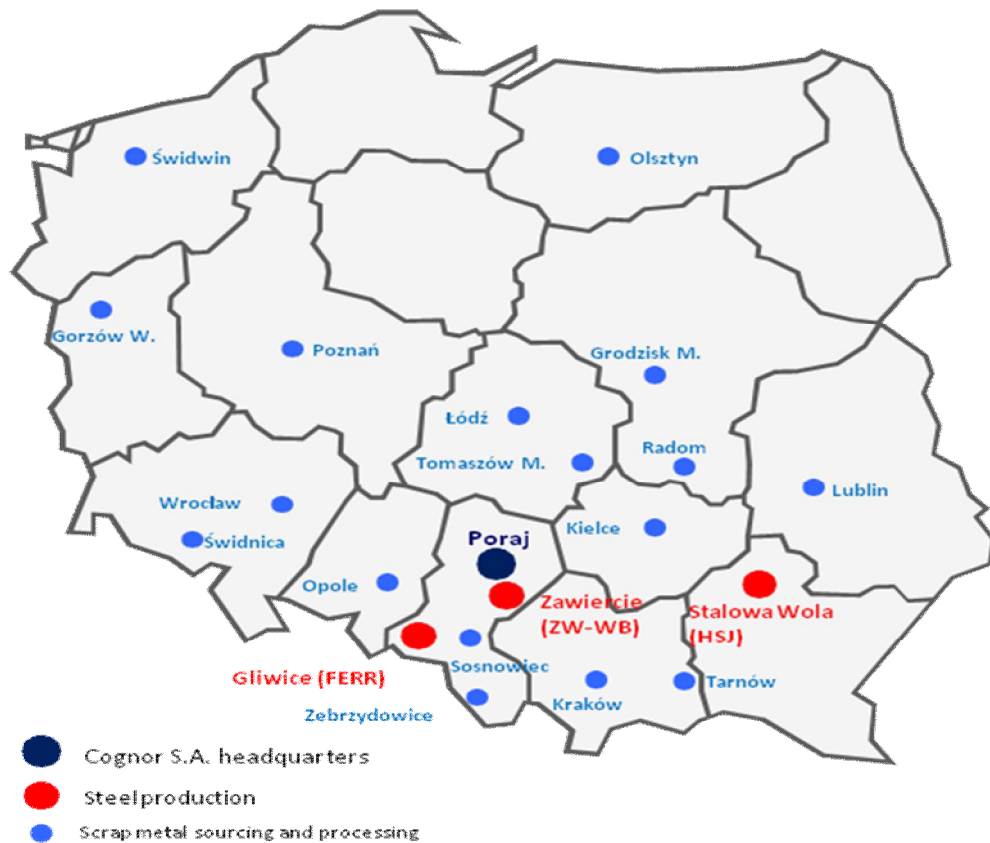
1. Scrap Metal Segment

We are one of the leaders in scrap procurement and trading in Poland with our market share in scrap purchases (excluding purchases by FERR and HSJ) at approximately 7%. Scrap operations are conducted by Złomrex Metal. Some scrap sourcing activities are also conducted by FERR and HSJ entirely for the purpose of their own steel production.

We own a wide network of 18 scrap branches located close to sources of scrap metal in Poland. They are equipped with all the facilities necessary to collect, process and ship scrap metal.

In 2013, we purchased 633,514 tonnes of scrap metal, out of which 87,450 tonnes were sold to external customers in Poland and abroad.

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



| SCRAP METAL | | 2013 | 2012 | 2011 |
|--|-----------------|----------------|----------------|----------------|
| PURCHASES FROM EXTERNAL SUPPLIERS | <i>Tonnes</i> | | | |
| FERR | | 179 334 | 153 107 | 158 537 |
| ZLMET | | 361 942 | 359 709 | 429 488 |
| HSJ | | 92 238 | 92 852 | 123 718 |
| INTERNAL USE | <i>Tonnes</i> | | | |
| FERR | | 363 531 | 320 870 | 410 545 |
| HSJ | | 205 929 | 183 320 | 211 872 |
| SALES TO EXTERNAL CUSTOMERS | <i>Tonnes</i> | | | |
| ZLMET | | 87 450 | 122 682 | 118 098 |
| OTHER | | 0 | 68 | 0 |
| SALES | <i>'000 PLN</i> | | | |
| CONSOLIDATED | | 88 737 | 130 366 | 120 064 |
| TOTAL PURCHASES in TONNES | | 633 514 | 605 668 | 711 743 |
| TOTAL INTERNAL USE in TONNES | | 569 460 | 504 190 | 622 417 |
| TOTAL SALES in TONNES | | 87 450 | 122 750 | 118 098 |
| TOTAL SALES in '000 PLN | | 88 737 | 130 366 | 120 064 |

