

Together reach more



2012 Business and Financial Performance

April 2, 2013

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Introduction

Speaker



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CFO

Age – 41

11 years with the Company

2012 Highlights

- Decrease of finished products' prices and increase of scrap metal prices. Very poor demand.
- 9.7% decrease in revenues; shipments down by 9.2% primarily due to 13.5% drop in billets' and 10.8% decrease in finished products' shipments
- Decrease of EBITDA by 54.1%

- Decrease in capacities' utilization:

	ANNUAL CAPACITY	UTYLIZATION RATE		
	Tonnes	2012	2011	2010
FERR	375 000	81%	93%	64%
HSJ	261 000	61%	71%	52%
COMBINED	636 000	73%	84%	59%

- Polish GDP growth at 2.0% in 2012 down from 4.3% in 2011. Slow growth or recession in the EU
- Polish steel production declined by 5.0% in line with the EU (27)



Business Overview

Environment

WORLD STEEL PRODUCTION ⁽¹⁾	2012	% YoY	2011	2010	2009	2008	2007
<i>mln tonnes</i>							
Europe	318	-3%	327	314	266	344	365
EU (27)	169	-5%	177	173	139	198	210
CIS	111	-1%	112	108	98	114	124
North America	122	3%	119	112	82	125	133
USA	89	3%	86	81	58	91	98
South America	47	-2%	48	44	38	47	48
Africa / Middle East	34	0%	34	36	32	34	36
Asia	983	3%	954	881	795	768	757
China	709	4%	683	627	568	500	489
Japan	107	-1%	108	109	88	119	120
Oceania	6	-14%	7	8	6	8	9
Total	1510	1%	1490	1396	1220	1326	1346

PRODUCTION – POLAND ⁽²⁾	Y 2012	% YoY	Y 2011	Y 2010	Y 2009	Y 2008	Y 2007
<i>million tonnes</i>							
flat products	4,2	10%	3,8	4,5	3,1	4,0	4,5
long products	5,8	-3%	5,9	3,5	4,1	5,7	5,8
Total	9,9	2%	9,7	8,0	7,2	9,7	10,3

STEEL USE – POLAND ⁽³⁾	I-XI 2012	% YoY	I-XI 2011	Y 2010	Y 2009	Y 2008	Y 2007
<i>million tonnes</i>							
flat products	5,5	-3%	5,6	4,9	4,2	6,1	6,1
long products	4,1	-13%	4,7	4,1	3,8	5,3	5,9
Total	9,5	-7%	10,3	9,0	8,0	11,4	12,0

⁽¹⁾ Source: World Steel Association

⁽²⁾ Source: CIBEH

⁽³⁾ Source: HIPH

Prices

PRICES AND SPREADS	2012	2011	2010	2009	2008	2007	2006
<i>(pln/ tonne)</i>							
FERROSTAL							
SCRAP METAL - all purchases	1 236	1 152	891	672	1 081	758	699
BILLETS - sales to external customers	2 121	2 038	1 629	1 312	1 906	1 672	1 483
BILLET SPREADS	885	885	738	640	825	914	784
FINISHED PRODUCTS - sales to external customers	2 337	2 285	1 929	1 616	2 160	1 953	1 795
- plain bars	2 310	2 261	1 860	1 629	2 129	1 931	1 745
- flat bars	2 315	2 303	1 985	1 770	2 256	2 114	1 883
- squares	2 265	2 238	1 875	1 591	2 157	1 910	1 700
- rebars				1 439	2 019	1 808	1 748
- other	2 906	2 428	2 072	3 099	2 594	2 402	1 825
PRODUCT SPREADS	1 101	1 132	1 039	944	1 079	1 195	1 096
- plain bars	1 073	1 108	969	958	1 048	1 173	1 046
- flat bars	1 078	1 150	1 094	1 098	1 175	1 356	1 184
- squares	1 029	1 086	984	919	1 076	1 152	1 000
- rebars				768	938	1 050	1 048
- other	1 670	1 276	1 181	2 428	1 513	1 644	1 126
HSJ							
SCRAP METAL - all purchases	1 220	1 175	926	694	983	866	767
FINISHED PRODUCTS - sales to external customers	3 387	3 535	3 007	2 489	3 066	2 838	2 596
- big rounds	3 201	3 317	2 810	2 526	2 983	2 798	2 539
- thick sheets	3 503	4 124	3 176	2 278	3 124	2 745	2 496
- thin sheets	11 174	12 036	9 036	8 921	7 745	6 809	5 837
- other	28 454	28 889	25 853	6 406	4 292	3 761	3 803
PRODUCT SPREADS	2 167	2 359	2 080	1 795	2 082	1 972	1 828
- big rounds	1 981	2 141	1 884	1 832	2 000	1 932	1 772
- thick sheets	2 284	2 948	2 250	1 584	2 141	1 878	1 729
- thin sheets	9 955	10 861	8 110	8 227	6 762	5 942	5 070
- other	27 234	27 713	24 926	5 712	3 309	2 894	3 035

