

Together reach more



2017 Business and Financial Performance

March 19, 2018

1. Introduction
2. Business Overview
3. Financials
4. 2018 Outlook
5. Financing and CAPEX

Speakers



Krzysztof Zoła
Board Member, CFO

Responsibility

- Cooperation with financial institutions
- Budgeting and controlling

Experience

- with Cognor since 2002
- Board Member of Cognor Holding since 2013
- CFO for 12 years



Dominik Barszcz
Board Member

Responsibility

- Accounting
- IT

Experience

- with Cognor since 2000
- Board Member of Cognor Holding since 2013
- Chief Accountant and IT Director for 8 years

2017 Highlights

- Polish GDP growth at 4.6% up from 2.9% in 2016. Combined 2.4% GDP growth in the EU(28) up from 1.5%
- Polish steel production increased by 14.8%. In the EU (28) it went up by 4.1%.
- Increase of prices of scrap metal, billets and finished products. Improvement of all conversion spreads. Good demand; EU protectionist measures in place and working
- Faster pace of scrap metal prices. BOF v EAF cost advantage increased
- 29.9% increase in revenues; shipments up by 15.9%
- Further improvement of gross profit, EBIT and EBITDA
- Record breaking capacities' utilization:

ANNUAL CAPACITY		Tonnes	UTYLIZATION RATE				
			2017	2016	2015	2014	2013
FERROSTAL	375 000		115%	107%	97%	102%	87%
HSJ	261 000		94%	87%	84%	77%	70%
COMBINED	636 000		107%	99%	92%	92%	80%

Crude steel production and finished products demand

CRUDE STEEL PRODUCTION	2017	% YoY	2016	2015
<i>m tonnes</i>				
Europe	311	3.8%	303	304
UE (28)	169	4.1%	166	166
Poland	10.3	14.8%	8.9	9.2
CIS	102	0.0%	101	102
North America	116	4.8%	111	111
USA	82	4.0%	79	79
South America	44	8.7%	39	44
Africa / Middle East	46	13.0%	41	43
Asia	1 189	5.7%	1125	1108
China	832	5.7%	804	803
Japan	105	-0.1%	105	105
Oceania	6	2.5%	6	6
Total	1 674	5.5%	1629	1615

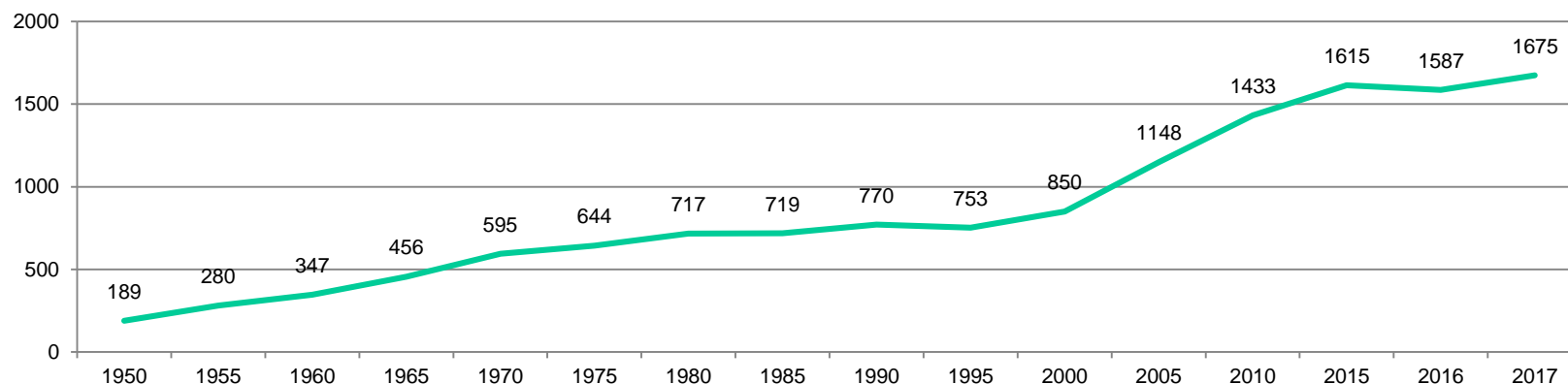
Poland with 14.8% production and 4.6% demand increase

