Poraj, dated 21 March 2013.

MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR S.A. CAPITAL GROUP IN 2012

I. Description of Capital Group

1. Basic data

The parent company in the Capital Group of Cognor constitutes the company Cognor S.A. with its headquarters located at 42-360 Poraj, ul. Zielona 26 that is registered with the KRS (National Court Register) under the number of 0000071799. The company possesses NIP(Tax Identification Number) 584-030-43-83 and REGON (Business Registry Number) 190028940. The shares of the parent company are listed on the Warsaw Stock Exchange.
The basic subject matter of the activities of the Capital Group is as follows: the purchasing of scrap metal, processing of scrap steel into semi-products and finished metallurgical goods, while also other activities (financial services, property developer services).

2. Shareholding of the parent company

As of 31 December 2012 the shareholding of Cognor S.A. was presented as follows:

Shareholder	Number of shares	Share in equity	Number of cotes	Share in voting rights
PS HoldCo Sp.z o.o.	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 373 522	6.60%	4 373 522	6.60%
Other	18 157 419	27.42%	18 157 419	27.42%
Total	**66 222 248**	**100.00%**	**66 222 248**	**100.00%**

As of the date of this report the shareholding of Cognor S.A. was presented as follows:

Shareholder	Number of shares	Share in equity	Number of cotes	Share in voting rights
PS HoldCo Sp.z o.o.	43 691 307	65.98%	43 691 307	65.98%
TFI PZU	4 400 140	6.64%	4 400 140	6.64%
Other	18 130 801	27.38%	18 130 801	27.38%
Total	**66 222 248**	**100.00%**	**66 222 248**	**100.00%**

3. Employment

As of 31 December 2012 employment figures in the particular companies of the Capital Group were presented in the following way:
- Cognor S.A – 24 people
- Huta Stali Jakościowych S.A. – 704 people
- Ferrostal Łabędy Sp. z o.o. – 298 people
- ZW-Walcownia Bruzdowa Sp. z o.o. – 237 people (including 212 people employed by external firms)
- Złomrex Metal Sp. o.o. – 261 people
- Cognor Blachy Dachowe S.A. – 22 people
- Kapitał S.A. – 2 people
- Business Support Services Sp. z o.o. – 1 person
- Cognor Finanse Sp. z o.o. – 0 people
- Zlomrex International Finance SA – 0 people
- AB Stahl AG in the process of liquidation – 0 people

4. Management Board and Supervisory Board of the parent company

   In the period under analysis, the composition of the Management Board was changed on 9 January 2012 by appointment of Przemysław Grzesiak as Vice-Chairman of the Board:

   <u>Management Board</u>
   Przemysław Sztuczkowski – Chairman of the Board
   Przemysław Grzesiak – Vice-Chairman 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:

   <u>Supervisory Board</u>
   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 2012 was a period of a drop in the production of steel both in Poland and in Europe, however in the global market, first and foremost in China, the magnitude of production signified a slight upward trend.

STEEL PRODUCTION *(million tonnes)*	**2012**	**Dynamika**	**2011**	**2010**	**2009**	**2008**
Polska	8.4	-5%	8.8	8.0	7.2	9.7
UE (27)	169.4	-5%	177.4	172.9	139.0	198.6
Chiny	708.8	4%	683.3	626.7	567.8	500.5
Świat	**1 510.2**	**1%**	**1 490.1**	**1 395.5**	**1 220.0**	**1 329.7**

