

Together reach more



Q3 2011 Business and Financial Performance

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Introduction

Speaker



Krzysztof Zoła
CFO, 39
Age – 39
9 years with the Group

Q3 2011 Highlights

- Softening of demand, prices and margins for selected products (Q3 v. Q2). Weakening market offset by a positive EUR/PLN development (weakening of the local currency)
- Revenues stable; slight increase of profitability (Q3 v. Q2; adjusted for non-recurring items)
- Combined capacities' utilization stable. HSJ weakening, FERR improving.

	ANNUAL CAPACITY	UTYLIZATION RATE				
		Q3 2011	Q2 2011	Q1 2011	Y 2009	Y 2010
FERR	375 000	96%	86%	85%	66%	64%
HSJ	261 000	72%	86%	70%	37%	52%
COMBINED	636 000	86%	86%	79%	54%	59%

- Adjusted EBITDA (PLN 42,2m) hit 2011 high; increase by 5,6% compared to Q2 2011; in Q3 2010 it was close to zero
- GDP growth 3,5% in Poland
- Polish steel production: decrease by 4% Q3 2011 v. Q2 2011; 10% increase compared to Q3 2010
- Finalization of internal reorganization



Business Overview

Environment

CRUDE STEEL PRODUCTION (1)	Q3 2011	% YoY	Q3 2010
<i>million tons</i>			
Poland	2,2	10%	2,0
EU (27)	42,5	6%	40,0
Global	375,0	10%	340,2

UNIT PRICES (2)	Q3 2011	% YoY	Q3 2010
<i>PLN / Ton</i>			
Scrap metal	1 023	19%	861
Billets	2 016	22%	1 651
Bars	2 262	11%	2 036

UNIT PRICES (2)	Q3 2011	% QoQ	Q2 2011	Q1 2011
<i>PLN / Ton</i>				
Scrap metal	1 023	4%	988	1 038
Billets	2 016	0%	2 014	2 137
Bars	2 262	-2%	2 318	2 323

(1) Source: World Steel Association

(2) Source: ZŁOMREX SA

Q3 2011 performance drivers

SALES	Q3 2011	% YoY	Q3 2010
<i>000 PLN</i>			
Scrap metal	36 193	71%	21 125
Billets	135 985	40%	96 833
Products	179 812	33%	135 331
Total	351 990	39%	253 289

SALES	Q3 2011	% YoY	Q3 2010
<i>Tons</i>			
Scrap metal	35 381	44%	24 535
Billets	67 469	15%	58 656
Products	57 902	30%	44 641
Total	160 752	26%	127 832

Segments

SCRAP METAL		Q3 2011	Q2 2011	Q1 2011	Q3 2010
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tons</i>				
FERR		43 914	34 357	34 610	29 917
ZLMET		110 594	111 832	101 697	68 372
HSJ		29 355	36 994	36 016	27 573
ZJEL		0	0	0	0
INTERNAL USE	<i>Tons</i>				
FERR		104 045	94 197	96 131	89 806
HSJ		52 414	63 023	52 768	44 159
ZJEL		0	0	0	0
SALES TO EXTERNAL CUSTOMERS	<i>Tons</i>				
ZLMET		35 381	27 832	26 769	24 314
OTHER		0	184	228	221
SALES	<i>'000 PLN</i>				
CONSOLIDATED		36 193	27 667	27 798	21 125
TOTAL PURCHASES in TONS		183 863	183 183	172 323	125 862
TOTAL INTERNAL USE in TONS		156 459	157 220	148 899	133 965
TOTAL SALES in TONS		35 381	28 016	26 997	24 535
TOTAL SALES in '000 PLN		36 193	27 667	27 798	21 125