China with 5.7% production and 10.1% demand increase

PRODUCT DEMAND	2017	% YoY	2016	2015
<i>mln tonnes</i>				
Europe	248	2.1%	248	244
UE (28)	162	3.0%	157	153
Poland	13.7	4.6%	13.1	12.5
CIS	50	3.6%	49	51
North America	139	4.9%	134	135
USA	96	4.8%	92	96
South America	41	2.5%	41	45
Africa / Middle East	93	0.0%	93	92
Asia / Oceania	1 099	9.4%	1005	985
China	731	10.1%	664	656
Japan	64	6.4%	62	63
Total	1 622	6.5%	1516	1493

source: World Steel Association

Global steel output (million of tonnes)



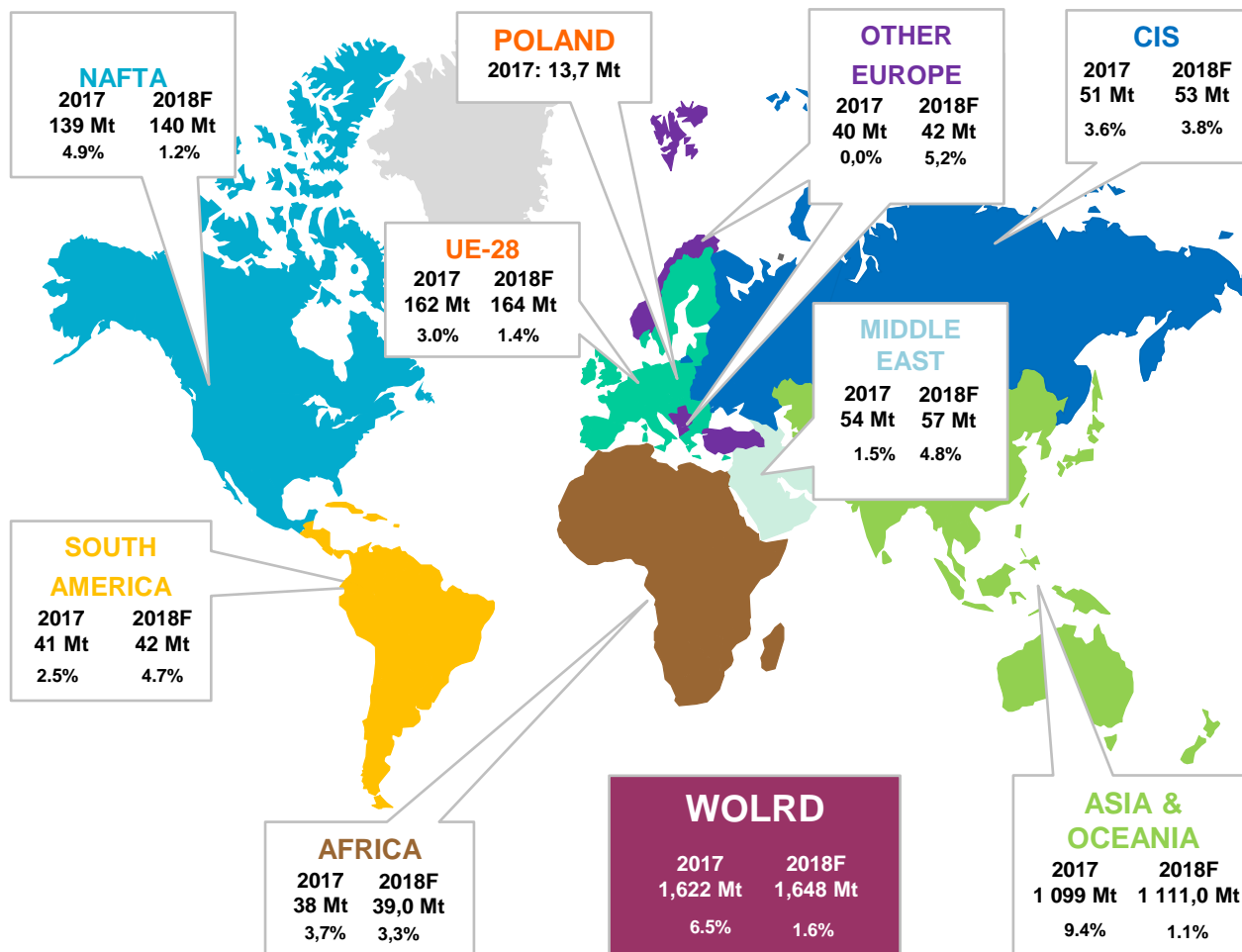
Net exporters (Mt)				
Rank	Country	2015	2016	2017
1	China	98.4	94.5	61.6
2	Japan	34.9	34.5	31.1
3	Russia	25.3	26.9	24.2
4	Ukraine	16.9	17.1	
5	Brazil	10.5	11.5	13.0
6	South Korea	9.5	7.3	11.8
7	Netherlands	3.8	1.9	
8	Taiwan	3.7	4.4	
9	Austria	3.2	3.0	
10	Belgium	3.1	3.7	

