

Poraj, dated 21 March 2014

MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR S.A. CAPITAL GROUP IN 2013

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 2013 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%

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

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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 2013 employment figures in the particular companies of the Capital Group were presented in the following way:

- Cognor S.A – 17 people
- Huta Stali Jakościowych S.A. – 701 people
- Ferrostal Łabędy Sp. z o.o. – 311 people
- ZW-Walcownia Bruzdowa Sp. z o.o. – 235 people (including 210 people employed by external firms)
- Złomrex Metal Sp. o.o. – 246 people
- Cognor Blachy Dachowe S.A. – 21 people
- Kapitał S.A. – 2 people
- Business Support Services Sp. z o.o. – 4 person
- Cognor Finanse Sp. z o.o. – 0 people
- Złomrex International Finance SA – 0 people

- Cognor International Finance SA – 2 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 8 May 2013 by appointment of Krzysztof Zoła and Dominik Barszcz as members of the Board:

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 2013 was a period of a further 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)	2013	YoY	2012	2011	2010	2009
Poland	8.0	-5%	8.4	8.8	8.0	7.2
EU (27)	165.6	-2%	169.4	177.4	172.9	139.0
China	779.0	10%	708.8	683.3	626.7	567.8
World	1 582.5	5%	1 510.2	1 490.1	1 395.5	1 220.0

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.

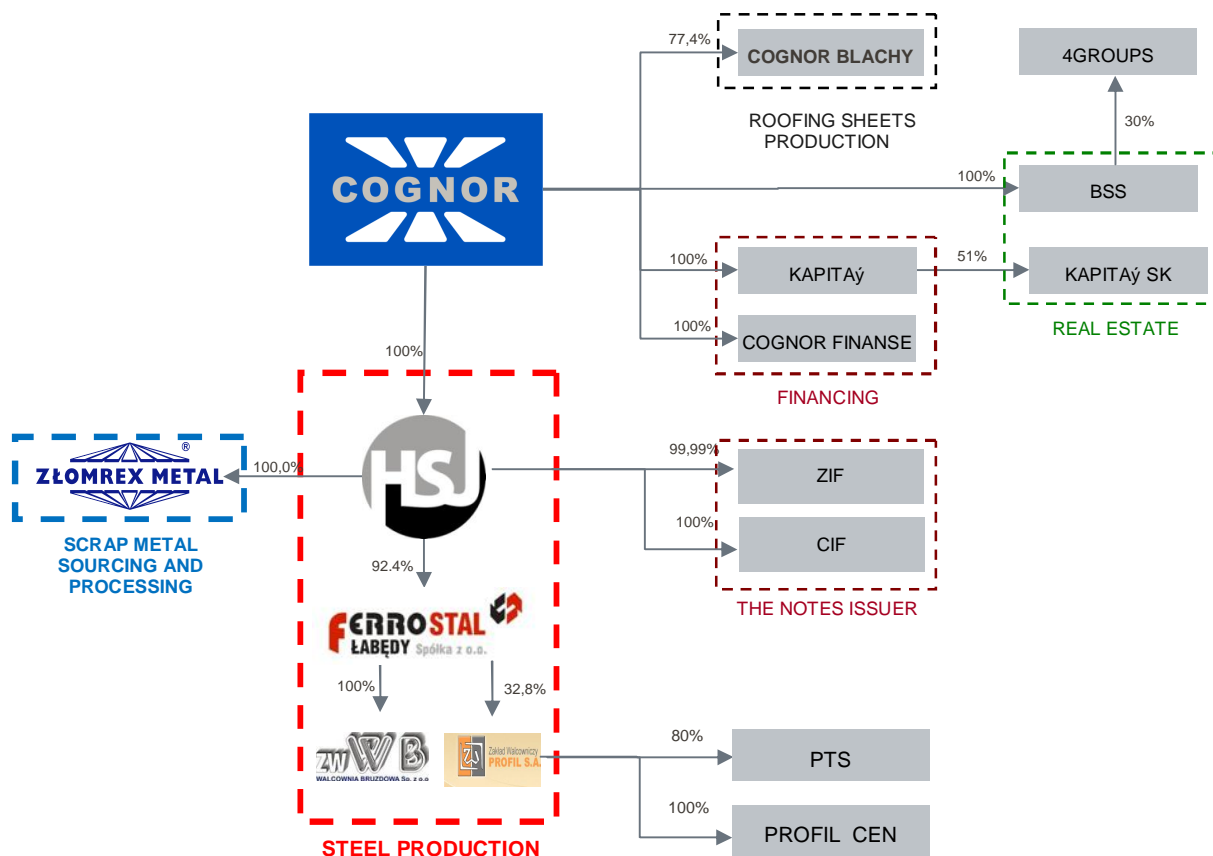
As of 31 December 2013, the structure of the Capital Group was presented as follows:

