

*Together reach more*



# Q1 2012 Business and Financial Performance

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## Introduction

## Speaker



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Age – 40  
10 years with the Company

## Q1 2012 Highlights

- Good demand, squeeze of margins for automotive steel
- 14,0% increase in sales volumes; 21,7% value-wise
- Decrease of EBITDA by 35% (adjusted)
- Increase in capacities' utilization:

	ANNUAL CAPACITY	UTYLIZATION RATE		
	Tonnes	Q1 2012	Y 2011	Q1 2011
<b>FERR</b>	375 000	85%	93%	85%
<b>HSJ</b>	261 000	82%	71%	70%
<b>COMBINED</b>	636 000	84%	84%	79%

- Polish GDP growth above 3%
- Polish steel production up by 20% YoY



## Business Overview

## Environment

CRUDE STEEL PRODUCTION (1)	Q1 2012	% YoY	Q1 2011	Y 2011
<i>million tonnes</i>				
Poland	2,4	20%	2,0	8,8
EU (27)	43,9	-4%	45,6	177,4
China	174,2	0%	173,6	683,3
Global	376,7	0%	376,3	1 490,1

UNIT PRICES (2)	Q1 2012	% YoY	%Q4 2011	Q1 2011	Q4 2011	Y 2011
<i>PLN / Tonne</i>						
Scrap metal	1 117	8%	9%	1 038	1 027	1 017
Billets FERR	2 162	1%	6%	2 137	2 045	2 038
billet - scrap spread	1 045	-5%	3%	1 099	1 018	1 021
Bars FERR	2 420	4%	8%	2 323	2 239	2 285
bar - scrap spread	1 375	12%	13%	1 224	1 221	1 264
Bars HSJ	3 253	5%	-7%	3 105	3 501	3 317
bar - scrap spread	1 878	0%	-18%	1 881	2 280	2 053

(1) Source: World Steel Association

(2) Source: COGNOR SA

## Segments

SCRAP METAL		Q1 2012	Y 2011	Q1 2011
<b>PURCHASES FROM EXTERNAL SUPPLIERS</b>	<i>Tonnes</i>			
FERR		45 914	158 537	34 610
ZLMET		108 364	429 488	101 697
HSJ		29 372	123 718	36 016
ZJEL		0	0	0
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		93 176	410 545	96 131
HSJ		61 684	211 872	52 768
ZJEL		0	0	0
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
ZLMET		27 025	118 098	26 769
OTHER		0	0	0
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		30 192	120 064	27 583
<b>TOTAL PURCHASES in TONNES</b>		<b>183 650</b>	<b>711 743</b>	<b>172 323</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>154 860</b>	<b>622 417</b>	<b>148 899</b>
<b>TOTAL SALES in TONNES</b>		<b>27 025</b>	<b>118 098</b>	<b>26 769</b>
<b>TOTAL SALES in '000 PLN</b>		<b>30 192</b>	<b>120 064</b>	<b>27 583</b>



## Segments

BILLETS		Q1 2012	Y 2011	Q1 2011
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR		79 708	348 596	79 906
HSJ		53 420	186 012	45 367
ZJEL		0	0	0
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		25 219	96 357	36 277
HSJ		53 420	169 103	43 131
ZJEL		0	0	0
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		54 489	252 239	43 629
HSJ		4 187	16 909	2 236
<b>TOTAL PRODUCTION in TONNES</b>		<b>133 128</b>	<b>534 608</b>	<b>125 273</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>78 639</b>	<b>265 460</b>	<b>79 408</b>
<b>TOTAL SALES in TONNES</b>		<b>58 676</b>	<b>269 148</b>	<b>45 865</b>
<b>TOTAL SALES in '000 PLN</b>		<b>129 277</b>	<b>551 525</b>	<b>98 038</b>

- Spread for FEER billets up by PLN 27 per tonne YoY; PLN 1.5m positive EBITDA contribution