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

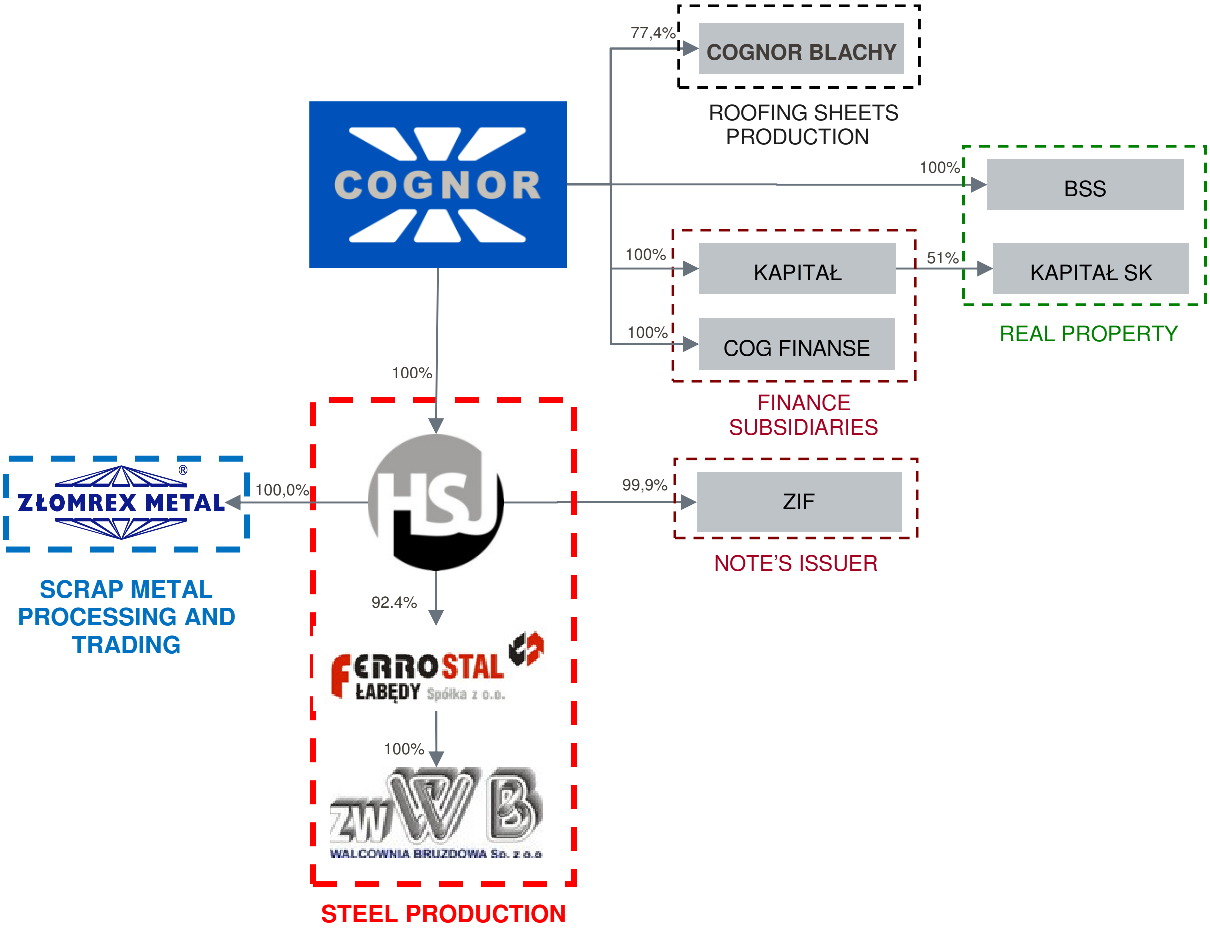
1. Organizational structure of the Capital Group created by Cognor S.A.

   As of 31 December 2012, the structure of the Capital Group was presented as follows:

Entity	**Seat**	**Share in equity and voting rights**	**Abbreviations**
Cognor Blachy Dachowe S.A.	Polska	77.4%	COGNOR BLACHY
Business Support Services Sp. z o.o.	Polska	100.0%	BSS
Cognor Finanse Sp. z o.o.	Polska	100.0%	COG FINANSE
Kapitał S.A.	Polska	100.0%	KAPITAŁ
Ferrostal Łabędy Sp. z o.o.	Polska	92.4%	FERROSTAL, FERR
ZW-Walcownia Bruzdowa Sp. z o.o.	Polska	100.0%	ZW-WB
Huta Stali Jakościowych S.A.	Polska	100.0%	HSJ
Złomrex International Finance S.A.	Francja	100.0%	ZIF
Złomrex Metal Sp. z o.o.	Polska	100.0%	ZŁOMREX METAL, ZLMET
AB Stahl AG	Niemcy	100.0%	AB STAHL

   The afore-mentioned units, apart from AB Stahl AG are undergoing the process of consolidation.

Structure as of 31 December 2012 in the form of a diagram looks as follows:



2. Changes in the organization of the Capital Group

   – On 30 April 2012 the decision of the District Court in Częstochowa led to the merger of Cognor Finanse Sp. z o.o. with Cognor Services Sp. z o.o. by means of transferring the total assets of Cognor Services Sp. z o.o. to Cognor Finanse Sp. z o.o.

   – On 10 October 2012 the decision of the District Court in Częstochowa led to the merger of Kapitał S.A. with Centrostal Sp. z o.o. by means of transferring the total assets of Centrostal Sp. z o.o. to Kapitał S.A.

   – On 28 October 2012 the decision of the District Court in Częstochowa led to the merger of the parent company with Złomrex Centrum Sp. z o.o. by means of transferring the total assets of Złomrex Centrum Sp. z o.o. to Cognor S.A.

   The cause of the afore-mentioned changes was first and foremost the simplification of the organizational structure of the Capital Group.

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 AND LOSSES ACCOUNT *('000 PLN)*	**2012**	**2011**
Revenue	1 399 674	1 549 647
Cost of sales	-1 303 894	-1 377 076
Gross profit	**95 780**	**172 571**
Other income	11 571	9 919
Distribution expenses	-33 950	-36 171
Administrative expenses	-34 691	-46 600
Other gains/(losses) – net	-2 224	15 309
Other expenses	-11 636	-14 546
EBIT	**24 850**	**100 482**
Financial income	36 675	6 562
Financial expenses	-62 424	-105 041
Net financing costs	**-25 749**	**-98 479**
Share of profits of associates	**-899**	**2 003**
Excess in the net fair value of acquired assets over cost	1 086	21 887
Profit before tax	**187**	**23 890**
Income tax expense		
Profit/loss for the period from discontinued operations	0	92 011
Profit for the period	**187**	**115 901**
Attributable to:		
Controlling entity shareholders	-443	115 820
Minorities	630	81
Profit for the period	**187**	**115 901**

The year 2012 saw a visible deterioration of the economic conditions on the market of metallurgical producers. Demand for steel products decreased, which was subsequently followed by an impact on the prices of the majority of goods manufactured by Cognor. As a consequence, our production of crude steel amounted to 463,800 tons, which signified a drop of 13.4% with relation to the previous year, while the production of metallurgical goods witnessed a decrease to 206,500 tons and 11.2% respectively. The only segment of business activities in which we noted a slight growth in sales was that of the sale of scrap metal, which increased by 4,600 tons and 3.9%. That was however derivative of the lower feedstock demand in the case of our steel factories rather than the increased demand for this comodity among our external clients.