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
KapitaŹ S.A.	Polska	100,0%	KAPITAŹ
KapitaŹ S.A. Sp.k.	Polska	51,0%	KAPITAŹ SK
4Groups Sp. z o.o.	Polska	30,0%	4GR
Ferrostal Źab dy Sp. z o.o.	Polska	92,4%	FERROSTAL, FERR
ZW-Walcownia Bruzdowa Sp. z o.o.	Polska	100,0%	ZW-WB
Huta Stali Jako ciowych S.A.	Polska	100,0%	HSJ
Zlomrex International Finance S.A.	Francja	99,99%	ZIF
Cognor International Finance PLC	Wielka Brytania	100,0%	CIF
ZŹomrex Metal Sp. z o.o.	Polska	100,0%	ZŹOMREX METAL, ZLMET

ZW Profil S.A.	Polska	32,8%	PROFIL
Przedsiębiorstwo Transportu Samochodowego S.A.	Polska	26,2%	PTS
Profil Centrum Sp. z o.o.	Polska	32,8%	PROFIL CEN
AB Stahl AG	Niemcy	100,0%	AB STAHL

The above-mentioned entities, except AB Stahl AG and Kapitał SA Sp.k. are consolidated entities. 4Groups Sp. o.o. and Capital Group of ZW Profile Sp. z o.o. contains Przedsiębiorstwo Transportu Samochodowego S.A. and Profile Center Sp. z o.o. are associates.

Structure as of 31 December 2013 in the form of a diagram looks as follows:



2. Changes in the organization of the Capital Group

- in January 2013, Business Support Services Sp. z o.o. acquired 30% of shares in 4Groups Sp. z o.o. Consequently 4Groups Sp. with o.o. has become an associate of the Cognor Group.
- in September 2013, Ferrostal Łabędy Sp. z o.o. acquired through a series of transactions 32.81% of the shares in ZW Profil S.A. and currently waiting for approval of the OCCP to take a majority stake.
- in October 2013, Huta Stali Jakościowych S.A. established in United Kingdom a subsidiary Cognor International Finance Plc
- on January 16, 2014 Cognor S.A. submitted to the Register Court in Częstochowa the merger plan of Cognor S.A. and Cognor Finanse Sp. z o.o. (subsidiary).

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	2013	2012	2011
'000 PLN			
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	0	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

The challenging market environment with declining demand and prices led to a decrease of 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 ferrous scrap, billet and finished products' shipments. 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 (-) 7.3 million.

SALES	2013	% YoY	2012	2011
'000 PLN				
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
Tonnes				
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

Billet and finished products' prices decreased with a faster pace of the decline for the finished products both of Ferrostal and HSJ. Only for the semi finished products (billets) we managed to see some spread increase when compared with the scrap metal cost. Product spreads narrowed further significantly 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
(pln/ tonne)						
FERROSTAL						
scrap metal price (all qualities, freight cost inclusive)	1 096	1 236	1 152	891	672	1 081
billet price (all qualities)	2 015	2 121	2 038	1 629	1 312	1 906
<i>billet spread</i>	<i>919</i>	<i>885</i>	<i>885</i>	<i>738</i>	<i>640</i>	<i>825</i>
finished product price (all types)	2 131	2 337	2 285	1 929	1 616	2 160
<i>product spread</i>	<i>1 036</i>	<i>1 101</i>	<i>1 132</i>	<i>1 039</i>	<i>944</i>	<i>1 079</i>
HSJ						
scrap metal price (all qualities, freight cost inclusive)	1 114	1 220	1 175	926	694	983
finished product price (all types)	2 937	3 387	3 535	3 007	2 489	3 066
<i>product spread</i>	<i>1 823</i>	<i>2 167</i>	<i>2 359</i>	<i>2 080</i>	<i>1 795</i>	<i>2 082</i>

The deterioration in the economic conditions in our business is acknowledged by us as a natural phenomenon, however, its scale and length should be evaluated as an untypical element. 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 2% and 5% respectively, in 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	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>€00 PLN</i>	129 134	176 842	176 441
Net debt <i>€00 PLN</i>	554 805	513 697	556 086
Net debt / EBITDA	8.5	7.7	3.8

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.