Segments

BILLETS		Q3 2011	Q2 2011	Q1 2011	Q3 2010
PRODUCTION	<i>Tons</i>				
FERR		90 173	80 516	79 906	75 425
HSJ		46 665	55 844	45 367	38 178
ZJEL		0	0	0	0
INTERNAL USE	<i>Tons</i>				
FERR		26 163	20 661	36 277	17 540
HSJ		43 206	50 588	43 131	37 407
ZJEL		0	0	0	0
SALES TO EXTERNAL CUSTOMERS	<i>Tons</i>				
FERR		64 010	59 855	43 629	57 885
HSJ		3 459	5 256	2 236	771
ZJEL		0	0	0	0
OTHER		0	11	6	0
SALES	<i>'000 PLN</i>				
CONSOLIDATED		135 985	131 141	98 038	96 833
TOTAL PRODUCTION in TONS		136 838	136 360	125 273	113 603
TOTAL INTERNAL USE in TONS		69 369	71 249	79 408	54 947
TOTAL SALES in TONS		67 469	65 122	45 871	58 656
TOTAL SALES in '000 PLN		135 985	131 141	98 038	96 833

Segments

FINISHED PRODUCTS		Q3 2011	Q2 2011	Q1 2011	Q3 2010
PRODUCTION	<i>Tons</i>				
FERR / ZW-WB		22 890	20 703	23 181	11 415
HSJ		34 793	44 437	40 618	33 366
SALES TO EXTERNAL CUSTOMERS	<i>Tons</i>				
FERR		24 180	20 300	20 379	12 645
HSJ		33 722	43 838	39 155	31 996
SALES	<i>'000 PLN</i>				
CONSOLIDATED		179 812	218 207	312 970	135 331
TOTAL PRODUCTION in TONS		57 683	65 140	63 799	44 781
TOTAL BULK PRODUCT SALES in TONS		57 902	64 138	59 534	44 641
TOTAL SALES in '000 PLN		179 812	218 207	312 970	135 331



Financials

P&L

INCOME STATEMENT	'000 PLN	Q3 2011	Q2 2011	Q1 2011	Q3 2010
Revenue		396 568	399 714	332 073	274 471
Cost of sales		-349 134	-352 832	-297 225	-251 283
Gross profit		47 434	46 882	34 848	23 188
Other income		13 188	4 336	2 878	4 190
Distribution expenses		-9 720	-8 618	-7 486	-9 148
Administrative expenses		-10 924	-9 433	-9 558	-4 888
Other gains/(losses) – net		3 356	254	-745	-18 121
Other expenses		-1 982	-4 396	-3 753	-5 903
EBIT		41 352	29 025	16 184	-10 682
Financial income		546	4 106	344	2 842
Financial expenses		-55 882	-11 561	-19 878	-4 006
Net financing costs		-55 336	-7 455	-19 534	-1 164
Profit/Loss before tax		-13 984	21 570	-3 350	-11 846
Income tax expense		5 110	25 767	-4 775	-214
Profit/loss for the period from discontinued operations		1 156	53 145	35 903	-1 422
Profit for the period		-7 718	100 482	27 778	-13 482
Depreciation and amortization		-10 442	-10982	-11 148	-11 103
EBITDA		51 794	40 007	27 332	421

Includes:

- PLN 6,962: profits re internal reorganization,
- PLN 2,773: negative EBITDA of OM.
- PLN 681: release of social benefits provisions

Includes PLN 40,9m of FX losses related to indebtedness

Adjusted EBITDA: PLN 42,229

Assets

ASSETS	'000 PLN	Q3 2011	Q2 2011	Q1 2011	Q3 2010
A. TOTAL NON-CURRENT ASSETS		469 837	470 441	448 662	494 865
I. Intangible assets		17 880	18 329	19 711	27 587
II. Property, plant and equipment		349 170	362 933	369 187	386 690
III. Other receivables		247	244	256	1 894
IV. Investment property and other investments		4 598	4 610	4 051	4 036
V. Prepaid perpetual usufruct of land		20 897	18 561	19 321	19 030
VI. Deferred tax assets		77 045	65 764	36 136	55 628
B. TOTAL CURRENT ASSETS		552 355	535 228	676 788	1 118 571
I. Inventories		203 499	195 466	218 225	171 244
II. Receivables		291 636	286 797	346 959	197 875
1. Trade and other receivables		254 172	251 936	267 876	197 871
2. Other investments		37 363	34 861	79 083	4
3. Income tax receivable		101	0	0	0
III. Cash and cash equivalents		40 505	36 250	9 215	9 886
IV. Assets classified as held for sale		16 715	16 715	102 389	103 249
V. Assets of disposal groups and discontinued operations		0	0	0	636 317
TOTAL ASSETS		1 022 192	1 005 669	1 125 450	1 613 436