Source: the Company

2. Semi-Finished Products Segment

With 505,966 tonnes of crude steel produced by the Group in 2013, we had a 6.3% share in the overall Polish steel production which reached 8.0 million tonnes last year¹. Our market share in high-alloy steel grades is

much greater – with 182,421 of high-alloy crude steel we had 38.4% of this market segment in Poland². Approximately two thirds of our production of semi-finished products is further rolled by our rolling mills. However, a considerable portion of our billets is sold to external customers in Poland and abroad, namely, 170,018 tonnes. Our share in the Polish billet sales market is estimated at approximately 20%³.

¹ Source: CIBEH, HIPH

² Source: CIBEH, based on 2012 data

³ Source: the Company

We own two steel mills, both of which are located in Poland: Ferrostal Łabędy sp. z o.o. in Gliwice and HSW – Huta Stali Jakościowych S.A. in Stalowa Wola. In 2013, our capacities were utilized up to 79.6% due to the soft demand for steel in Poland and in Europe. In 2011 the utilization was much higher and stood at 84.1%, however a year ago it was only at 72.8%.

| 2011 | CAPACITY | PRODUCTION | UTILIZATION |
|---------------|----------------|----------------|--------------|
| <i>Tonnes</i> | | | |
| FERR | 375 000 | 348 596 | 93.0% |
| HSJ | 261 000 | 186 012 | 71.3% |
| Total | 636 000 | 534 608 | 84.1% |

| 2012 | CAPACITY | PRODUCTION | UTILIZATION |
|---------------|----------------|----------------|--------------|
| <i>Tonnes</i> | | | |
| FERR | 375 000 | 303 810 | 81.0% |
| HSJ | 261 000 | 159 037 | 60.9% |
| Total | 636 000 | 462 847 | 72.8% |

| 2013 | CAPACITY | PRODUCTION | UTILISATION |
|---------------|----------------|----------------|--------------|
| <i>Tonnes</i> | | | |
| FERR | 375 000 | 324 695 | 86,6% |
| HSJ | 261 000 | 181 271 | 69,5% |
| Total | 636 000 | 505 966 | 79,6% |

Source: the Company

| BILLETS | | 2013 | 2012 | 2011 |
|-------------------------------------|-----------------|----------------|----------------|----------------|
| PRODUCTION | <i>Tonnes</i> | | | |
| FERR | | 324 695 | 303 810 | 348 596 |
| HSJ | | 181 271 | 159 037 | 186 012 |
| INTERNAL USE | <i>Tonnes</i> | | | |
| FERR | | 163 797 | 89 321 | 96 357 |
| HSJ | | 172 151 | 140 712 | 169 103 |
| SALES TO EXTERNAL CUSTOMERS | <i>Tonnes</i> | | | |
| FERR | | 160 898 | 214 489 | 252 239 |
| HSJ | | 9 120 | 18 325 | 16 909 |
| SALES | <i>'000 PLN</i> | | | |
| CONSOLIDATED | | 346 415 | 493 767 | 551 525 |
| TOTAL PRODUCTION in TONNES | | 505 966 | 462 847 | 534 608 |
| TOTAL INTERNAL USE in TONNES | | 335 948 | 230 033 | 265 460 |
| TOTAL SALES in TONNES | | 170 018 | 232 814 | 269 148 |
| TOTAL SALES in '000 PLN | | 346 415 | 493 767 | 551 525 |

Source: the Company

3. Finished Products Segment

The finished products segment consists of production, purchasing and wholesale distribution of finished products. The Group has rolling capacities in three locations in Poland. The combined utilization of their capacities went slightly up last year compared to 2012 but lagged behind the figures for 2011.