3. Perspectives of development

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

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

1. Risk of fluctuations in currency rates:

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

2. Price risk:

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

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

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

4. Credit risk:

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

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

5. Risk of losing solvency:

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

6. Risk of continuation of activities:

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

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

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

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

- A claim against the State Government 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 PLN 41.5 million constituting the equivalent of EUR 10.0 million. 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,
- A claim against the companies of Eff Eins and Eff Zwei from the Group of Mechel relating to the execution of obligations resulting from the agreement dated 4 February 2011 relating to the sale of shares in the company of Cognor Stahlhandel GmbH and the payment of the amount of 7.2 m PLN. On January 15, 2014 Cognor received a favourable award of the Arbitration Tribunal urging the respondents to fulfill their obligations as demanded by Cognor. The award itself does not provide for a payment of the amount in dispute but opens the way for Cognor to demand the release of funds after delivery of all the necessary documents. The delivery of the documents has been covered by the arbitration award. In the following communication the respondents confirmed their rediness to deliver the required financial documentation. The financial resources under analysis are deposited on an escrow account.

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. 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		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

2. Semi-products (billets and ingots)

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

3. Finished goods

FINISHED PRODUCTS		2013	2012	2011
PRODUCTION	<i>Tonnes</i>			
ZWWB		71 947	80 468	82 322
HSJ		156 212	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*

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.

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	47,6%
Foreign	52,4%

Customers:

Sale to one customer - Scholz Edelstahl GmbH, Germany - exceed 10% of the total sale of HSJ and is 15.8%. The company Scholz Edelstahl GmbH is not related with any company of the Cognor Capital Group.

Suppliers:

Supplies from one of the suppliers - Złomrex Metal Sp. z o.o. - exceed 10% of the total purchases of HSJ and is 25.6%. Złomrex Metal Sp. z o.o. is a subsidiary in Cognor SA Capital Group and delivers Huta Stali Jakościowych SA scrap batch for the production of steel.

2. FERR

Market	Participation in sales
Domestic	77,0%
Foreign	23,0%

Customers:

Sale to three customers exceed 10% of the total sale of FERR and is: 20% to Węglkokoks S.A., 12% to Coutinho&Ferrostaal and 11% to Alchemia S.A. These companies are not related with any company of the Cognor Capital Group.

Suppliers:

Supplies from one of the suppliers - Złomrex Metal Sp. z o.o. - exceed 10% of the total purchases of FERR and is 24%. Złomrex Metal Sp. z o.o. is a subsidiary in Cognor SA Capital Group and delivers Ferrostal Łabędy Sp. z o.o. scrap batch for the production of steel products.

3. ZLMET

Market	Participation in sales
Domestic	98,4%
Foreign	1,6%

Customers:

Sale to two customers exceed 10% of the total sale of ZM and is: 38.3% to Ferrostal Łabędy Sp. z o.o. and 23.0% to Huta Stali Jakościowych S.A. To these companies Złomrex Metal Sp. z o.o. supplies scrap batch for the steel production. Ferrostal Łabędy Sp. z o.o. and Huta Stali Jakościowych S.A. are subsidiaries in Cognor SA Capital Group.

These companies are not related with any company of the Cognor Capital Group.

Suppliers:

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

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

On 10 January 2013 the parent company, together with its subsidiary Ferrostal Łabędy Spółka z o.o. entered an agreement on cooperation with Zakład Walcowniczy Profil SA in Kraków. Consequently, commencing from 1 February 2013 Ferrostal Łabędy Sp. z o.o. became the exclusive supplier of steel billets to Profil with the aim of their further processing and sale of goods produced from them. The agreement was originally extended to 31 December 2013, with a further extension to the end of 2014 and is in the process of negotiations. In addition, in September 2013, Ferrostal Łabędy Sp. z o.o. bought a 33% stake in ZW Profil S.A. and is currently waiting for approval of the OCCP to take a majority stake.