The lower production and sale of semi-finished goods and metallurgical goods was reflected in our sales revenue which amounted to 1,399.7 m PLN, which was 9.7% less with relation to the previous year. Apart from the lower production and sales, the quantitative downward trend of revenues strengthened the decrease in prices of individual metallurgical goods. This effect was withstood at a surplus by the higher revenues from the segment of scrap metal, both in the areas relating to ferrous scrap metal and particularly non-ferrous scrap metal.

The consequence of the situation described in our business was a drop in the production capacity utylisation. The use of the production potential of our steel mill dropped from 84.1% in 2011 to 72.8%. Due to the technology of the production of steel and the significant proportion of the fixed costs, the decrease in the use of our production capacity, has a negative impact on the unit costs and consequently causes a reduction in the profitability of production. The deterioration of the level of profitability was also influenced by the price effect involving the reduction of prices for the sale of metallurgical goods with the simultaneous growth in the prices of the basic raw material charge, which is scrap metal. In effect, the difference between the price of goods produced by Ferrostal and the price of scrap metal underwent a decrease from 1,268 PLN to 1,038 PLN in 2012, or in other words, by 230 PLN. A similar phenomenon was observed in the case of our basic production line which is that of long products for the automotive industry produced by the other of our steelworks plants – HSJ, where this decrease amounted to 162 PLN. Our efforts at reducing the impact of the afore-mentioned market factors that are independent of us were made by means of cost saving and restructuring activities. As a result of improving the efficiency of our technological equipment at our disposal, the renegotiation of the costs of purchasing the factors of production, as well as the rationalization of the remaining costs we have achieved a positive operational result. The positive net financial result was also favourably influenced by the positive differences in currency rates on our financial obligations which gave a combined net sum of 35.2 m PLN.

The deterioration in the economic conditions in our business is acknowledged by us as a natural phenomenon, however, its scale should be evaluated as an untypical element. Furthermore, the depth of the fall in the prices of some goods is probably influenced by the rather common recent procedure in Poland with relation to the fictional import of ribbed bars and wire rods with the clear abuse of VAT tax rules. However, this situation does not directly refer to goods produced by Cognor, although in our view certain assortments of ours in terms of construction steel types such as plain or flat bars have succumbed to price pressure. We trust that in a short-time perspective, the actions of the appropriate authorities and institutions shall shorten this procedure and and bring stability to the conditions of the business activities of the producers of metallurgical goods in Poland.

It is also worth mentioning that the weak condition of the market mainly referred to the European area, which our business activities are dependent on. The drop in the production of steel in Poland and in the EU amounted to approximately 5%, whereas in North America and Asia growth was in evidence. This indicates that the current condition of our sector is most probably the effect of mistaken economic policies with regard to our sector and the industries availing of steel products in Europe.

2. Main Metrics

Main metrics		2012	2011
Liquidity ratio		1.86	1.89
Quick ratio		1.11	1.19
Inventories turnover	*days*	50	47
Receivables turnover	*days*	47	48
EBITDA margin		4.7%	9.3%
Net profit margin		0.0%	7.5%
Equity	*'000 PLN*	176 842	176 441
Net debt	*'000 PLN*	513 697	556 086
Net debt / EBITDA		7.7	3.8

The year 2012 saw a worsening of the indicators of profitability. Despite the reduction in the net debt, the level of coverage of debt with the operating profit increased by depreciation (EBITDA) also deteriorated. The indicators of solvency and efficiency of activities were maintained at very favourable levels.

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. We are counting on the fact that the new long-term financing for the Group, shall facilitate the realization of adequate outlays geared towards the development of the company.

IV. Information on the issue of the effects of the cost saving activities in the main companies of the Capital Group.

The economic crisis which commenced in 2009 intensified the detailed analysis of the costs undertaken by the Management Board of the parent company in the manufacturing firms. This analysis indicated a range of areas where it was possible to carry out further restriction of expenditure leading to a measurable reduction of the costs of business activities and improvement of the level of competitiveness on the metallurgical market. The activities, both organizational and of the nature of investment outlays bore fruit in terms of measurable effects in the form of reducing the use of the factors of production, as well as diversifying and optimizing the sources of supplies. The efficiency of production also saw improvement, as well as the fact that administrative costs were reduced.

The activities described are currently being continued and although we expect a continuation of the benefits, the further radical improvement of the efficiency of our production shall require larger investment outlays and modernization of some elements of our fixed assets. Nowadays, our steel plants, particularly the steel plant of Ferrostal belong to the most economically efficient plants in our sector. Significant potential for improvement however lies in the processing section, within the area of hot-rolling of finished products.