Net importers (Mt)				
Rank	Country	2015	2016	2017
1	USA	26.5	21.7	25.1
2	Vietnam	14.9	17.0	
3	Thailand	13.4	16.1	
4	Indonesia	9.4	11.0	
5	Egypt	7.7	8.3	
6	Mexico	8.6	8.1	
7	Saudi Arabia	6.4	6.2	
8	Algeria	6.4	5.4	
9	Poland	4.1	4.7	4.4
10	Pakistan	5.7	4.3	

2016				
Rank	Country	Net imports Mt	Population M	Net steel imports kg per capita
1	Thailand	16,1	69	233
2	Vietnam	17,0	96	177
3	Saudi Arabia	6,2	36	172
4	Algeria	5,4	42	129
5	Poland	4,7	38	124
6	Egypt	8,3	99	84
7	USA	21,7	325	67
8	Mexico	8,1	131	62
9	Indonesia	11,0	267	41
10	Pakistan	4,3	201	21

source: World Steel Association, Wood McKenzie, HIPH

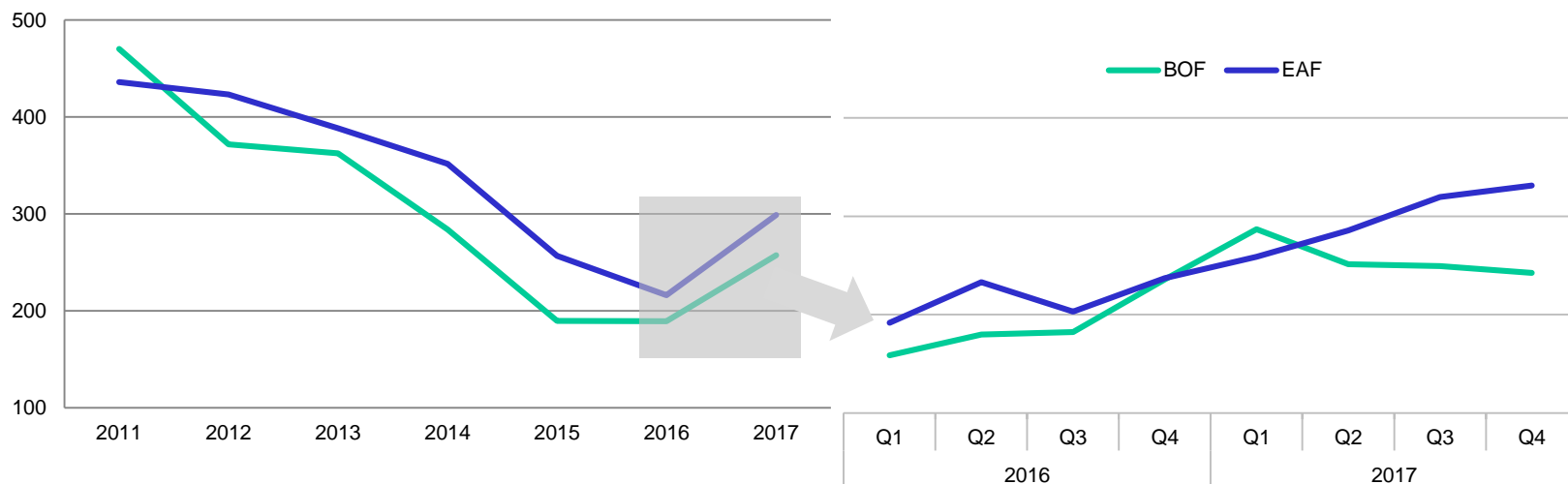
Demand



source: World Steel Association, HIPH

BOF & EAF Feedstock Costs

Feedstock Cost	2011	2012	2013	2014	2015	2016	2017	2016				2017						
								Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>USD / Tonne</i>																		
BOF	470	372	363	284	190	189	257	159	180	182	236	287	251	249	242			
EAF	436	423	388	352	257	216	299	192	233	203	237	259	285	320	331			
difference	34	-52	-26	-68	-67	-27	-41	-33	-53	-21	-1	28	-34	-70	-89			



Prices	Iron ore	Coking coal	Scrap
<i>(USD / Tonne)</i>			
2011	168	200	389
2012	129	145	378
2013	135	122	347
2014	97	105	314
2015	55	89	229
2016	59	92	193
2017	72	145	267

Feedstock Cost Model	BOF	EAF
<i>Tonne / Tonne of crude steel</i>		
iron ore	1.60	
coking coal	0.60	
Scrap	0.21	1.12

- Relation between the prices of iron ore, coking coal and steel scrap play an important role for EAF steel producers as they compete to some extent with BOF steelmakers
- Due to the strong steel output growth in 2017 scrap metal prices increased more as compared to BOF feedstock, particularly in H2 2017
- The cost position of EAF producers is moderately negative allowing them however to maintain fair margins