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

Not applicable.

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

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

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

1. Credit loans

a) Granted:

- On March 5, 2012 Cognor S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o.) signed the loan agreement of bank overdraft with the limit of PLN 10 million with mBank S.A. (previous BRE Bank S.A.), interest rate is WIBOR + 2.1 percentage points of margin. In 2013 Ferrostal Łabędy Sp. z o.o. made use of this overdraft, and in 2014 the limit was split between Ferrostal Łabędy

Sp. z o.o. (PLN 3.7 million) and Huta Stali Jakościowych S.A. (PLN 6.3 million). The limit of bank overdraft was extended until 30 May 2014.

b) Terminated:

- Cognor S.A. with the participation of Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A., 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 PLN 25 million, the agreement was entered on 22 February 2012, interest rate was WIBOR + margin. Repayment of the loan was agreed in installments with the last installment dated on 2 September 2013.
- Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A., Złomrex Metal Sp. z o.o. as debtors, Cognor S.A. as an agent – Pekao S.A., the credit loan on the current account to the amount of PLN 10 million, the agreement was entered on 27 April 2012, interest rate WIBOR + margin. Parties didn't agree the extension of the loan for a further period thus it has been repaid.

2. Loans:

a) Granted:

- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych S.A. a loan to the limit of EUR 1 million, in which the agreement was entered on 24 July 2013 for the period till 30 September 2013, with interest rate at 9.2% p.a.
- Kapitał S.A. granted Huta Stali Jakościowych S.A. a loan to the limit of PLN 1 898 325, the agreement was entered on 24 July 2013 for the period till 31 December 2013, with interest rate at 9.2% p.a. A part of the loan in the amount of PLN 325 398 were amended on 31 December 2013 for the period till 31 December 2014, and then from 1 February 2014 the interest rate was reduced to the level of 7.7% p.a.
- Kapitał S.A. granted Huta Stali Jakościowych S.A. a loan to the limit of PLN 1 200 000, on which the agreement was entered on 30 July 2013 for the period till 31 August 2013, with interest rate at 9.2% p.a.

b) Terminated: Not applicable

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

a) Credit loans granted to the affiliated entities:

- Ferrostal Łabędy Sp. z o.o. granted Huta Stali Jakościowych SA loans in the amount 1 m EUR, in which the agreement was entered on 24 July 2013 for the period up to 30 September 2013, with interest at 9.2% at a scale of the year as a whole.
- Kapitał SA granted Huta Stali Jakościowych S.A. loans in the amount 1,9 m PLN, in which the agreement was entered on 24 July 2013 for the period up to 31 December 2013, with interest at 9.2% at a scale of the year as a whole. The part of loan amounting to 0,4 m PLN has been extended on 31 December 2013 for the period up to 31 December 2014, and from 1 February 2014 the interests rate has been decreased to the level of 7,7% at a scale of the year as a whole
- Kapitał SA granted Huta Stali Jakościowych S.A. loans in the amount 1,2 m PLN, in which the agreement was entered on 30 July 2013 for the period up to 31 August 2013, with interest at 9.2% at a scale of the year as a whole.

a) Credit loans granted to external entities:

- Business Support Services Sp. z o.o. granted PS HoldCo Sp. z o.o. a loan in the amount 0,5 m PLN, in which the agreement was entered on 20 May 2013 for the period up to 31 December 2014, with interest at 7% at a scale of the year as a whole.
- Business Support Services Sp. z o.o. granted BMD Sp. Z o.o. a loan in the amount 0,3 m PLN, in which the agreement was entered on 4 November 2013 for the period up to 31 December 2014, with interest at 9,2% at a scale of the year as a whole.