List of the examples of the cost savings effects achieved in the steelworks plants of the Company in 2012:

1. HSJ
   a) employment
   During the course of the year employment was reduced by 90 people, while the average salary was reduced by 10%, or in other words by 422 PLN per person, thus amounting to 3,785 PLN per head per month. In comparison with the state of affairs dating from 2011, the savings effect was at the level of 5,785,000 PLN.
   b) repairs and maintenance
   During the course of the whole year, the costs of repairs combined with the costs of maintaining the flow of production were restricted by 27% from a total cost of 19,859,000 PLN in 2011 to 14,496,000 PLN in 2012. This effect was achieved by means of the decrease in the production of the steel mill by 14.5% and the production of long products by 17.9% respectively.

   As a combined total in the two segments described above, HSJ achieved savings at the level of 11,148,000 PLN in 2012 by comparison with 2011.

2. FERR
   a) the production process
   In the period between 2008 and 2012, as a result of the actions undertaken, the costs of producing 1 ton of a finished product was reduced by 48.10 PLN, which in the conditions of the year 2012 provided a cost savings at the level of 12,581,000 PLN.
   b) fixed costs
   In the period between 2008 and 2012, the fixed costs of the functioning of the steel mill were restricted by 372,331 PLN/month, which as a combined total in the aforesaid period translated to a cost savings of the level of 4,468,000 PLN. In the same period, the costs of general management were reduced by 375,025 PLN/month, which in turn, brought savings of 4,500,000 PLN.
   c) pollution
   As a result of the actions undertaken in 2012, during the course of each delivery of scrap to the steelworks pollution was identified and eliminated in the process of unloading, which translated to a cost savings at the level of 2,477,000 PLN.
   d) reclassification of scrap
   As a result of the intensification of inspections of the deliveries of scrap in the cases whereby the class of scrap declared by the supplier did not comply with the class stated in reality, a reclassification of the class of the scrap took place on consent with the supplier, which during the course of the whole year of 2012 brought in savings to the tune of 782,000 PLN.
   e) purchase of scrap
   It was assumed that the difference between the price negotiated for the purchase of the scrap from the suppliers and the maximum price of purchasing from the steelworks of I ton of scrap each month at the level of the price established by the subsidiary of Złomrex Metal Sp. z o.o. (the largest supplier of scrap to FERR) constitutes a cost savings for the steelworks. In the year of 2012, measurable benefits were achieved in this way to the tune of 2,337,000 PLN.
   f) transport
   Due to the change in the strategy of availing of the means of transporting raw material to the steelworks involving the restriction of rail transport in favour of road transport, a cost savings of the value of 1,194,000 PLN was achieved in 2012. These savings constitute the difference between the rate per kilometre of rail transport and the actual negotiated rate gained from the supplier by truck.

V. 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 valuated in equitable value by means of financial results as it does not possess such financial instruments. The Group is also not susceptible to the price risk relating to mass goods.

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

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

4. Credit risk:

   Credit risk is the risk of the Group incurring financial losses as a result of the failure of a client or trading partner as a financial instrument to fulfil its contractual obligations. Credit risk is particularly associated with receivables from clients and financial investments.
   Financial instruments, which potentially jeopardize the Group with a concentration of credit risk particularly encompass the pecuniary means and their equivalents, as well as trading receivables and others. The Group deposits its pecuniary means and their equivalents in financial institutions possessing a high credit rating. Credit risk associated with receivables is limited as the clientbase of the Group is wide, thus the concentration of the credit risk is not significant.

5. Risk of losing solvency:

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

6. Risk of continuation of activities:

   In 2007 the Group issued bonds to the amount of 118m EUR (483 m PLN as of 31 December 2012) which shall become due on 1 February 2014. In the period of 2009-2010 and last year the Company had to face up to very difficult market conditions while incurring significant losses. Consequently, it is necessary to predict that on the payment due date the financial position of the Group shall not enable the repayment of the whole amount of the bonds. Cognor has initiated a process of preparing an offer on refinancing of the whole amount of the bonds in the first half of 2013. The Management Board of the Group expects the closure of the refinancing of the bonds prior to the payment due date of the existing bonds. On the day of preparing the consolidated financial statement herein, the process of refinancing has not been concluded and thus there is uncertainty as to whether it shall be concluded successfully. The factors which may hinder the process of refinancing is the current solvency and the aversion to risk on the financial markets, the perception of the Cognor Group among potential investors, as well as the current and predicted condition of the steel sector. Despite the positive approach of the Management Board of the Group with relation to the possibilities of refinancing the debt, the situation described indicates significant uncertainty which could cause doubt as to the continuation of business activities by the Group.

VI. 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 plaitiff. Cognor has not been charged in any singular or group proceedings which together could significantly affect their financial results or level of obligations. There are two proceedings before the courts relating to receivables which fulfil the criteria of essence:

- A claim against the State Governemnt of the Republic of Croatia with relation to the execution of the agreement dated 16 October 2009, as well as the payment of the amount of 40.9 m PLN constituting the equivalent of 10.0 m Euro. In 2012 Cognor made a complaint within the framework of the jurisdiction of the Republic of Croatia, as well as before the International Court of Arbitration. On the basis of the analysis run we may acknowledge that the probability of regaining this amount of money is high, however, the timescale for the completion of these proceedings is assessed by us as longer than 12 months from the date of the financial statement herein,
- The claim against the companies of Eff Eins and Eff Zwei from the Group of Mechel relating to the execution of obligations resulting from the agreement dated 4 February 2011 relating to the sale of shares in the company of Cognor Stahlhandel GmbH and the payment of the amount of 7.2 m PLN. The probability of winning this case is assessed by us as high, as well as the possibility of finalizing the issue in 2013. The financial resources under analysis are deposited on an escrow account.