- Strong demand for steel and the protectionist measures applied by the EU keep the European steel business in good shape
- China capacity cuts and good GDP dynamics support prices worldwide

source: IMF, EIA, Cognor

Prices & Spreads

	2017	2016	2015	2014	2013	2012	2011
(pln/ tonne)							
FERROSTAL							
SCRAP METAL - average purchase price	1 014	755	864	989	1 096	1 236	1 152
BILLETS - average price	1 892	1 491	1 660	1 858	2 015	2 121	2 038
<i>volume</i>	141 326	85 337	104 113	169 904	160 898	214 489	252 239
BILLET SPREADS	878	736	796	869	919	885	885
FINISHED PRODUCTS – average price	1 996	1 714	1 842	2 036	2 131	2 337	2 285
<i>total volume</i>	307 607	318 095	224 491	186 571	142 425	75 155	84 291
<i>- plain bars</i>	2 083	1 871	1 945	2 070	2 116	2 310	2 261
<i>volume</i>	29 999	29 304	32 331	35 714	36 557	25 562	33 301
<i>- flat bars</i>	2 089	1 902	1 967	2 073	2 131	2 315	2 303
<i>volume</i>	48 053	61 409	60 155	64 241	57 565	39 894	33 970
<i>-squares</i>	2 062	1 871	1 939	2 057	2 071	2 265	2 238
<i>volume</i>	6 534	7 726	11 029	13 709	16 823	5 724	7 276
<i>-rebars</i>	1 951	1 581	1 629	1 867			
<i>volume</i>	202 100	188 134	82 461	41 642			
<i>-angles</i>	2 064	1 918	1 951	2 111	2 132		
<i>volume</i>	17 848	24 895	32 171	30 107	28 209		
<i>-other</i>	2 131	2 108	2 180	2 721	2 619	2 906	2 428
<i>volume</i>	3 073	6 627	6 346	1 159	3 271	3 975	1 737
PRODUCT SPREADS	982	959	978	1 047	1 036	1 101	1 132
<i>- plain bars</i>	1 070	1 116	1 081	1 081	1 020	1 073	1 108
<i>- flat bars</i>	1 076	1 147	1 104	1 084	1 035	1 078	1 150
<i>- squares</i>	1 048	1 116	1 076	1 068	975	1 029	1 086
<i>- rebars</i>	937	826	766	880			
<i>- angles</i>	1 050	1 164	1 087	1 122	1 036		
<i>- other</i>	1 117	1 353	1 317	1 732	1 523	1 670	1 276