| 2011 | CAPACITY | PRODUCTION | UTILIZATION |
|----------------------------------|----------|------------|-------------|
| <i>Tonnes</i> | | | |
| ZWWB | | | |
| - plain bars, flat bars, squares | 198 000 | 82 322 | 41.6% |
| HSJ | | | |
| - bars | 178 000 | 144 815 | 81.4% |
| - sheets | 100 800 | 13 520 | 13.4% |
| 2012 | CAPACITY | PRODUCTION | UTILIZATION |
| <i>Tonnes</i> | | | |
| ZWWB | | | |
| - flat bars | 198 000 | 80 468 | 40.6% |
| HSJ | | | |
| - bars | 178 000 | 118 973 | 66.8% |
| - sheets | 100 800 | 14 170 | 14.1% |
| 2013 | CAPACITY | PRODUCTION | UTILISATION |
| <i>Tonnes</i> | | | |
| ZWWB | | | |
| - plain bars, flat bars, squares | 198 000 | 71 947 | 36.3% |
| HSJ | | | |
| - bars | 178 000 | 151 394 | 85.1% |
| - sheets | 100 800 | 4 818 | 4.8% |

Source: the Company

| FINISHED PRODUCTS | | 2013 | 2012 | 2011 |
|---|-----------------|----------------|----------------|----------------|
| PRODUCTION | <i>Tonnes</i> | | | |
| ZWWB | | 80 468 | 80 468 | 82 322 |
| HSJ | | 133 144 | 133 144 | 158 335 |
| PROFIL | | 70 931 | n.c.* | n.c.* |
| SALES TO EXTERNAL CUSTOMERS | <i>Tonnes</i> | | | |
| FERR | | 142 425 | 75 154 | 84 291 |
| HSJ | | 150 098 | 131 387 | 147 282 |
| SALES | <i>'000 PLN</i> | | | |
| CONSOLIDATED | | 745 598 | 618 700 | 718 070 |
| TOTAL PRODUCTION in TONNES | | 299 090 | 213 612 | 240 657 |
| TOTAL BULK PRODUCT SALES in TONNES | | 292 523 | 206 541 | 231 573 |
| TOTAL SALES in '000 PLN | | 745 598 | 618 700 | 718 070 |

**not consolidated*

Source: the Company

In 2012, the apparent use of finished products in Poland was at 9.5 million tonnes¹. The production of finished products reached 9.9 million tonnes, of which 4.1 million tonnes consisted of long products, including tubes¹. In terms of long products, bar production accounted for 2 million tonnes². Our market share in the production of bars is approximately 15.0% and according to those figures we have reached 25%³ of the market share in terms of production of merchant bars.

¹ *Source: HIPH*

² *Source: CIBEH*

³ *Source: the Company*

4. Other Segments

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

IV. Hypothetical balance sheet

The following hypothetical balance sheet facilitates the understanding of how the refinancing transaction of February 4, 2014 would have impacted our 2013 figures had it occurred on December 31, 2013. It assumes the closure of the refinancing transaction at the year end and the simultaneous amendment of the agreement between Cognor and PS HoldCo, by which the settlement of the PS Holdco claim against the concurrent subscription price for the existing warrants would be delayed after the maturity date of the Exchangeable Notes (February 1, 2021).

| ASSETS | 2013 | Hypo 2013 |
|---------------------------------------|----------------|----------------|
| <i>'000 PLN</i> | | |
| A. TOTAL NON-CURRENT ASSETS | 450 960 | 459 568 |
| I. Intangible assets | 12 163 | 12 163 |
| II. Property, plant and equipment | 293 145 | 293 145 |
| III. Other receivables | 41 500 | 41 500 |
| IV. Investment property and other | 11 298 | 11 298 |
| V. Prepaid perpetual usufruct of land | 18 535 | 18 535 |
| VI. Deferred tax assets | 74 319 | 82 927 |
| B. TOTAL CURRENT ASSETS | 459 505 | 449 646 |
| I. Inventories | 234 816 | 234 816 |
| II. Receivables | 191 755 | 191 755 |
| 1. Trade receivables | 186 553 | 186 553 |
| 2. Current income tax receivable | 12 | 12 |
| 3. Other investment | 5 190 | 5 190 |
| III. Cash and cash equivalents | 14 778 | 14 124 |
| IV. Prepayments | 9 205 | 0 |
| V. Assets classified as held for sale | 8 951 | 8 951 |
| TOTAL ASSETS | 910 465 | 909 214 |