Segments

SCRAP METAL		Y 2012	Y 2011	Y 2010
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>			
FERR		153 107	158 537	90 855
ZLMET		359 709	429 488	332 240
OTHER		0	0	620
INTERNAL USE	<i>Tonnes</i>			
FERR		320 870	410 545	286 270
HSJ		183 320	211 872	157 241
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
ZLMET		122 682	118 098	102 016
OTHER		68	0	975
SALES	<i>'000 PLN</i>			
CONSOLIDATED		130 366	120 064	88 355
TOTAL PURCHASES in TONNES		605 668	711 743	529 248
TOTAL INTERNAL USE in TONNES		504 190	622 417	443 511
TOTAL SALES in TONNES		122 750	118 098	102 991
TOTAL SALES in '000 PLN		130 366	120 064	88 355

ZLMET purchases down by 16.2%

Shipments up by 3.8%

Sales up by 8.6%

Segments

BILLETS		Y 2012	Y 2011	Y 2010
PRDUCTION	<i>Tonnes</i>			
FERR		303 810	348 596	240 043
HSJ		159 037	186 012	134 665
INTERNAL USE	<i>Tonnes</i>			
FERR		89 321	96 357	61 186
HSJ		140 712	169 103	132 256
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		214 489	252 239	178 857
HSJ		18 325	16 909	2 409
COG		0	0	24
SALES	<i>'000 PLN</i>			
CONSOLIDATED		493 767	551 525	295 338
TOTAL PRODUCTION in TONNES		462 847	534 608	374 708
TOTAL INTERNAL USE in TONNES		230 033	265 460	193 442
TOTAL SALES in TONNES		232 814	269 148	181 290
TOTAL SALES in '000 PLN		493 767	551 525	295 338

Production down by 13.4%

Shipments down by 13.5%

Sales down by 10.5%

Segments

FINISHED PRODUCTS		Y 2012	Y 2011	Y 2010
PRODUCTION				
	<i>Tonnes</i>			
ZWWB		80 468	82 322	53 767
HSJ		133 144	158 335	116 379
SALES TO EXTERNAL CUSTOMERS				
	<i>Tonnes</i>			
FERR		75 154	84 291	59 897
HSJ		131 387	147 282	122 337
SALES				
	<i>'000 PLN</i>			
CONSOLIDATED		618 700	718 070	478 102
TOTAL PRODUCTION in TONNES		213 612	240 657	170 146
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		206 541	231 573	182 234
TOTAL SALES in '000 PLN		618 700	718 070	478 102