scrap metal price up by **259 & 34%**
 billet sales price up by **400 & 27%**

billet spread up by 142
 finished product sales price up by **282 & 16%**

product spread up by 23

Prices & Spreads

	2017	2016	2015	2014	2013	2012	2011
<i>(pln/ tonne)</i>							
HSJ							
SCRAP METAL - average purchase price	1 076	823	902	1 041	1 109	1 229	1 183
BILLETS - average price	2 252	1 775	1 968	2 472	2 450		
<i>volume</i>	44 098	30 159	28 148	18 149	9 120		
BILLET SPREADS	1 176	952	1 066	1 431	1 341		
FINISHED PRODUCTS – average price	2 858	2 463	2 703	2 920	2 937	3 386	3 535
<i>total volume</i>	165 082	160 708	168 397	151 788	150 099	130 716	147 291
<i>- SQ bars</i>	2 785	2 337	2 584	2 788	2 825	3 201	3 317
<i>volume</i>	156 519	153 736	150 311	144 605	145 236	117 074	135 905
<i>- thick sheets</i>	2 818	2 740	2 427	2 954	3 942	3 503	4 124
<i>volume</i>	7 699	5 696	16 362	5 787	3 672	11 943	9 366
<i>- thin sheets</i>	10 973	11 147	10 820	11 090	11 593	11 177	12 034
<i>volume</i>	536	638	1 069	865	935	1 285	1 607
<i>- other</i>	25 154	21 547	23 529	25 277	20 586	28 412	28 860
<i>volume</i>	328	638	655	531	256	414	413
PRODUCT SPREADS	1 782	1 640	1 801	1 879	1 829	2 157	2 352
<i>- SQ bars</i>	1 709	1 514	1 682	1 747	1 716	1 971	2 134
<i>- thick sheets</i>	1 742	1 917	1 525	1 913	2 833	2 274	2 940
<i>- thin sheets</i>	9 897	10 324	9 918	10 049	10 484	9 948	10 851
<i>- other</i>	24 078	20 724	22 627	24 236	19 477	27 183	27 677

scrap metal price up by **253 & 31%**
 billet sales price up by **477 % 27%**

billet spread up by 224
 finished product sales price up by **395 & 16%**

product spread up by 142

Segments

SCRAP METAL		2017	2016	2015	
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>				
FERROSTAL		329 931	358 383	269 155	
ZŁOMREX		331 912	306 145	321 631	ZŁOMREX purchases up by 8.4%
HSJ		161 244	138 704	131 897	
INTERNAL USE	<i>Tonnes</i>				
FERROSRAL		483 225	453 611	408 941	
HSJ		281 624	258 680	252 364	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
ZŁOMREX		130 883	93 553	118 994	
OTHER		7 982	0	0	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		136 902	70 275	100 051	
TOTAL PURCHASES in TONNES		823 087	803 232	722 683	
TOTAL INTERNAL USE in TONNES		764 849	712 291	661 305	
TOTAL SALES in TONNES		138 865	93 553	118 994	Shipments up by 48.4%
TOTAL SALES in '000 PLN		136 902	70 275	100 051	Sales up by 94.8%