| EQUITY AND LIABILITIES | 2013 | Hypo 2013 |
|--|----------------|----------------|
| <i>'000 PLN</i> | | |
| A. EQUITY | 129 134 | 192 070 |
| I. Issued share capital | 132 444 | 132 444 |
| II. Reserves and retained earnings | -17 009 | 45 927 |
| III. Minority interest | 13 699 | 13 699 |
| B. LIABILITIES | 781 331 | 717 144 |
| I. Non-current liabilities | 25 627 | 459 016 |
| 1. Employee benefits obligation | 7 313 | 7 313 |
| 2. Interest-bearing loans and borrowings | 6 677 | 440 066 |
| 3. Other | 11 637 | 11 637 |
| II. Current liabilities | 755 704 | 258 128 |
| 1. Interest-bearing loans and borrowings | 562 906 | 53 143 |
| 2. Trade payables | 188 763 | 200 950 |
| 3. Deferred government grants | 117 | 117 |
| 4. Employee benefits obligation | 3 250 | 3 250 |
| 5. Current income tax payable | 152 | 152 |
| 6. Provisions for payables | 516 | 516 |
| TOTAL EQUITY AND LIABILITIES | 910 465 | 909 214 |

The impact on the key metrics would have been the following:

| MAIN METRICS | 2013 | Hypo 2013 |
|-----------------------------|---------|-----------|
| Liquidity ratio | 0,61 | 1,74 |
| Quick ratio | 0,30 | 0,83 |
| Inventories turnover (days) | 72 | 72 |
| Receivables turnover (days) | 53 | 53 |
| EBITDA margin | 5% | 5% |
| Net profit margin | -3.7% | -3.7% |
| Equity | 129 134 | 192 070 |
| Net debt | 554 805 | 479 085 |
| Net debt / EBITDA | 8,5 | 7,2 |

V. 2013 Analysis and 2014 Outlook

The difficult market environment of 2012 continued into 2013. Last year proved even more challenging as the production outputs in the EU and Poland fell once more by 2% and 5% respectively. Although a repeat of the performance of 2012 in terms may have seemed acceptable in such a situation, it is actually not perceived as such by the Company's management.

In the last few years we undertook a series of restructuring initiatives to be able to cope in constrained circumstances. Thanks to such, we became capable of getting through the most difficult of conditions that were also due to the stabilization of our capital structure by way of securing the new and long-term financing structure and by reducing the debt burden at the same time.

Having become a stable, flexible and a cost-efficient organization with a dedicated team of employees, we believe we are well positioned to capitalize on the growth in the Polish and European steel industry which we hope to be able to enjoy as early as in 2014.

A significant recovery of our financial performance, together with the commencement and implementation of certain expansionary CAPEX projects are our key goals to be achieved this year. The details about our mid-term development plans shall be provided in due course.

VI. Liquidity

The refinancing transaction that was successfully closed in February 4, 2014 has significantly improved the short-term liquidity position and removed any doubts with regards to the Company's going concern. As the transaction occurred in 2014, Cognor's financial figures and metrics do not reflect that as of 31.12.2013. Furthermore, we shall continue our attempts to gain wider access to working capital bank facilities to get even more financial flexibility should the need be.

VII. Corporate Governance

On May 8, 2013 Krzysztof Zoła and Dominik Barszcz were appointed as the new Management Board members of Cognor S.A. There were no changes in the Supervisory Board of the Company. Minor management changes occurred at some of Cognor's subsidiaries.

VIII. Related Party Transactions and Indebtedness

Related Party Transactions and Indebtedness are described in detail in the respective sections of our 2013 financial statement.

IX. Earnings call

The conference call on our 2013 results will be held in English language on Wednesday, March 26, 2014, at 16:00 CET (15:00 London). On that day a presentation discussing operational and financial details will be made available on the Company's website at: www.cognor.eu.

All participants are invited to review the presentation and are kindly requested to register in advance using the following link:
<https://eventreg1.conferencing.com/webportal3/reg.html?Acc=803090&Conf=190106>

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Przemysław Sztuczkowski
Chairman of the Executive Board

.....

Przemysław Grzesiak
Vice-chairman of the Executive Board

.....

Krzysztof Zoła
Member of the Executive Board

.....

Dominik Barszcz
Member of the Executive Board
Poraj, March 21, 2014