VII. 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 saorcing and trading in scrap metal. the production of semi-finished products and finished goods is dealt with by the following: Huta Stali Jakościowych S.A. (HSJ) and Ferrostal Łabędy Sp. z o.o. (Ferrostal), together with its affiliated company ZW-Walcownia Bruzdowa Sp. z o.o. (ZW-WB). 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, 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 3-6mm, sheet from 1X2m to 1,25X2,5m; metal plates - thick 7-30mm, metal sheets from 1X2m to 2X6m; high-alloy steel and special 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, length to 6m; round rods - 10-31mm, length to 12m; square rods - 10-20mm, length to 6m; carbon steel and medium-alloy steel
- 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		Y 2012	Y 2011
PURCHASES FROM EXTERNAL SUPPLIERS	*Tonnes*		
FERR		153 107	158 537
ZLMET		359 709	429 488
HSJ		92 852	123 718
INTERNAL USE	*Tonnes*		
FERR		320 870	410 545
ZLMET		0	0
HSJ		183 320	211 872
SALES TO EXTERNAL CUSTOMERS	*Tonnes*		
ZLMET		122 682	118 098
OTHER		68	0
SALES	*'000 PLN*		
CONSOLIDATED		130 366	120 064
TOTAL PURCHASES in TONNES		**605 668**	**711 743**
TOTAL INTERNAL USE in TONNES		**504 190**	**622 417**
TOTAL SALES in TONNES		**122 750**	**118 098**
TOTAL SALES in '000 PLN		**130 366**	**120 064**

2. Semi-products (billets and ingots)

BILLETS		Y 2012	Y 2011
PRODUCTION	*Tonnes*		
FERR		303 810	348 596
HSJ		159 037	186 012
INTERNAL USE	*Tonnes*		
FERR		89 321	96 357
HSJ		140 712	169 103
SALES TO EXTERNAL CUSTOMERS	*Tonnes*		
FERR		214 489	252 239
HSJ		18 325	16 909
COGNOR		0	0
SALES	*'000 PLN*		
CONSOLIDATED		493 767	551 525
TOTAL PRODUCTION in TONNES		**462 847**	**534 608**
TOTAL INTERNAL USE in TONNES		**230 033**	**265 460**
TOTAL SALES in TONNES		**232 814**	**269 148**
TOTAL SALES in '000 PLN		**493 767**	**551 525**

3. Finished goods

FINISHED PRODUCTS		Y 2012	Y 2011	Y 2010
PRODUCTION	*Tonnes*			
ZWWB		80 468	82 322	53 767
HSJ		133 144	158 335	116 379
SALES TO EXTERNAL CUSTOMERS	*Tonnes*			
FERR		75 154	84 291	59 897
HSJ		131 387	147 282	122 337
SALES	*'000 PLN*			
CONSOLIDATED		618 700	718 070	478 102
TOTAL PRODUCTION in TONNES		**213 612**	**240 657**	**170 146**
TOTAL BULK PRODUCT SALES in TONNES		**206 541**	**231 573**	**182 234**
TOTAL SALES in '000 PLN		**618 700**	**718 070**	**478 102**

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

VIII. 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	Proportion of sales
Domestic	56.4%
Foreign	43.6%

Client:
Sales to one client – Scholz Edelstahl GmbH, Germany – exceeds 10% of general sales of HSJ and amounts to 11.8%. Spółka Scholz Edelstahl GmbH is not tied from a capital point of view with any company of the Cognor Group.

Suppliers:
Supplies from one of the suppliers – Złomrex Metal Sp. z o.o. – exceed 10% of general purchases of HSJ and amounts to 20.2%. Spółka Złomrex Metal Sp. z o.o. is a company that belongs to Cognor SA and supplies Huty Stali Jakościowych SA with scrap charge for the production of metallurgical goods.

2. FERR

Market	Proportion of sales
Domestic	74.8%
German	25.2%

Clients:
Sales to one client – Węglokoks SA – exceeds 10% of general sales of FERR and amounts to 16.8%. Spółka Węglokoks SA is not tied from a capital point of view with any company of the Cognor Group.

Suppliers:
Supplies from one of the suppliers – Złomrex Metal Sp. z o.o. – exceed 10% of general purchases of FERR and amounts to 30.9%. Spółka Złomrex Metal Sp. z o.o. is a company that belongs to Cognor SA and supplies Ferrostal Łabędy Sp. z o.o. with scrap charge for the production of metallurgical goods.