Production down by 11.2%

Shipments down by 10.8%

Sales down by 13.8%



Financials

INCOME STATEMENT	Y 2012	Y 2011	Y 2010
	<i>'000 PLN</i>		
Revenue	1 399 674	1 549 647	975 282
Cost of sales	-1 303 894	-1 377 076	-909 068
Gross profit	95 780	172 571	66 214
Other income	11 571	9 919	9 673
Distribution expenses	-33 950	-36 171	-32 394
Administrative expenses	-34 691	-46 600	-50 718
Other gains/(losses) - net	-2 224	15 309	-10 118
Other expenses	-11 636	-14 546	-18 080
EBIT	24 850	100 482	-35 423
Financial income	36 675	6 562	14 442
Financial expenses	-62 424	-105 041	-66 167
Net financing costs	-25 749	-98 479	-51 725
Share of profits of associates	0	0	0
Excess in the net fair value of acquired assets over cost	0	0	0
Profit before tax	-899	2 003	-87 148
Income tax expense	1 086	21 887	-8 887
Profit/loss for the period from discontinued operations	0	92 011	-88 118
Profit for the period	187	115 901	-184 153
Depreciation and amortization	-41 532	-44 169	-45 788
EBITDA	66 382	144 651	10 365

Revenues down by 9.7%

Gross profit down by 44.5%

Net profit adjusted for non-recurring items: PLN (-) 37.4 m

EBITDA down by 54.1 %.

EBITDA adjusted for non-recurring items: PLN 64.8

ASSETS	Y 2012	Y 2011	Y 2010
	<i>'000 PLN</i>		
A. TOTAL NON-CURRENT ASSETS	472 467	499 437	459 195
I. Intangible assets	15 435	17 067	20 487
II. Property, plant and equipment	317 671	342 734	373 818
III. Other receivables	40 943	44 583	241
IV. Investment property and other investments	7 720	4 377	4 608
V. Prepaid perpetual usufruct of land	18 954	19 850	19 257
VI. Deferred tax assets	71 744	70 826	40 784
B. TOTAL CURRENT ASSETS	442 042	480 180	976 983
I. Inventories	179 201	178 472	176 216
II. Receivables	186 904	237 834	143 220
1. Trade receivables	181 691	204 904	142 620
2. Current income tax receivable	82	7 744	590
3. Other investments	5 131	25 186	10
III. Cash and cash equivalents	64 151	47 166	9 280
IV. Assets classified as held for sale	11 786	16 708	103 733
V. Assets of disposal groups	0	0	544 534
TOTAL ASSETS	914 509	979 617	1 436 178

Acquisitions at PLN 18.9 million decreased by disposals at PLN 5.0 million

A.III. includes PLN 40.9m of the Croatian Claim

B. Current assets decreased by 7.9% in line with falling revenues

B.II.3. Other investments' decrease due to repayment of intercompany loan at PLN 21.6 million

EQUITY AND LIABILITIES	Y 2012	Y 2011	Y 2010
	<i>'000 PLN</i>		
A. EQUITY	176 842	176 441	91 858
I. Issued share capital	132 444	132 444	132 444
II. Reserves and retained earnings	31 567	31 796	-49 389
III. Minority interest	12 831	12 201	8 803
B. LIABILITIES	737 667	803 176	1 344 320
I. Non-current liabilities	500 373	548 729	525 393
1. <i>Employee benefits obligation</i>	<i>6 735</i>	<i>7 970</i>	<i>11 862</i>
2. <i>Interest-bearing loans and borrowings</i>	<i>487 020</i>	<i>532 138</i>	<i>503 162</i>
3. <i>Other</i>	<i>6 618</i>	<i>8 621</i>	<i>10 369</i>
II. Current liabilities	237 294	254 447	447 826
1. <i>Interest-bearing loans and borrowings</i>	<i>75 333</i>	<i>45 878</i>	<i>107 249</i>
2. <i>Bank overdraft</i>	<i>15 495</i>	<i>25 236</i>	<i>83 884</i>
3. <i>Trade payables</i>	<i>142 170</i>	<i>176 117</i>	<i>250 570</i>
4. <i>Defferd government grants</i>	<i>736</i>	<i>865</i>	<i>1 007</i>
5. <i>Other financial liabilities</i>	<i>0</i>	<i>0</i>	<i>0</i>
6. <i>Employee benefits obligation</i>	<i>2 815</i>	<i>5 677</i>	<i>4 713</i>
7. <i>Current income tax payable</i>	<i>315</i>	<i>293</i>	<i>0</i>
8. <i>Provisions for payables</i>	<i>430</i>	<i>381</i>	<i>403</i>
III. Liabilities of disposal group	0	0	371 101
TOTAL EQUITY AND LIABILITIES	914 509	979 617	1 436 178