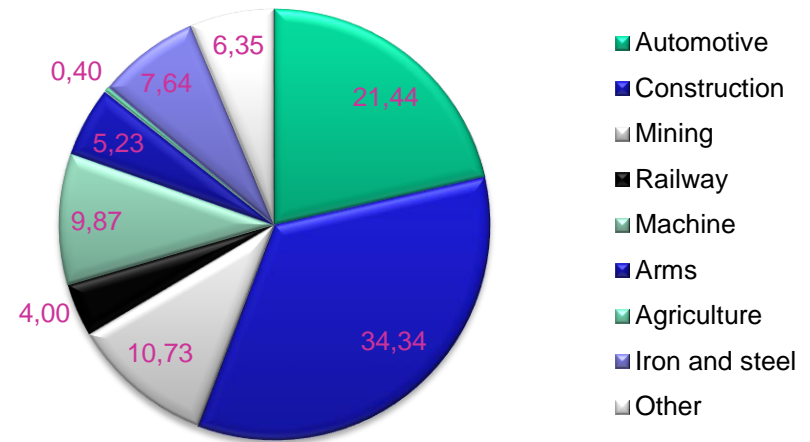
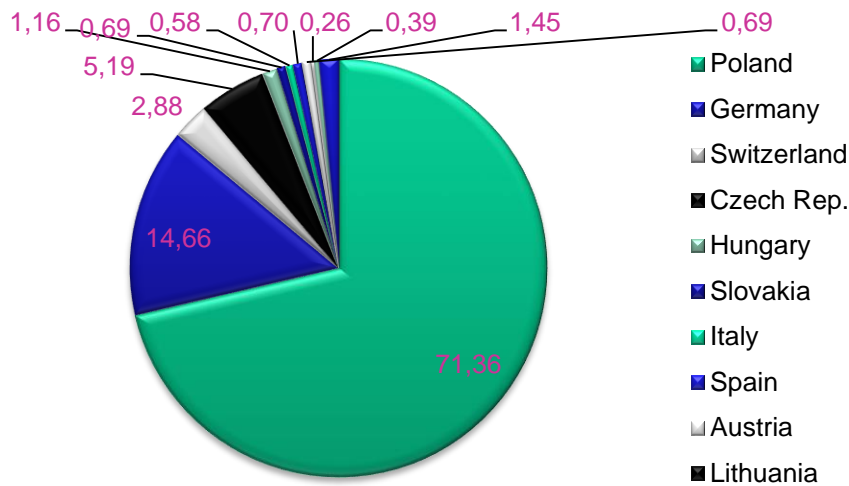
Segments

BILLETS		2017	2016	2015	
PURCHASES	<i>Tonnes</i>				
FERR		0	0	26	
PRODUCTION	<i>Tonnes</i>				
FERR		431 731	402 676	363 492	
HSJ		246 189	226 090	219 962	
INTERNAL USE	<i>Tonnes</i>				
FERR		320 796	329 371	259 379	
HSJ		202 091	195 931	191 840	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
FERR		141 326	85 337	104 113	
HSJ		44 098	30 159	28 148	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		366 629	180 764	228 178	
TOTAL PURCHASES in TONNES		0	0	26	
TOTAL PRODUCTION in TONNES		677 920	628 766	583 454	Production up by 7.8%
TOTAL INTERNAL USE in TONNES		522 887	525 302	451 219	
TOTAL SALES in TONNES		185 424	115 496	132 261	Shipments up by 60.5%
TOTAL SALES in '000 PLN		366 629	180 764	228 178	Sales up by 102.8%

Segments

FINISHED PRODUCTS		2017	2016	2015	
PURCHASES	<i>Tonnes</i>				
ALL ENTITES		19	132	582	
PRODUCTION	<i>Tonnes</i>				
ZWWB		78 729	80 480	78 441	
HSJ		171 697	156 858	172 937	
PROFIL		226 647	223 029	150 402	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
FERROSTAL		307 607	318 095	224 491	
HSJ		165 082	160 708	168 397	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		1 085 773	941 127	868 672	
TOTAL PURCHASES in TONNES		19	132	582	
TOTAL PRODUCTION in TONNES		477 073	460 367	401 780	Production up by 4.6%
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		472 689	478 803	392 888	Shipments down by -1.3%
TOTAL SALES in '000 PLN		1 085 773	941 127	868 672	Sales up by 15.4%