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

- Huta Stali Jakościowych S.A. granted Cognor Finanse Sp. z o.o. a guarantee for sale agreement of Cognor SA's assets to the companies from ArcelorMittal group
- Huta Stali Jakościowych S.A. granted Cognor S.A. a guarantee for sale agreement of Cognor SA's assets to the companies from ArcelorMittal group
- Ferrostal Łabędy Sp. z o.o. granted Millenium Leasing Sp. z o.o. a guarantee (blank bills of exchange) for 7 lease agreements

- d. Ferrostal Łabędy Sp. z o.o. granted Cognor S.A. a guarantee for lease agreement of Porsche car in mLeasing Sp. z o.o.
- e. Ferrostal Łabędy Sp. z o.o. granted Cognor S.A. a guarantee for lease agreement of Mercedes car in mLeasing Sp. z o.o.
- f. Ferrostal Łabędy Sp. z o.o. granted Cognor S.A. a guarantee for lease agreement of Toyota car in mLeasing Sp. z o.o.

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

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

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

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

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

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

The guarantee of Senior Secured Notes' issue including:

- first ranking financial pledges established by:

(i) shares of Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Finance Sp. z o.o., Kapitał S.A.

(ii) certain fixed assets of Cognor S.A. currently leased by Ferrostal Łabędy Sp. z o.o. (as at 30 September 2013 the value of the collateral amounts to PLN 15 772 027.74)

(iii) certain fixed assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o. (as at 30 September 2013 the value of the collateral amounts to PLN 49 819 997.60)

(iv) Intercompany Proceeds Note issued by Huta Stali Jakościowych S.A.

- mortgages established over the real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.

- an English law equitable charge over all the shares in Cognor International Finance Plc

- submission to enforcement by Cognor International Finance and each of the Guarantors in a form of notarial deed.

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

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

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

Not applicable

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 2013. 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 2013 that are the result of bank loans granted.

In the perspective of the year 2014, the Management of Cognor S.A. does not visualize any threats which could cause the lack of possibility to comply with the financial obligations undertaken.

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

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

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

Not applicable.

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

External factors:

- pace of development of the economy,
- investment outlays in construction,
- realization of the programme of building roads and motorways,
- ability to acquire and utilize EU funds,
- world demand for steel products,
- shaping 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,

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 2013:

Management Board

- Przemysław Sztuczkowski – 1 719 000 PLN
- Przemysław Grzesiak – 1 599 000 PLN
- Krzysztof Zoła 295 200 PLN (in the period from May to December 2013 r.)
- Dominik Barszcz 213 200 PLN (in the period from May to December 2013 r.)

Supervisory Board

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

The Chairman of the Board of the parent company, Mr. Przemysław Sztuczkowski due to fulfilling the function of the Chairman of the Board in the subsidiary Ferrostal Łąbędy Sp. z o.o. received a remuneration of 96,000 PLN gross in 2013.

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 90,000 PLN gross in 2013.

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 both directly and indirectly the owner of 65.98% of shares in the company Cognor SA, providing 65.98% votes at the AGM.

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

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

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

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

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

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

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

On February 4, 2014 all the B series warrants held by PS HoldCo Sp. z o.o. were transferred to CIF.

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

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

Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 2.35.

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 2 December 2013 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 2013, as well as the shortened mid-year singular and consolidated financial statement for the period from 1 January to 30 June 2014.

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

The value of the agreement in the scope of analysing the statements of the parent company for the trading year concluding on 31 December 2013 amounts to 116,100 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 2014 amounts to 58,000 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 2012, as well as the shortened mid-year singular report and consolidated statement for the period from 1 January to 30 June 2013 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 2012 amounted to 104,000 PLN net. The value of the agreement in the scope of analysing the shortened reports for the period from 1 January to 30 June 2013 amounted to 51,000 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)	31.12.2013	31.12.2012	31.12.2011
Property, plant and equipment	293 145	317 671	342 734
Intangible assets	12 163	15 435	17 067
Investment property	0	603	1 291
Investments in associates	4 946	0	0
Other investments	6 352	7 117	3 086
Other receivables	41 500	40 943	44 583
Prepaid perpetual usufruct of land	18 535	18 954	19 850
Deferred tax assets	74 319	71 744	70 826
Total non-current assets	450 960	472 467	499 437
Inventories	234 816	179 201	178 472
Other investments	5 190	5 131	25 186
Current income tax receivables	12	82	7 744
Trade and other receivables	186 553	181 691	204 904

Prepayments	9 205	0	0
Cash and cash equivalents	14 778	64 151	47 166
Assets classified as held for sale	8 951	11 786	16 708
Total current assets	459 505	442 042	480 180
Total assets	910 465	914 509	979 617