B.I.2. + B.II.1. + B.II.2 Indebtedness net of cash down by PLN 42.4m due to 35.2 FX gains related to indebtedness

B.II.1. + B.II.2. Short-term debt up by 19.7m

B.II.3. Trade payables down by 19.3%

CASH FLOW	Y 2012	Y 2011	Y 2010
	<i>'000 PLN</i>		
A. OPERATING ACTIVITIES	39 282	-38 090	37 846
I. Continued operations	32 710	-32 697	30 769
II. Discontinued operations	0	2 648	5 316
B. INVESTING ACTIVITIES	23 247	269 136	42 755
I. Continued operations	23 247	-7 151	8 658
II. Discontinued operations	0	276 287	34 097
C. FINANCING ACTIVITIES	-35 801	-141 413	-51 147
I. Continued operations	-35 801	-140 568	-31 651
II. Discontinued operations	0	-845	-19 496
NET INCREASE IN CASH	26 728	89 633	29 454

A.I. Working capital outflow of PLN (-) 2.4m

B.I. Repayment of intercompany loan at PLN 21.6m

C.I. Incurrence of PLN 25m minus repayment at PLN (-) 7.7m of credit facilities; PLN (-) 50.7 of interest service

MAIN METRICS	Y 2012	Y 2011	Y 2010
Liquidity ratio	1,86	1,89	1,19
Quick ratio	1,11	1,19	0,98
Inventories turnover (days)	50	47	71
Receivables turnover (days)	47	48	53
EBITDA margin	4,7%	9,3%	1,1%
Net profit margin	0,0%	7,5%	-18,9%
Equity	176 842	176 441	91 858
Net debt	513 697	556 086	685 015
Net debt / EBITDA	7,7	3,8	66,1

Liquidity ratios good

Turnover ratios good

Profitability weak

Leverage increased up to 7.7 times



2013 Outlook

Main factors

- Recessionary environment in the EU
- Polish GDP still positive at between 1,7% - 2,3%
- EU and Polish crude steel production could face further pressure
- Increase in demand for our automotive products, possible decline from the construction industry, other flat.
Overall increase expected
- Commencement of intended capital expenditures which would help with the product offering and trading in the challenging market environment



Refinancing and Mid-term CAPEX

Refinancing

Cognor intends to approach HY bond investors in Q2 2013 on the refinancing of its EUR 118m senior notes maturing Feb 2014. Along with the bonds the Company will endeavor to acquire equity financing at the amount of approximately PLN 100m

Mid-term CAPEX

1. **STAGE 1** - CCM upgrade + VOD facility at the amount of approximately PLN 80m – Ferrostal
 - Broadening of semi-product portfolio (new steel grades and billet sizes)

2. **STAGE 2** - New rolling line at the amount of approximately PLN 250m – HSJ (subject to recovery in the market, availability of financing and consent of the bondholders)
 - Broadening of semi-product portfolio (new steel grades and billet size ranges)
 - Increase in high alloy big rounds production capacity up to 30k tonnes per month (from 15k)
 - Broadening of product portfolio (size range)
 - Cost efficiencies
 - Improvement of product quality
 - Increase in internal use of billets



Q & A

Together reach more



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