Geographical & Industry Breakdowns (*billets and finished products segment*)



STATEMENT OF PROFIT OR LOSS	2017	2016	2015		
	'000 PLN				
Sales revenue	1 789 280	1 377 352	1 365 761	Revenues up by	29.9%
Cost of sales	-1 573 044	-1 228 812	-1 266 013		
Gross profit	216 236	148 540	99 748	Gross profit up by	45.6%
Other income	10 126	5 558	4 545		
Distribution expenses	-65 792	-51 231	-48 725		
Administrative expenses	-50 528	-39 343	-35 899		
Other gains/(losses) – net	-2 644	2 822	2 901		
Other expenses	-8 188	-6 951	-8 060	EBIT up by	67.0%
EBIT	99 210	59 395	14 510		
Financial income	22 131	5 216	26 676		
Financial expenses	-53 339	-68 412	-57 107	FX gains PLN	22.1m
Net financing costs	-31 208	-63 196	-30 431		
Share of profits of associates	51	103	-85		
Excess in fair value of acquired assets over cost	0	0	0		
Profit before tax	68 053	-3 698	-16 006		
Income tax expense	-18 148	7 770	3 331		
Profit/loss for the period from discontinued operations	0	0	0	Adjusted net result PLN	31.9m
Profit for the period	49 905	4 072	-12 675		
Depreciation and amortization	-41 328	-39 022	-36 370		
EBITDA	140 538	98 417	50 880	EBITDA up by	42.8 %
				Adjusted EBITDA PLN	145.7m

ASSETS	2017	2016	2015		
<i>'000 PLN</i>					
A. TOTAL NON-CURRENT ASSETS	398 470	433 965	414 452		
I. Intangible assets	13 005	11 938	10 834	CAPEX PLN	26.3m
II. Property, plant and equipment	285 862	300 250	282 266	Disposals PLN	9.1m
III. Other receivables	223	126	49		
IV. Investment property and other investments	3 431	8 055	16 725		
V. Prepaid perpetual usufruct of land	25 771	20 220	21 111		
VI. Deferred tax assets	70 178	93 376	83 467	Utilization of tax shield	
B. TOTAL CURRENT ASSETS	552 219	474 444	438 736		
I. Inventories	277 494	303 938	269 735		
II. Receivables	172 679	139 440	126 192	Receivables sold (net) PLN	107.1m
1. Trade receivables	171 889	137 394	125 775	Receivables sold (net) in 2016 PLN	89.0m
2. Current income tax receivable	778	1 908	290		
3. Other investments	12	138	127		
III. Cash and cash equivalents	102 046	25 054	37 303	Cash balance includes SPO proceeds	
IV. Prepayments	0	6 012	5 506		
V. Assets classified as held for sale	0	0	0		
Total	950 689	908 409	853 188		

EQUITY AND LIABILITIES	2017	2016	2015	
'000 PLN				
A. EQUITY	241 834	160 300	170 542	Equity up by PLN 81.5m (net profit, SPO proceeds)
I. Issued share capital	177 923	150 532	139 702	
II. Reserves and retained earnings	47 426	-4 007	9 271	
III. Minority interest	16 485	13 775	21 569	
B. LIABILITIES	708 855	748 109	682 646	Net indebtedness down by PLN 128.2m (cash build-up, PLN 22.1m FX gains)
I. Non-current liabilities	388 800	418 937	440 152	
1. Employee benefits obligation	11 282	9 202	9 230	
2. Interest-bearing loans and borrowings	358 003	378 383	387 034	
3. Other	19 515	31 352	43 888	
II. Current liabilities	320 055	329 172	242 494	
1. Interest-bearing loans and borrowings	44 523	74 656	48 882	
2. Bank overdraft	24 607	25 274	18 767	
3. Trade payables	242 324	221 051	166 067	
4. Deferred government grants	117	117	117	
5. Employee benefits obligation	5 122	4 939	4 884	
6. Current income tax payable	0	0	5	
7. Provisions for payables	3 362	3 135	3 772	
Total	950 689	908 409	853 188	