EQUITY AND LIABILITIES (000 PLN)	31.12.2013	31.12.2012	31.12.2011
Issued share capital	132 444	132 444	132 444
Reserves	149 575	141 312	131 452
Foreign currency translation reserves	-477	-471	-685
Accumulated losses	-166 107	-109 274	-98 971
Total equity attributable to owners of the Parent Company	115 435	164 011	164 240
Non-controlling interests	13 699	12 831	12 201
Total equity	129 134	176 842	176 441
Interest-bearing loans and borrowings	6 677	487 020	532 138
Employee benefits obligation	7 313	6 735	7 970
Other payables	0	0	65
Government grants and other deferred income	0	0	619
Deferred tax liabilities	11 637	6 618	7 937
Total non-current liabilities	25 627	500 373	548 729
Bank overdraft	0	15 495	25 236
Interest-bearing loans and borrowings	562 906	75 333	45 878
Employee benefits obligation	3 250	2 815	5 677
Current income tax payables	152	315	293
Provisions for payables	516	430	381
Trade and other payables	188 763	142 170	176 117
Government grants and other deferred income	117	736	865
Total current liabilities	755 704	237 294	254 447
Total liabilities	781 331	737 667	803 176
Total equity and liabilities	910 465	914 509	979 617

In the sphere of the balance sheet data, no significant change apart from the noticeable increase of the net debts occurred.

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 January 10, 2013 Cognor SA together with subsidiary Ferrostal Łabędy Sp. z o.o. entered into cooperation agreement with Zakład Walcowniczy Profil S.A. in Cracow. On the basis of this agreement from February 1, 2013 till June 30, 2013 Ferrostal Łabędy has become sole supplier of steel billets to ZW Profil S.A. for further processing of them and sale of products produced from them. The agreement has been extended initially till December 31, 2013, the further extension till the end of 2014 is negotiated. Additionally in September 2013 Ferrostal Łabędy Sp. z o.o. has bought 33% of shares in ZW Profil S.A. and currently is waiting for UOKIK approval for gaining majority of shares in ZW Profil S.A.
- b) On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Złomrex International Finance S.A. with the maturity date of February 2014. The new issue was allocated to the holders in proportion to bonds that they owned.
The Senior Secured Notes have an aggregate principal amount of EUR 100 348 109.00, mature on February 1, 2020, interest will be payable semi-annually in arrears on February 1 and August 1 in each year and depend on the interest payment periods:
 - 1st and 2nd years – 7.5%
 - 3rd year – 10.0%
 - 4th to 6th years – 12.5%

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

The guarantee of Senior Secured Notes' issue including:

- first ranking financial pledges established by:
 - (i) shares of Odlewnia Metali Szopienice Sp. z o.o., ZW-Walcownia Bruzdowa Sp. z o.o., Huta Stali Jakościowych S.A., Ferrostal Łabędy Sp. z o.o., Złomrex Metal Sp. z o.o., Cognor Finance Sp. z o.o., Kapitał S.A.
 - (ii) certain fixed assets of Cognor S.A. currently leased by Ferrostal Łabędy Sp. z o.o. (as at 30 September 2013 the value of the collateral amounts to PLN 15 772 027.74)
 - (iii) certain fixed assets of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o. (as at 30 September 2013 the value of the collateral amounts to PLN 49 819 997.60)
 - (iv) Intercompany Proceeds Note issued by Huta Stali Jakościowych S.A.
- mortgages established over the real estate of Ferrostal Łabędy Sp. z o.o. and ZW-Walcownia Bruzdowa Sp. z o.o.
- an English law equitable charge over all the shares in Cognor International Finance Plc
- submission to enforcement by Cognor International Finance and each of the Guarantors in a form of notarial deed.

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

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

Not applicable

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

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

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

Not applicable

XXXII. Recommendations of the Management Board in the field of allocating profit / covering the losses of the parent company in 2013

The Management Board recommends that the profit of the parent company for the year 2013 to cover losses from previous years.

Przemysław Sztuczowski
Chairman of the Board

Przemysław Grzesiak
Vice-Chairman of the Board

Krzysztof Zoła
Member of the Board

Dominik Barszcz
Member of the Board