

*Together reach more*



## **Q2 2012 Business and Financial Performance**

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# Introduction

## Speaker



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Age – 40  
10 years with the Company

## Q2 2012 Highlights

- Seasonal improvement of margins on lower scrap metal prices; soft steel prices and fragile demand especially from automotive industry
- 7,6% increase in revenues; shipments up by 9,5% fueled by scrap metal and semi-finished products while finished products' volume down by 16,3% (all yoy)
- Decrease of adjusted EBITDA by 26,6% yoy

- Increase in capacities' utilization:

	ANNUAL CAPACITY	UTYLIZATION RATE		
	Tonnes	Q2 2012	Q1 2012	Q2 2011
<b>FERR</b>	375 000	104%	85%	86%
<b>HSJ</b>	261 000	65%	82%	86%
<b>COMBINED</b>	636 000	88%	84%	86%

- Polish GDP growth at 2,4% in Q2 2012
- Polish steel production down by 9% YoY



## Business Overview

## Environment

CRUDE STEEL PRODUCTION (1)	Q2 2012	% YoY	Q2 2011	Y 2011
<i>million tonnes</i>				
Poland	2,1	-9%	2,3	8,8
EU (27)	45,0	-6%	48,0	177,4
China	182,0	2%	179,2	683,3
Global	388,4	1%	384,3	1 490,1

PRICES (2)	Q2 2012	% YoY	Q2 2011	Q1 2012
<i>PLN / tonne</i>				
Scrap metal	1 060	7%	988	1 117
Billets FERR	2 142	6%	2 014	2 162
billet - scrap spread	1 082		1 026	1 045
Bars FERR	2 412	4%	2 318	2 420
bar - scrap spread	1 352		1 330	1 303
Bars HSJ	3 302	0%	3 306	3 253
bar - scrap spread	2 242		2 318	2 136
Sheets HSJ	5 318	-5%	5 589	4 553
sheet - scrap spread	4 258		4 601	3 436

(1) Source: World Steel Association

(2) Source: COGNOR SA

## Segments

SCRAP METAL		Q2 2012	Q1 2012	Q2 2011	
<b>PURCHASES FROM EXTERNAL SUPPLIERS</b>	<i>Tonnes</i>				
FERR		49 505	45 914	34 357	
ZLMET		99 760	108 364	111 832	ZLMET purchases down by 10,8% yoy
HSJ		23 440	29 372	36 994	
<b>INTERNAL USE</b>	<i>Tonnes</i>				
FERR		110 885	93 176	94 197	
HSJ		48 424	61 684	63 023	total purchases down by 5,7% yoy
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>				
ZLMET		36 441	27 025	27 832	
OTHER		0	0	184	
<b>SALES</b>	<i>'000 PLN</i>				sales to external customers up by 5,7% yoy
CONSOLIDATED		38 641	30 192	27 667	
<b>TOTAL PURCHASES in TONNES</b>		<b>172 705</b>	<b>183 650</b>	<b>183 183</b>	
<b>TOTAL INTERNAL USE in TONNES</b>		<b>159 309</b>	<b>154 860</b>	<b>157 220</b>	
<b>TOTAL SALES in TONNES</b>		<b>36 441</b>	<b>27 025</b>	<b>28 016</b>	
<b>TOTAL SALES in '000 PLN</b>		<b>38 641</b>	<b>30 192</b>	<b>27 667</b>	



## Segments

BILLETS		Q2 2012	Q1 2012	Q2 2011
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR		97 807	79 708	80 516
HSJ		42 424	53 420	55 844
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		20 040	25 219	20 661
HSJ		38 215	53 420	50 588
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		77 767	54 489	59 855
HSJ		4 209	4 187	5 256
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		177 214	129 277	131 141
<b>TOTAL PRODUCTION in TONNES</b>		<b>140 231</b>	<b>133 128</b>	<b>136 360</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>58 255</b>	<b>78 639</b>	<b>71 249</b>
<b>TOTAL SALES in TONNES</b>		<b>81 976</b>	<b>58 676</b>	<b>65 111</b>
<b>TOTAL SALES in '000 PLN</b>		<b>177 214</b>	<b>129 277</b>	<b>131 141</b>