Includes PLN 34,8m of claims against the Croatian Government related to Zeljezara Split

Includes PLN 24,5m of escrowed domestic distribution transaction proceeds

Equity and liabilities

EQUITY AND LIABILITIES	'000 PLN	Q4-2011	Q2-2011	Q1-2011	Q4-2010
A. EQUITY		185 421	211 420	110 901	231 435
I. Issued share capital		132 444	47 691	47 691	132 444
II. Reserves and retained earnings		43 895	61 281	-16 116	87 373
III. Minority interest		9 082	102 448	79 326	11 618
B. LIABILITIES		836 771	794 400	1 014 549	1 382 001
I. Non-current liabilities		543 180	493 582	528 508	525 560
1. Employee benefits obligation		10 093	10 963	11 983	12 940
2. Interest-bearing loans and borrowings		526 810	478 040	510 240	508 235
3. Other		6 277	4 579	6 285	4 385
II. Current liabilities		293 591	300 818	486 041	468 441
1. Interest-bearing loans and borrowings		39 617	43 631	100 396	91 095
2. Bank overdraft		26 423	28 665	82 108	84 821
3. Trade payables		220 801	222 082	296 303	276 684
4. Defferd government grants and other deferred income		2 825	2 853	2 954	9 475
6. Employee benefits obligation		1 951	1 261	3 877	4 690
7. Income tax payable		1 599	1 951	0	520
8. Provisions for payables		375	375	403	1 156
III. Liabilities of disposal group classified as held for sale		0	0	0	388 000
TOTAL EQUITY AND LIABILITIES		1 022 192	1 005 820	1 125 450	1 613 436

Increase primarily due to EUR/PLN hike by 11%

Cash flow & metrics

CASH FLOW	'000 PLN	Q3 2011	Q2 2011	Q1 2011
FROM OPERATING ACTIVITIES		8 064	-23 886	-53 791
FROM INVESTING ACTIVITIES		-4 099	-2 118	-704
FROM FINANCING ACTIVITIES		-8 683	-97 232	-21 092
NET INCREASE IN CASH		-4 718	-123 236	-75 587

