

*Together reach more*



Poraj, 21 March 2013

Dear Sirs,

On behalf of the Management Board of our Company, I would like to present you with a summary of the most significant events and achievements of the Company and its Capital Group last year, while also the expectations with relation to our business activities in the current year.

Following the successful year of 2011, we had to once again face the difficulties caused by the very unfavourable economic conditions in our industry in 2012. The fall in demand and prices witnessed reminded us of the period of the greatest turbulence between 2009-2010. Currently, however thanks to the decisively accurate decision in my view to get rid of our distribution activities and develop our production activities instead, as well as the steps taken towards restructuring and cost savings which have all enabled our Company to survive the difficult period of last year in a relatively good state while also avoiding any losses.

More details on the issue of some of the effects implemented by us in the form of cost savings programmes may be found in the Management Board statement relating to our business activities in 2012, which I warmly recommend. In the aforesaid statement, there is also a description of the other key elements that led to the results achieved by our Company. I would also like to recommend that you become familiar with the supplementary material – the Management discussion and analysis, in which even more information may be found with relation to the market environment and the operational activities of the Group.

The activities undertaken aimed at the further strengthening of the position of our production plants by means of increasing their efficiency and level of competitiveness on the market shall be continued. In part, the organizational or technological changes which are to be initiated do not require significant financial outlays. In the remaining scope of things, we are counting on the necessity of undertaking larger investment outlays in the mid-term perspective. We have prepared a programme of innovative activities which I would like to guide to the stage where Cognor shall become the leader, both in terms of the quality of the production of specialized steel and alloy steel, as well as with relation to the production costs of our goods.

The main challenge for the year of 2013 is to strengthen our capital structure via the issuance of a new long-term debt instrument aimed at refinancing the bonds that fall due in February 2014, supplemented by the element of equity increase. It is my great hope that this will take place with the utilization of the existing programme of subscription warrants issued by the Company. In the first case, we are currently running very advanced work.

We are counting on the fact that despite the general difficulties that are being felt in many countries of Europe, including Poland, the economic conditions of our industry in 2013 shall witness a gradual improvement. The financial aim for the current year is to enhance our results and build the foundations towards long-term growth in the value of our Company and its Capital Group. The reason for our presence on the market and the basic course of our strife has been, is and shall be first and foremost the insight into the interests of our Company and all its shareholders.

Yours faithfully,

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*Przemysław Sztuczkowski*  
*President of the Board*  
*Cognor S.A.*