FERR steel production up by 21,5% yoy

HSJ steel production down by 24,0% yoy

sales to external customers up by 25,9% yoy

## Segments

FINISHED PRODUCTS		Q2 2012	Q1 2012	Q2 2011
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR / ZWWB		20 000	17 539	20 703
HSJ		34 763	42 645	44 437
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		17 447	17 150	20 300
HSJ		36 068	45 282	43 616
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		166 916	195 176	218 207
<b>TOTAL PRODUCTION in TONNES</b>		<b>54 763</b>	<b>60 184</b>	<b>65 140</b>
<b>TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES</b>		<b>53 515</b>	<b>62 432</b>	<b>63 916</b>
<b>TOTAL SALES in '000 PLN</b>		<b>166 916</b>	<b>195 176</b>	<b>218 207</b>

FERR sales down by 16,4% yoy

HSJ sales down by 17,3% yoy

total sales down by 16,3% yoy



# Financials

INCOME STATEMENT	Q2 2012	Q1 2012	Q2 2011	
	<i>'000 PLN</i>			
Revenue	428 763	399 419	398 654	
Cost of sales	-386 409	-371 944	-350 535	
<b>Gross profit</b>	<b>42 354</b>	<b>27 475</b>	<b>48 119</b>	• Gross profit down by PLN 5.8m and 12% yoy
Other income	2 198	2 691	4 486	
Distribution expenses	-10 833	-7 972	-8 488	
Administrative expenses	-11 887	-11 605	-8 945	
Other gains/(losses) - net	2 865	-3 693	1 174	• Other gains/(losses) include PLN 2.8m of FX gain related to operations
Other expenses	-1 506	-2 976	-3 279	
<b>EBIT</b>	<b>23 191</b>	<b>3 920</b>	<b>33 067</b>	
Financial income	-11 069	28 104	4 101	
Financial expenses	-17 094	-15 537	-11 265	
<b>Net financing costs</b>	<b>-28 163</b>	<b>12 567</b>	<b>-7 164</b>	
<b>Profit before tax</b>	<b>-4 972</b>	<b>16 487</b>	<b>25 903</b>	
Income tax expense	1 406	-2 405	26 153	
Profit/loss for the period from discontinued operations	0	0	53 490	
<b>Profit for the period</b>	<b>-3 566</b>	<b>14 082</b>	<b>105 546</b>	• Net profit adjusted for non-recurring items: PLN 2.5m
Depreciation and amortization	-10 434	-10 525	-10 843	
<b>EBITDA</b>	<b>33 625</b>	<b>14 445</b>	<b>43 910</b>	• EBITDA adjusted for non-recurring items: PLN 30.8m

ASSETS	Q2 2012	Q1 2012	Q2 2011
	<i>'000 PLN</i>		
<b>A. TOTAL NON-CURRENT ASSETS</b>	<b>485 835</b>	<b>491 110</b>	<b>465 127</b>
I. Intangible assets	15 339	16 257	18 329
II. Property, plant and equipment	332 848	341 225	357 642
III. Other receivables	42 870	41 888	244
IV. Investment property and other investments	4 363	4 371	5 054
V. Prepaid perpetual usufruct of land	19 164	19 744	18 401
VI. Deferred tax assets	71 251	67 625	65 457
<b>B. TOTAL CURRENT ASSETS</b>	<b>505 616</b>	<b>533 234</b>	<b>534 734</b>
<b>I. Inventories</b>	<b>183 851</b>	<b>211 746</b>	<b>190 640</b>
<b>II. Receivables</b>	<b>224 746</b>	<b>255 264</b>	<b>291 339</b>
1. Trade receivables	221 005	243 417	253 176
2. Current income tax receivable	6	8 173	151
3. Other investments	3 735	3 674	38 012
<b>III. Cash and cash equivalents</b>	<b>84 475</b>	<b>53 836</b>	<b>36 040</b>
<b>IV. Assets classified as held for sale</b>	<b>12 544</b>	<b>12 388</b>	<b>16 715</b>
<b>TOTAL ASSETS</b>	<b>991 451</b>	<b>1 024 344</b>	<b>999 861</b>