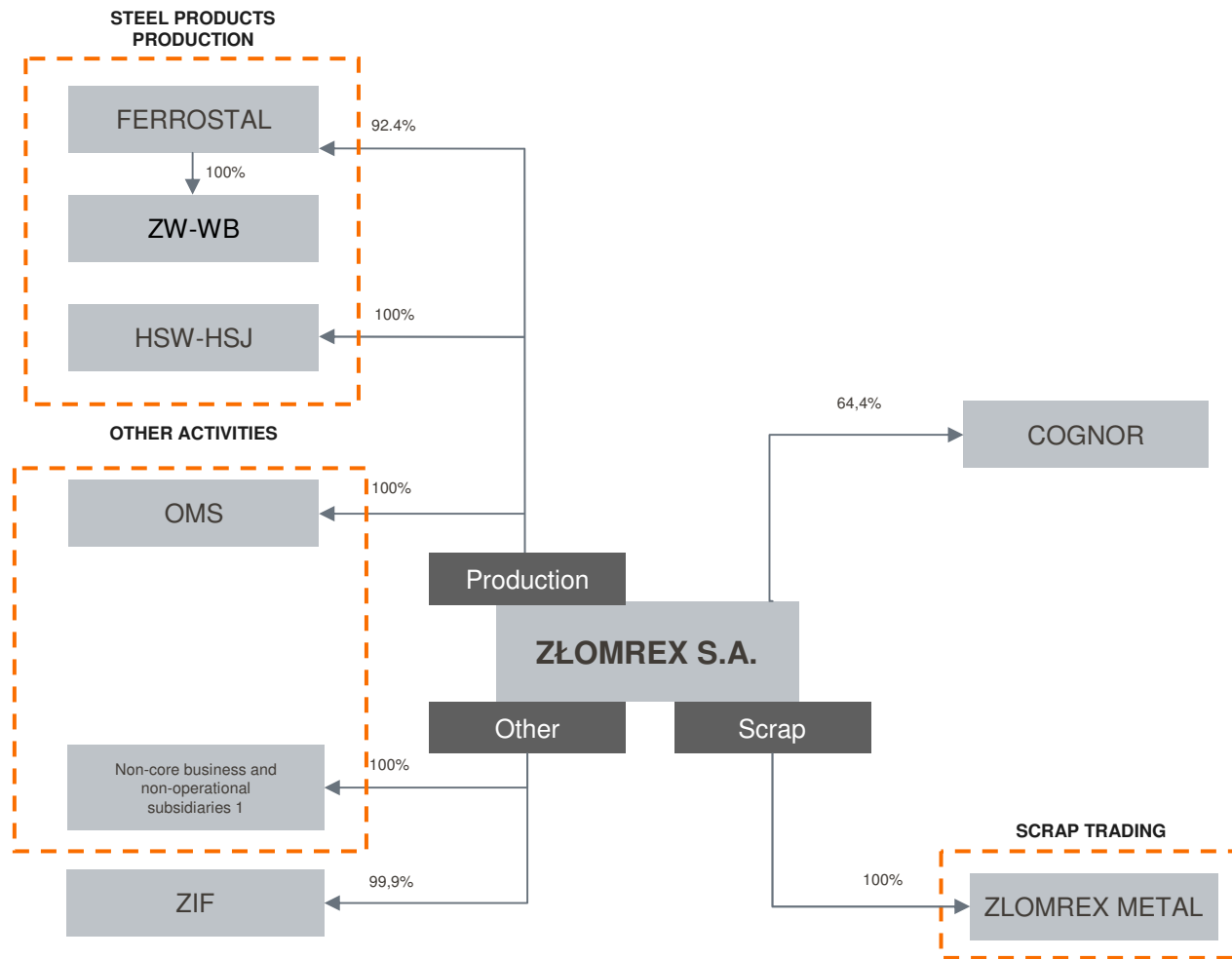
Includes PLN 14,2m of WC outflow

MAIN METRICS	Q3 2011	Q2 2011	Q1 2011	Q3 2010	Q2 2010
Liquidity ratio	1,82	1,72	1,18	2,17	1,27
Quick ratio	1,13	1,07	0,73	1,80	0,87
Inventories turnover (days)	52	50	66	61	93
Receivables turnover (days)	66	65	94	65	101
EBITDA margin	13,3%	10,0%	8,2%	0,2%	10,0%
Net profit margin	-1,9%	25,1%	8,4%	-4,9%	0,6%
Equity	185 421	211 420	110 901	231 435	247 280
Net debt	552 345	514 086	683 529	674 265	791 244
LTM EBITDA	119 007	66 823	55 432	n/a	n/a
Net debt / LTM EBITDA	4,6	7,7	12,3	n/a	n/a