CASH FLOW	2017	2016	2015
	<i>'000 PLN</i>		
A. OPERATING ACTIVITIES	145 440	94 097	98 260
B. INVESTING ACTIVITIES	-15 402	-32 679	-3 427
C. FINANCING ACTIVITIES	-52 379	-80 174	-106 423
Net increase in cash	77 659	-18 756	-11 190

Working capital inflow PLN 10.8m
(reduction of inventories; increase in factored receivables by PLN 8.1m)

CF CAPEX PLN (-) 17.5m
CF asset dispositions PLN 1.6m

Net repayment of principal PLN (-) 31.7m
Interest service PLN (-) 51.2m
SPO proceeds PLN 39.8m

MAIN METRICS	2017	2016	2015
Liquidity ratio	1.73	1.44	1.81
Quick ratio	0.86	0.52	0.7
Inventories turnover <i>days</i>	64	90	78
Receivables turnover <i>days</i>	35	36	34
EBITDA margin	7.9%	7.1%	3.7%
Net profit margin	2.8%	0.3%	-0.9%
Equity <i>'000 PLN</i>	241 834	160 300	170 542
Net debt <i>'000 PLN</i>	325 087	453 259	417 380
Net debt / EBITDA	2.3	4.6	8.2

Liquidity ratios improved and good

Inventory ratio down by 26 days
Receivable ratio down by 1 day

Profitability ratios increased

Leverage down to 2.3 times

Main factors

- Strong GDP growth for Poland and the EU (28) sustained
- Demand dynamics lower across the world
- Chinese overcapacity cuts continued at slower pace
- EU anti-dumping tariffs in place
- Stabilisation of Polish crude steel production and further increase in steel consumption. Rebar market strong and increasing due to higher infrastructural spending
- Prices of scrap metal, billets and finished products and conversion spreads to stabilize.
- Improvement of EAF cost model versus BOF; electrode prices easing

Financing

In February 2014 Cognor has closed the restructuring transaction by issuing:

- EUR 100m of senior notes maturing February 2020; coupon 7,5% years 1-2; 10% year 3; 12,5% years 4-6
- EUR 25m of exchangeable notes February 2021; coupon 5%. The notes are exchanged mandatorily into Cognor's shares at maturity or earlier at the demand of a holder. Ammended by the SPO exchange price is PLN 2.05 per share. These notes form part of our equity.

Due to repurchases and cancellation of the senior notes as well the conversion of the exchangeable notes the actual outstanding amounts are the following:

- EUR 80.9m of senior notes maturing February 2020; coupon 7,5% years 1-2; 10% year 3; 12,5% years 4-6
- EUR 19.7m of exchangeable notes February 2021; coupon 5%.

With the existing short-term facilities we regard the access to short-term financing as adequate and sustainable.

In June 2017 we entered into a long-term loan agreement with a couple of relationship banks for the purpose of the entire senior notes repayment. In December we carried out the SPO through which we received PLN 40m of proceeds, less by PLN 50m to be able to incur the bank loan. Currently, we are seeking to agree on the ammendment of certain terms of the bank loan in order to be be able to utylize the amount which together with our own cash would allow to redeem the senior notes.

CAPEX

In 2018 we intend to spend simillar amount for the upgrade of our machinery and equipment. Other expenditures are contingent to the success of the refinancing and market prospects, subject to the limitations resulting from the existing or future financing documentation.

Together reach more



COGNOR SA

ul. Zielona 26, 42 - 360 Poraj

tel. +48 34 316 01 10, fax +48 34 316 01 12

cognor@cognor.eu, www.cognor.pl