## Segments

FINISHED PRODUCTS		Q1 2012	Y 2011	Q1 2011
<b>PRODUCTION</b>	<i>Tonnes</i>			
ZWWB		17 539	82 322	23 181
FERR		0	0	0
HSJ		42 645	158 335	40 618
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		17 150	84 291	18 538
HSJ		45 282	146 923	38 810
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		195 176	825 107	168 265
<b>TOTAL PRODUCTION in TONNES</b>		<b>60 184</b>	<b>240 657</b>	<b>63 799</b>
<b>TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES</b>		<b>62 432</b>	<b>231 214</b>	<b>57 348</b>
<b>TOTAL SALES in '000 PLN</b>		<b>195 176</b>	<b>825 107</b>	<b>168 265</b>

- HSJ sales include 38,027 tonnes of long products; spread squeeze by PLN 402 per tonne YoY; PLN 15.3m in EBITDA contraction

- Spread for FEER products up by PLN 154 per tonne YoY; PLN 2.6m positive EBITDA contribution



# Financials

INCOME STATEMENT	Q1 2012	Y 2011	Q1 2011
	<i>'000 PLN</i>		
Revenue	399 419	1 549 647	328 205
Cost of sales	-371 944	-1 377 076	-293 833
<b>Gross profit</b>	<b>27 475</b>	<b>172 571</b>	<b>34 372</b>
Other income	2 691	9 919	2 939
Distribution expenses	-7 972	-36 171	-7 347
Administrative expenses	-11 605	-46 600	-8 957
Other gains/(losses) - net	-3 693	15 309	-754
Other expenses	-2 976	-14 546	-2 973
<b>EBIT</b>	<b>3 920</b>	<b>100 482</b>	<b>17 280</b>
Financial income	28 104	6 562	343
Financial expenses	-15 537	-105 041	-19 850
<b>Net financing costs</b>	<b>12 567</b>	<b>-98 479</b>	<b>-19 507</b>
<b>Profit before tax</b>	<b>16 487</b>	<b>2 003</b>	<b>-2 227</b>
Income tax expense	-2 405	21 887	-4 795
Profit/loss for the period from discontinued operations	0	92 011	35 903
<b>Profit for the period</b>	<b>14 082</b>	<b>115 901</b>	<b>28 881</b>
Depreciation and amortyzation	-10 525	-44 169	-11 010
<b>EBITDA</b>	<b>14 445</b>	<b>144 651</b>	<b>28 290</b>

- Gross profit down by PLN 6.9m YoY
- Other gains/(losses) include PLN (-) 3.8m of FX losses
- Net profit adjusted for non-recurring items: PLN (-) 11.1m
- EBITDA adjusted for non-recurring items: PLN 18.1m

ASSETS	Q1 2012	Y 2011	Q1 2011
	<i>'000 PLN</i>		
<b>A. TOTAL NON-CURRENT ASSETS</b>	<b>491 110</b>	<b>499 437</b>	<b>443 154</b>
I. Intangible assets	16 257	17 067	19 711
II. Property, plant and equipment	341 225	342 734	364 070
III. Other receivables	41 888	44 583	256
IV. Investment property and other investments	4 371	4 377	4 495
V. Prepaid perpetual usufruct of land	19 744	19 850	19 160
VI. Deferred tax assets	67 625	70 826	35 462
<b>B. TOTAL CURRENT ASSETS</b>	<b>533 234</b>	<b>480 180</b>	<b>669 165</b>
<b>I. Inventories</b>	<b>211 746</b>	<b>178 472</b>	<b>211 838</b>
<b>II. Receivables</b>	<b>255 264</b>	<b>237 834</b>	<b>346 762</b>
1. Trade receivables	243 417	204 904	266 084
2. Current income tax receivable	8 173	7 744	586
3. Other investments	3 674	25 186	80 092
<b>III. Cash and cash equivalents</b>	<b>53 836</b>	<b>47 166</b>	<b>8 176</b>
<b>IV. Assets classified as held for sale</b>	<b>12 388</b>	<b>16 708</b>	<b>102 389</b>
<b>TOTAL ASSETS</b>	<b>1 024 344</b>	<b>979 617</b>	<b>1 112 319</b>