3. ZLMET

Market	Proportion of sales
Domestic	95.4%
German	4.6%

Clients:
Sales to three clients – Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych SA, CMC Poland SA – exceeds 10% of general sales of ZM and amounts to respectively: Ferrostal Łabędy Sp. z o.o. 36.8%, Huta Stali Jakościowych SA 14.7%, CMC Poland SA 10.4%. Of the afore-mentioned companies Złomrex Metal Sp. z o.o. realizes the supply of scrap charge for the production of metallurgical goods. The company CMC Poland SA is not tied from a capital point of view with any company of the Cognor Group, however, the companies Ferrostal Łabędy Sp. z o.o. and Huta Stali Jakościowych SA are companies belonging to Cognor SA.

Suppliers:
No supplies from any of the suppliers exceed 10% of the general purchases of ZM.

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

On 10 January 2013 the parent company, together with its subsidiary Ferrostal Łabędy Spółka z o.o. entered an agreement on cooperation with Zakład Walcowniczy Profil SA in Cracow. In the powers of the entered agreement commencing on 1 February 2013 and terminating on 30 June 2013, Ferrostal Łabędy Sp. z o.o. shall become the exclusive supplier of steel billets to Profil with the aim of their further processing and sale of goods produced from them.

X. 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.

XI. 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.

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

1. Credit loans
   a) Granted:
      - Cognor S.A. with the participation of Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych SA, Złomrex Metal Sp. z o.o., the company availing of the credit loan is Cognor S.A. - Deutsche Bank PBC, a revolving credit loan to the amount of 25 m PLN, the agreement was entered on 22 February 2012 for the period up to 1 March 2013. An annex was prepared on 12 March 2013 and the agreement was extended to 2 September 2013. The amount of credit shall be reduced on a monthly basis in accordance with the following schedule: 29 March, 30 April, 31 May, 28 June, 31 July- the amount equals 4,160 PLN, 2 September 4,200 PLN.
      - Cognor S.A. with the participation of Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych SA, Złomrex Metal Sp. z o.o., in which the company availing of the credit loan is Ferrostal Łabędy Sp. z o.o. – BRE Bank SA, with a credit loan on the current account to the amount of 10 m PLN, in which the agreement was entered on 5 March

2012 for the period up to 27 February 2013. The annex was prepared on 27 February 2013 and the agreement was extended until 29 August 2013.

- Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych SA, Złomrex Metal Sp. z o.o. as debtors, Cognor S.A. as an agent, the company availing of the credit loan is Ferrostal Łabędy Sp. z o.o. – Pekao SA, the credit loan on the current account to the amount of 10 m PLN, the agreement was entered on 27 April 2012 for the period until 3 March 2013 .

b) Terminated: Not applicable

2. Loans:
   a) Granted: Not applicable
   b) Terminated: Not applicable

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

a) Credit loans granted to the affiliated entities:
   - Cognor S.A. granted Huta Stali Jakościowych SA loans to the limit of 25 m PLN, in which the agreement was entered on 26 March 2012 for the period from 1 March 2013, with interest at 9.2% at a scale of the year as a whole.
   - Cognor S.A. entered a leasing agreement with Ferrostal Łabędy Sp. z o.o., with the value of the capital for repayment at 27,766,000 PLN plus interest of 11,799,000 PLN, and the period of validity of the agreement which was signed on 31 December 2012 amounts to 120 months.
   - Cognor S.A. entered a leasing agreement with Hutą Stali Jakościowych SA, with the value of the capital for repayment at 31,573,000 PLN plus interest at 13,423,000 PLN, and the period of validity of the agreement which was signed on 31 December 2012 amounts to 120 months. Centrostal Sp. z o.o. (since 10 October 2012 known as Kapitał SA) granted Cognor S.A. credit loans to the amount of 667,000 EUR, in which the agreement was entered on 22 February 2012 for the period from 31 December 2013 , with interest at 9.2% at a scale of the year as a whole.
   - Kapitał SA granted Cognor S.A. loans to the limit 5 mln PLN, in which the agreement was entered on 31 December 2012 for the period up to 31 December 2013, with interest at 9.2% at a scale of the year as a whole.

b) Credit loans granted to external entities: Not applicable.

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

a) Złomrex Metal granted Ferrostal a guarantee for a credit loan in BRE Bank
b) Złomrex Metal granted Ferrostal a guarantee for a credit loan in Pekao SA
c) Złomrex Metal granted Cognor a guarantee for a credit agreement in Deutsche Bank PBC
d) Ferrostal granted Złomrex Metal a guarantee for a factoring agreement in BRE Polfactor
e) Ferrostal granted Cognor a guarantee for a factoring agreement in BRE Polfactor
f) Ferrostal granted Cognor a guarantee for a credit loan in Deutsche Bank PBC
g) Cognor granted Ferrostal a guarantee for a credit loan in BRE Bank
h) Cognor granted Ferrostal a guarantee for a credit loan in Pekao SA
i) Cognor granted Cognor Blachy a guarantee for a trading agreement with CMC Europe AG
j) Cognor granted Cognor Blachy a guarantee for a trading agreement with Florian Centrum SA
k) Cognor S.A. granted Cognor Blachy a guarantee for a trading agreement with ArcelorMittal Distribution Solutions Poland Sp. z o.o.
l) Cognor granted Kapitał a guarantee for a factoring agreement with SEB Commercial Finance Sp. z o.o.

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

In the period under analysis up to the moment of preparing the report, the parent company did not issue any shares.

