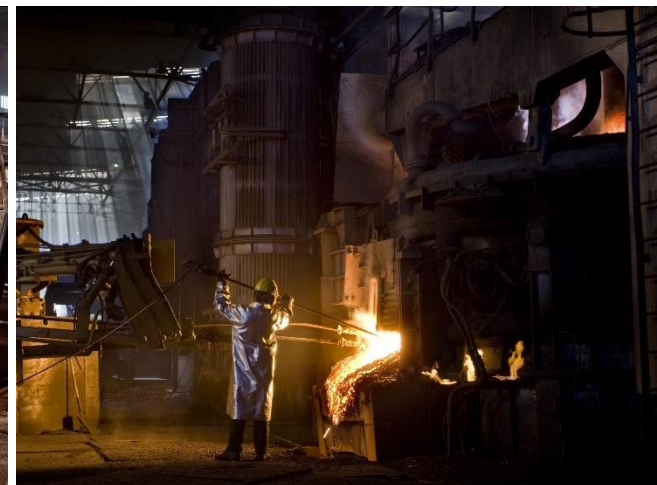




Q2 2017 Financial results

30 August 2017



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Management team



Przemysław Sztuczkowski
Founder, CEO

Responsibility

- Strategic development
- Production management and planning
- Investment policy

Experience

- Founder of Złomrex in 1990
- Steel market consolidator and creator of the integrated Group in its current shape
- Steel market professional with 27-year of experience in various business undertakings
- President of the Board and CEO of Cognor Holding since 2012

Education

- Graduate of technical school



Przemysław Grzesiak
Deputy CEO

Responsibility

- Production management; planning
- Investment policy

Experience

- Co-founder of Złomrex in 1990
- With the Group since its beginning
- Steel market professional with 26-year of experience in various business undertakings
- Vice-President of the Board and Deputy CEO of Cognor Holding since 2012

Education

- Graduate of University of Technology in Częstochowa (master's degree in furnace construction)



Krzysztof Zoła
Board Member, CFO

Responsibility

- Cooperation with financial institutions
- Budgeting and controlling

Experience

- CFO and Board Member of Złomrex in 2002-2011
- CFO and Board Member of Cognor Holding since 2013
- Awarded the CFO of the year 2007 in Poland

Education

- Graduate of University of Technology in Częstochowa (master's degree in management and marketing in the machine industry)



Dominik Barszcz
Board Member

Responsibility

- Accounting
- IT

Experience

- With Złomrex since 2000; Senior Manager in 2003-2011
- Board Member of Cognor Holding since 2013
- Chief Accountant and IT Director for 8 years

Education

- Economic Academy in Katowice (master's degree in accounting; postgraduate studies in tax strategies)

Management with long lasting track record in the Company combining sector experience with experience in restructuring and development in challenging business environment

Today's presenters

Q2 2017 – Key highlights

- **high level of capacity utilization** with a slight decrease of 0.6% of crude steel production and 4.0% decrease with respect to shipments of ferrous scrap metal, billets and finished products.
- **increase of prices by an average of 15.1%** and **total revenues growth by 9.4%**.
- **further improving conversion spreads:** for billets up by **PLN 252 per tonne** and for finished products up **by PLN 171 per tonne**
- EBITDA at **PLN 32.0 million** with no FIFO support
- World's steel output up by 3.4%; China 4.1%; EU 4.2%; Poland 24.4%
- BOF feedstock model slightly less costly compared to EAF

Cognor Holding | Key figures

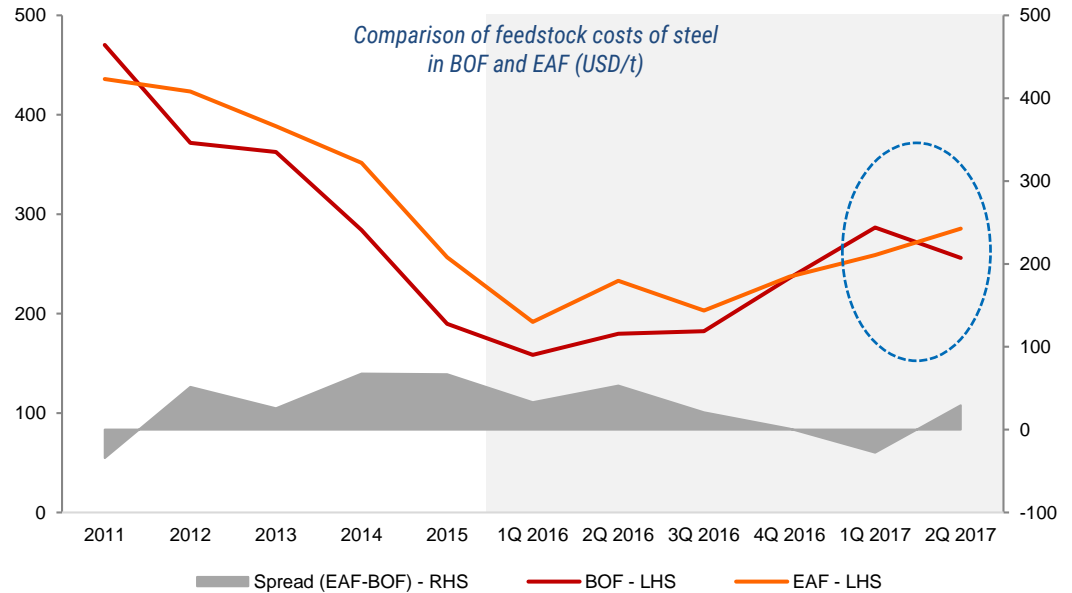
Q2 2017	168k tons Production of crude steel in Q2 2017	PLN 404 mn Total sales revenue for Q2 2017	PLN 32 mn Q2 2017 EBITDA margin at 7.9%	-0.6% qoq Stronger EBITDA with no FIFO support – 13.9 mn of FIFO gains in Q2 2016	PLN 6.4 mn Net profit in Q2 2017 at 1.6% margin ; incl. 0,6 mn of FX losses
FY 2016	629k tons Production of crude steel in 2016 (c.a. 7% market share)	PLN 1,352 mn Total sales revenue for FY 2016	PLN 94.8 mn EBITDA for FY 2016 with 7.0% EBITDA margin	93.5% yoy EBITDA growth in 2016	PLN 1.5 mn Net profit for FY 2016

Attractive recent steel market developments are to support the Group's further growth...