- A.III. includes PLN 41.6m in Croatian Claim
- B.I. + B.II.1. Increase of inventory and trade receivables
- B. 3. Decrease due to repayment of PLN 21.6m of loans owed by one of the divested distribution division entities (Cognor Stahlhaldel Czech Rep.)
- IV. Decrease due to divestiture of two real properties

EQUITY AND LIABILITIES	Q1 2012	Y 2011	Q1 2011
	<i>'000 PLN</i>		
<b>A. EQUITY</b>	<b>190 709</b>	<b>176 441</b>	<b>105 502</b>
I. Issued share capital	132 444	132 444	132 444
II. Reserves and retained earnings	46 349	31 796	-35 497
III. Minority interest	11 916	12 201	8 555
<b>B. LIABILITIES</b>	<b>833 635</b>	<b>803 176</b>	<b>1 006 817</b>
<b>I. Non-current liabilities</b>	<b>516 402</b>	<b>548 729</b>	<b>527 342</b>
1. Employee benefits obligation	7 970	7 970	11 724
2. Interest-bearing loans and borrowings	498 985	532 138	509 333
3. Other	9 447	8 621	6 285
<b>II. Current liabilities</b>	<b>317 233</b>	<b>254 447</b>	<b>479 475</b>
1. Interest-bearing loans and borrowings	74 621	45 878	100 270
2. Bank overdraft	3 963	25 236	79 242
3. Trade payables	228 844	176 117	292 751
4. Deferred government grants	4 561	865	2 954
5. Employee benefits obligation	4 366	5 677	3 855
6. Current income tax payable	0	293	0
7. Provisions for payables	878	381	403
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 024 344</b>	<b>979 617</b>	<b>1 112 319</b>

- B.I.2. + B.II.1. + B.II.2  
Indebtedness net of cash down by PLN 32.4m primarily due to PLN 30.8m of FX gains related to debt
- B.II.3. Increase of trade payables

CASH FLOW	Q1 2012	Y 2011	Q1 2011
<i>'000 PLN</i>			
<b>A. FROM OPERATING ACTIVITIES</b>	<b>-5 989</b>	<b>-38 090</b>	<b>-66 744</b>
<b>B. FROM INVESTING ACTIVITIES</b>	<b>21 141</b>	<b>269 136</b>	<b>84 963</b>
<b>C. FROM FINANCING ACTIVITIES</b>	<b>12 792</b>	<b>-141 413</b>	<b>-21 520</b>
<b>NET INCREASE IN CASH</b>	<b>27 944</b>	<b>89 633</b>	<b>-3 301</b>

- A. Working capital outflow at PLN (-) 18.5

MAIN METRICS	Q1 2012	Y 2011	Q1 2011
Liquidity ratio	1,68	1,89	1,40
Quick ratio	1,01	1,19	0,95
Inventories turnover (days)	51	47	65
Receivables turnover (days)	55	48	73
EBITDA margin	3,6%	9,3%	8,6%
Net profit margin	3,5%	7,5%	8,8%
Equity	190 709	176 441	105 502
Net debt	523 733	556 086	680 669
Net debt / LTM EBITDA	4,0	3,8	17,8



## Q2 2012 Outlook



## Main factors

- Rising concerns about Greek debt crisis
- EU steel production further down; Poland flat or slightly down
- Polish GDP around 3%
- Production and sales expected to maintain their fair Q1 levels; profitability likely to improve seasonally, supported by weakening PLN against the EUR and the USD
- Slight increase in FERR and decrease in HSJ utilization rates; combined rates stable



## Q & A

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