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

Having the data for the first three quarters of the year at their disposal, the Company announced on 15 November 2012 the following expected basic financial parameters for 2012 (in millions of PLN):

PARAMETER	FORECAST	EXECUTION
Sales	1 450	1 400
EBITDA	75	66
CAPEX	20	19
Interest costs	50	56
Gross debt	550	578
Net debt	500	514

The failure to execute the forecasts in the area of sales and EBITDA resulted from the deteriorating market situation in the final quarter of last year. The higher level of indebtedness was partially compensated for by a higher cash balance with relation to that which was forecasted (50 m PLN), however, the higher level of net debt is derived from the lower execution of profit in terms of EBITDA and the higher costs of interest.

XVII. 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 2012. The activity of the Group was featured by very 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, of which over 10.1 m PLN was regained. The Company maintained a significant balance of pecuniary means on its bank accounts by restricting its utilization. The main reason for this policy was to secure the capital resources for the deadlines of repaying the short-term financial obligations due in 2013 that are the result of bank loans granted. Simultaneously, the pecuniary means were deposited either on high interest deposit accounts or within the framework of a virtual cash-pool, in which the Group avails of the services of one of the banks giving the highest deposit effiency.

In the perspective of the year 2013, the Management of Cognor S.A. does not visualize significant threats which could cause the lack of possibility to comply with the financial obligations undertaken. In further periods this ability shall to a large extent be dependent on the rate of success of the current process of refinancing being run of the long-term debts. The state of the financial markets in the near future, while also the perception of the metallurgical branch by investors constitutes the main risk factor in this case. With the aim of restricting these risks in mind, the Management of the Company intends to avail of the currently favourable economic conditions on the international financial markets and propose a transaction, whose schedule and conditions would meet with a positive response by the fixed-income investors.

XVIII. 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 shall be dependent on the success and conditions of the new long-term financing the Group is aiming to acquire in place of the current Eurobonds to the amount of 118 m Euro, which falls due in February 2014. In light of the probable further challenges on the market side of things, we feel that an effective formula of financing capital expenditures in the upcoming years should take account of the component of recapitalizing the Company at the level of at least approximately 100 million PLN. We expect that the Company’s warrant programme will be used for this purpose by the current or future holders of these rights.

XIX. 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.

XX. 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 of 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,
- strengthening the capital and financial base.

XXI. 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.

XXII. 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

Vide chapter III.

XXIII. 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 2012:
Management Board
- Przemysław Sztuczkowski – 1,655 PLN
- Przemysław Grzesiak – 1,535 PLN

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

The Chairman of the Board of the parent company, Mr. Przemysław Sztuczkowski due to fulfilling the function of the Chairman of the Board in the subsidiary Ferrostal Łabędy Sp. z o.o. received a remuneration of 60,000 PLN gross in 2012.

The Vice-Chairman of the Board of the parent company , Mr. Przemysław Grzesiak due to fulfilling the function of the Chairman of the Board in the subsidiary Huta Stali Jakościowych S.A. received a remuneration of 516,00 PLN gross in 2012.

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

XXIV. 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 both directly and indirectly the owner of 65.98% of shares in the company Cognor SA, providing 65.98% votes at the AGM.
Mr. Przemysław Grzesiak, the Vice-Chairman of the Board of the parent company, possesses 2.84% of shares in the company Cognor SA, providing 2.84% votes at the AGM.

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

On 19 August 2011 Cognor S.A. executed resolution no. 13 at the AGM dated 14 March 2011 and issued 6,622 subscription warrants of B series. These warrants authorized the accession of 66, 220, 000 no. 9 shares emissions. In the powers of the resolution of the Management dated 13 September 2011 the warranty was accessed in the following way:
- Złomrex S.A. (currently Huta Stali Jakościowych S.A.)- 6,086 warrants;
- the remaining individual shareholders- 536 warrants.
As a result of the agreement entered on 20 September 2011, Złomrex S.A. sold its warrants to the company PS HoldCo Sp. z o.o.
On the basis of the agreement dated 30 December 2011, PS Holdco was obliged to cover the warrants in cash with the aim of their later conversion into shares for the Company at least to the level of the established net price for the shares of Złomrex S.A. purchased by Cognor S.A. the execution of this agreement may have an impact on the change of the current proportion of shares in the possession of the particular shareholders, while the quantification of this impact depends on the amount and the time in which the described operation is to take place.

XXVI. Information about the system of controlling employee action programmes

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

XXVII. 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 23 November 2012 with KPMG Audyt Sp. z o.o. Sp. k. with its headquarters in Warsaw on the issue of analysing the annual singular and consolidated financial statement for the trading year concluding on 31 December 2012, as well as the shortened mid-year singular and consolidated financial statement for the period from 1 January to 30 June 2013.

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 in the scope of analysing the statements of the parent company for the trading year concluding on 31 December 2012 amounts to 104,000 PLN net. The value of this agreement in the scope of analysing the shortened mid-year reports of the parent company for the period from 1 January to 30 June 2013 amounts to 51,000 PLN net.