- A.III. includes PLN 42.6m of the Croatian Claim

- B.I. + B.II.1. Decrease in value of inventory and trade receivables by 13,2% and 12,0% yoy respectively

- III. Increase of cash by PLN 48.4 million yoy

EQUITY AND LIABILITIES	Q2 2012	Q1 2012	Q2 2011
	<i>'000 PLN</i>		
<b>A. EQUITY</b>	<b>187 144</b>	<b>190 709</b>	<b>207 792</b>
I. Issued share capital	132 444	132 444	132 444
II. Reserves and retained earnings	41 948	46 349	65 963
III. Minority interest	12 752	11 916	9 385
<b>B. LIABILITIES</b>	<b>804 307</b>	<b>833 635</b>	<b>792 069</b>
<b>I. Non-current liabilities</b>	<b>521 145</b>	<b>516 402</b>	<b>494 136</b>
1. Employee benefits obligation	7 151	7 970	10 704
2. Interest-bearing loans and borrowings	505 130	498 985	478 040
3. Other	8 864	9 447	5 392
<b>II. Current liabilities</b>	<b>283 162</b>	<b>317 233</b>	<b>297 933</b>
1. Interest-bearing loans and borrowings	74 972	74 621	42 400
2. Bank overdraft	7 687	3 963	28 665
3. Trade payables	195 076	228 844	220 450
4. Defferd government grants	3 502	4 561	2 853
5. Employee benefits obligation	1 232	4 366	1 239
6. Current income tax payable	6	0	1 951
7. Provisions for payables	687	878	375
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>991 451</b>	<b>1 024 344</b>	<b>999 861</b>

- B.I.2. + B.II.1. + B.II.2  
Indebtedness net of cash down by PLN 9.8m in spite of PLN 12.0m of FX losses related to debt

CASH FLOW	Q2 2012	Q1 2012	Q2 2011
<i>'000 PLN</i>			
<b>A. FROM OPERATING ACTIVITIES</b>	<b>40 000</b>	<b>-5 368</b>	<b>-20 202</b>
<b>B. FROM INVESTING ACTIVITIES</b>	<b>6 281</b>	<b>21 141</b>	<b>-751</b>
<b>C. FROM FINANCING ACTIVITIES</b>	<b>-26 572</b>	<b>12 792</b>	<b>-97 327</b>
<b>NET INCREASE IN CASH</b>	<b>26 915</b>	<b>28 565</b>	<b>85 280</b>

- A. Working capital inflow of PLN 14.0m

MAIN METRICS	Q2 2012	Q1 2012	Q2 2011
Liquidity ratio	1,79	1,68	1,79
Quick ratio	1,14	1,01	1,15
Inventories turnover (days)	43	51	49
Receivables turnover (days)	46	55	57
EBITDA margin	7,8%	3,6%	11,0%
Net profit margin	-0,8%	3,5%	26,5%
Equity	187 144	190 709	207 792
Net debt	503 314	523 733	513 065
Net debt / LTM EBITDA	4,2	4,0	7,3



## Q3 2012 Outlook



## Main factors

- Recession in many EU economies
- Polish GDP just above 2%
- EU and Polish steel production down
- Production, sales and EBITDA lower compared to Q2 2012; utilization rates to fall with regards to FERR in particular



## Q & A

*Together reach more*



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