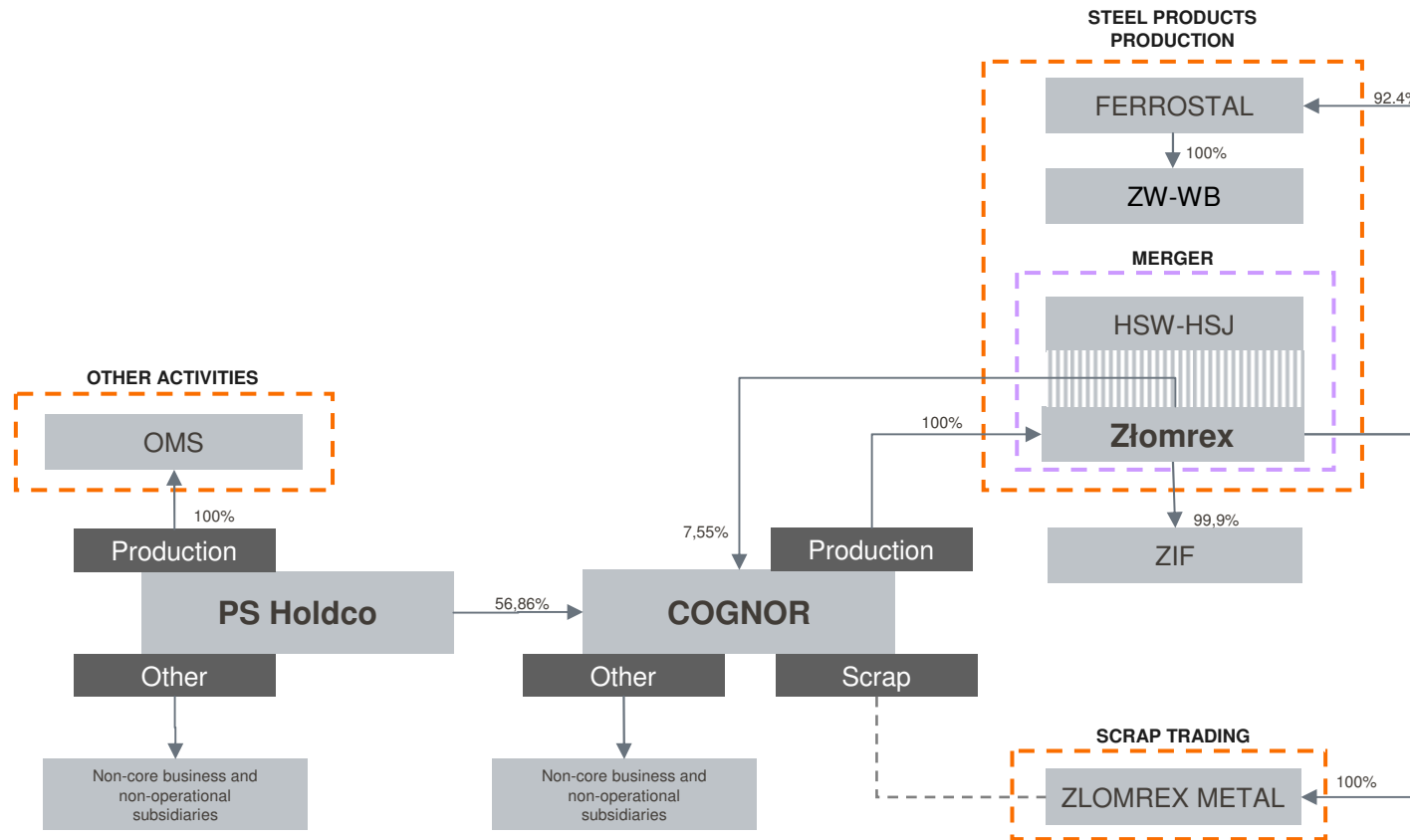


Internal Reorganization

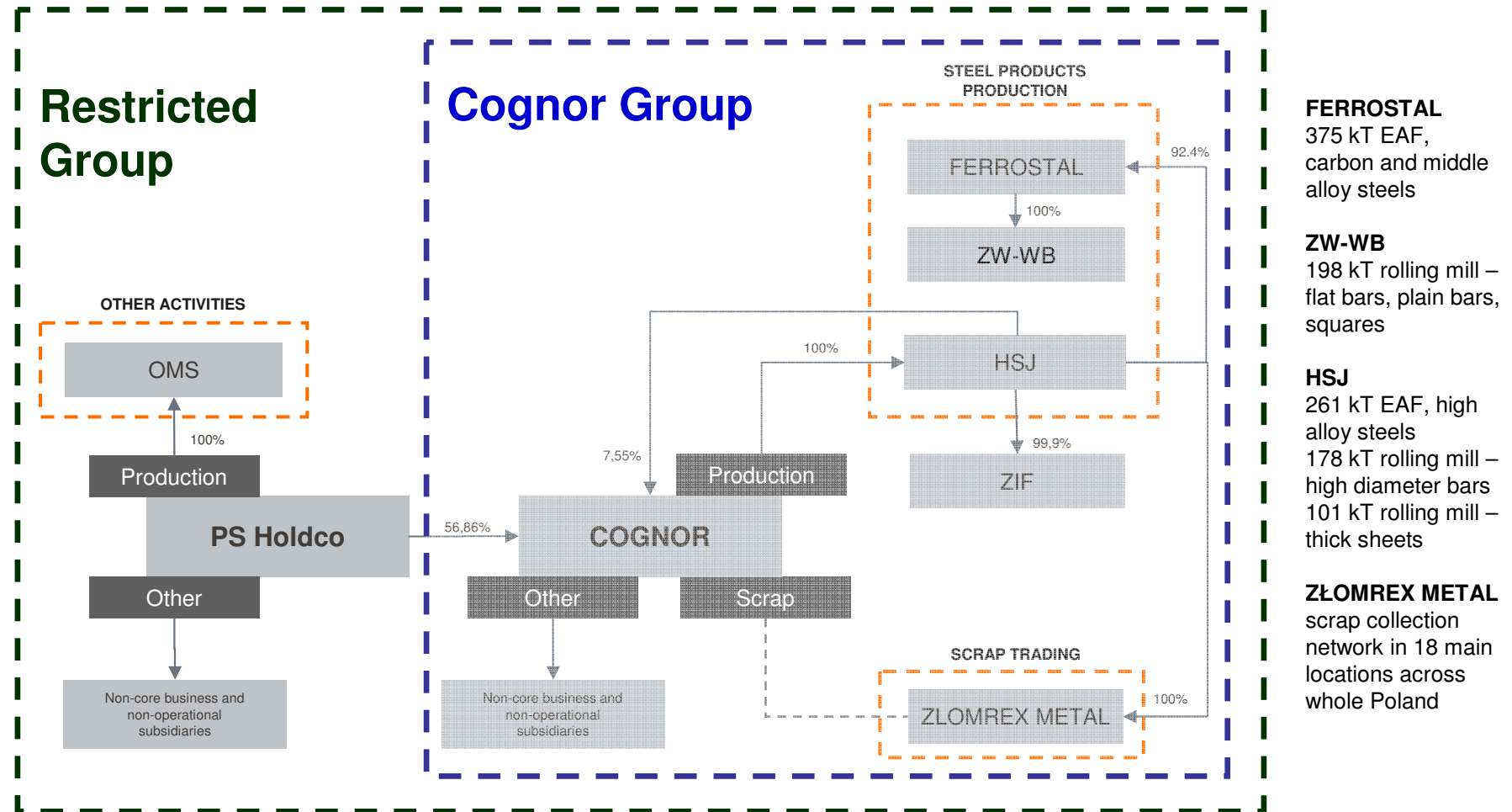
Former Group Structure - Post distribution division divestiture – Q1-Q2 2011



Former Group Structure – prior to the HSJ / ZLX merger – Q3 2011



Current Group Structure – post the HSJ / ZLX merger



- FERROSTAL**
375 kT EAF, carbon and middle alloy steels
- ZW-WB**
198 kT rolling mill – flat bars, plain bars, squares
- HSJ**
261 kT EAF, high alloy steels
178 kT rolling mill – high diameter bars
101 kT rolling mill – thick sheets
- ZŁOMREX METAL**
scrap collection network in 18 main locations across whole Poland



Q4 2011 Outlook

Main factors

- Polish GDP growth around 3,5%
- Further pressure on demand and prices partially offset by weak Zloty and relatively strong Polish market
- Utilization rate slightly below Q3 2011 level
- Targeted 2011 revenues and EBITDA will be met closer to the upper range – PLN 1,400m and PLN 150m respectively
- End of 2011 net debt target may be outperformed should EUR/PLN remain above 4,2
- Net Debt to LTM EBITDA to fall below 4x



Q & A

Together reach more



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