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

the auditor of the singular report and the consolidated statement for the parent company for the trading year concluding on 31 December 2011, as well as the shortened mid-year singular report and consolidated statement for the period from 1 January to 30 June 2012 was the company known as KPMG Audyt Sp. z o.o. Sp. k. with its headquarters in Warsaw. The value of the agreement in the scope of analysing reports for the trading year concluding on 31 December 2011 amounted to 100,000 PLN net. The value of the agreement in the scope of analysing the shortened reports for the period from 1 January to 30 June 2012 amounted to 49,000 PLN net.

XXVIII. 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	Y 2012	Y 2011
'000 PLN		
A. TOTAL NON-CURRENT ASSETS	**472 467**	**499 437**
I. Intangible assets	15 435	17 067
II. Property, plant and equipment	317 671	342 734
III. Other receivables	40 943	44 583
IV. Investment property and other investments	7 720	4 377
V. Prepaid perpetual usufruct of land	18 954	19 850
VI. Deferred tax assets	71 744	70 826
B. TOTAL CURRENT ASSETS	**442 042**	**480 180**
I. Inventories	179 201	178 472
II. Receivables	186 904	237 834
1. Trade receivables	*181 691*	*204 904*
2. Current income tax receivable	*82*	*7 744*
3. Other investments	*5 131*	*25 186*
III. Cash and cash equivalents	64 151	47 166
IV. Assets classified as held for sale	11 786	16 708
V. Assets of disposal groups	0	0
Total	**914 509**	**979 617**

EQUITY AND LIABILITIES	Y 2012	Y 2011
'000 PLN		
A. EQUITY	**176 842**	**176 441**
I. Issued share capital	132 444	132 444
II. Reserves and retained earnings	31 567	31 796
III. Minority interest	12 831	12 201
B. LIABILITIES	**737 667**	**803 176**
I. Non-current liabilities	**500 373**	**548 729**
1. Employee benefits obligation	*6 735*	*7 970*
2. Interest-bearing loans and borrowings	*487 020*	*532 138*
3. Other	*6 618*	*8 621*
II. Current liabilities	237 294	254 447
1. Interest-bearing loans and borrowings	*75 333*	*45 878*
2. Bank overdraft	*15 495*	*25 236*
3. Trade payables	*142 170*	*176 117*
4. Deferred government grants	*736*	*865*
5. Other financial liabilities	*0*	*0*
6. Employee benefits obligation	*2 815*	*5 677*
7. Current income tax payable	*315*	*293*
8. Provisions for payables	*430*	*381*
III. Liabilities of disposal group	0	0
Total	**914 509**	**979 617**

In the sphere of the balance sheet data, no significant change apart from the noticeable decrease of the net debts occurred, which was influenced to a large extent by the valuation of the long-term obligations denominated in Euros.

XXIX. 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 27 March 2012 Huta Stali Jakościowych S.A. sold PS HoldCo Sp. z o.o. 5,000 shares of the parent company, constituting 7.55% shares in the capital shares of Cognor S.A. (7.55% of the total votes at the AGM). Following this transaction, PS HoldCo Sp. z o.o. became the owner of 64.42% of shares in Cognor S.A., constituting 64.42% of shares in capital shares.

b) On 30 April 2012 the decision of the District Court in Częstochowa led to the merger of Cognor Finanse Sp. z o.o. with Cognor Services Sp. z o.o. by means of transferring the whole assets of Cognor Services Sp. z o.o. to Cognor Finanse Sp. z o.o.

c) On 10 October 2012 the decision of the District Court in Częstochowa led to the merger of Kapitał S.A. with Centrostal Sp. z o.o. by means of transferring the whole assets of Centrostal Sp. z o.o. to Kapitał S.A.

d) On 28 November 2012 the decision of the District Court in Częstochowa led to the merger of the parent company with Złomrex Centrum Sp. z o.o. by means of transferring the whole assets of Złomrex Centrum Sp. z o.o. to Cognor S.A. in the form of art. 516 par. 1 and 6 K.S.H. without increasing the initial capital. As a result of this merger, Cognor SA took over the following:
- the shares of Cognor Finanse Sp. z o.o. of a value of 177,503 PLN which were in the possession of Złomrex Centrum Sp. z o.o. on the day of the merger. Likewise, the shares of Cognor Finanse Sp. z.o.o. grew to a value of 182,033 PLN
- the shares of Business Support Services Sp. z o.o. of a value of 11,881,000 PLN, which were in the possession of Złomrex Centrum Sp. z o.o. on the day of the merger.

e) On 10 January 2013 Cognor S.A. together with its subsidiary Ferrostal Łabędy Spółka z o.o. entered an agreement on cooperation with Zakładem Walcowniczym Profil SA in Cracow. In the powers of the agreement entered commencing from 1 February 2013 and terminating on 30 June 2013 Ferrostal Łabędy Sp. z o.o. shall become the exclusive supplier of steel billets to Profil with the aim of their further processing and sale of goods produced from them.

XXX. 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

XXXI. 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.

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

Not applicable

XXXIII. Recommendations of the Management Board in the field of allocating profit / covering the losses of the parent company in 2012

The Management Board recommends covering the losses of the parent company for the year 2012 with the profits of the following years.

Przemysław Sztuczkowski
Chairman of the Board

Przemysław Grzesiak
Vice-Chairman of the Board

Poraj, 21 March 2013.