EAF steel production process is more advanced and uses cost-effective technology (better energetic balance)...

Market prices	iron ore	coking coal	scrap metal
USD/tonne			
Q2 2017	63	169*	255
Q1 2017	86	169	231
2016	59	92	193
2015	55	89	229
2014	97	105	314
2013	135	122	347
2012	129	145	378
2011	168	200	389

	BOF	EAF
tonne/tonne of crude steel		
iron ore	1.60	
coking coal	0.60	
scrap metal	0.21	1.12



- BOF cost model includes own coke and sinter plant
- BOF and EAF cost models and other cost estimates do not represent any particular plant nor Cognor cost structure

Feedstock costs	2016										2017	
	2011	2012	2013	2014	2015	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17
USD/tonne												
BOF	470	372	363	284	190	159	180	182	236	188	287	256
EAF	436	423	388	352	257	192	233	203	237	216	259	285
Spread (EAF-BOF)	-34	52	26	68	67	33	53	21	1	28	-28	29

Group's key business segments – Q2 2017 operating results

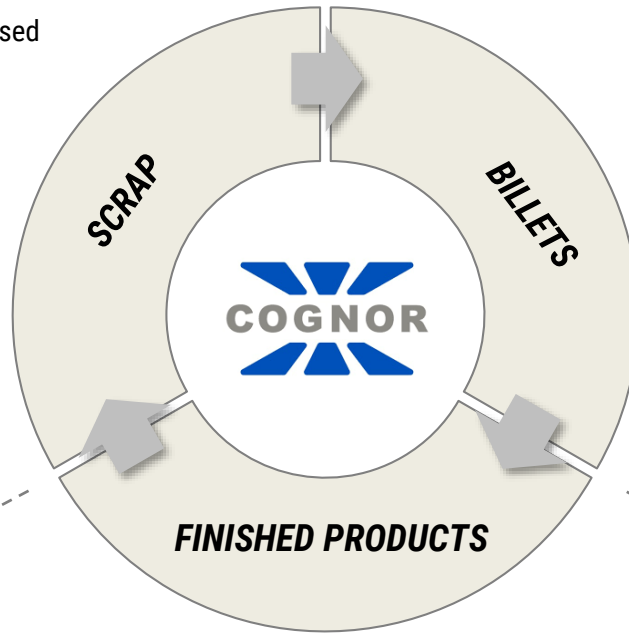


202 984 tons
total scrap purchased

168 489 tons
total billets production

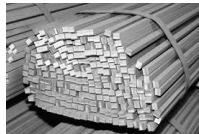


188 511 tons
total scrap used internally



136 137 tons
total billets used internally

108 502 tons
total sales volume of finished products

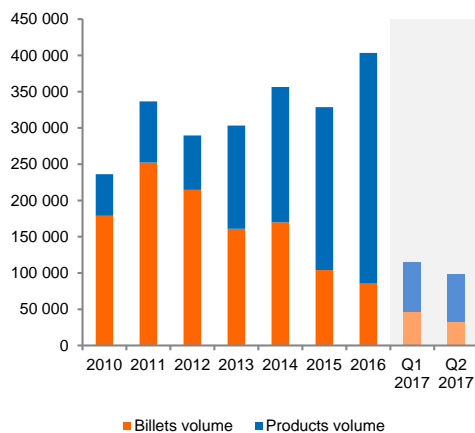


Ferrostal – volumes, prices and spreads

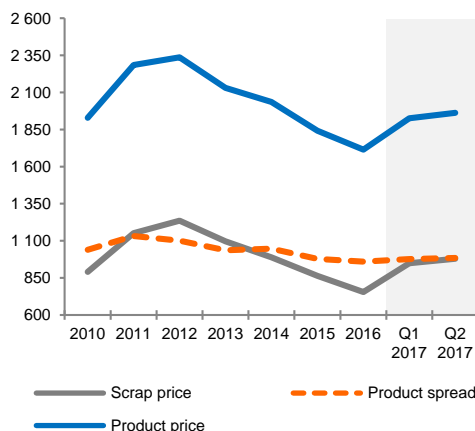


Ferrostal
Steel mill

Ferrostal: Billets and product volumes (tonnes)

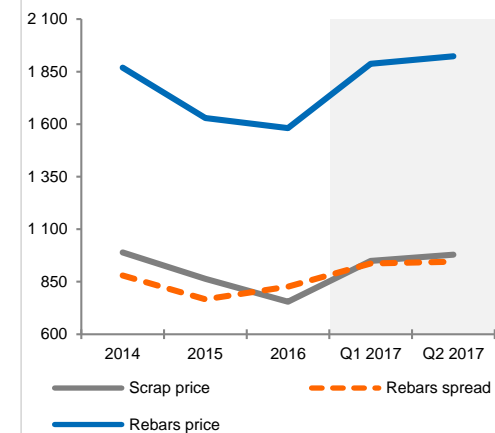


Ferrostal: Prices and spreads (PLN/tonne)

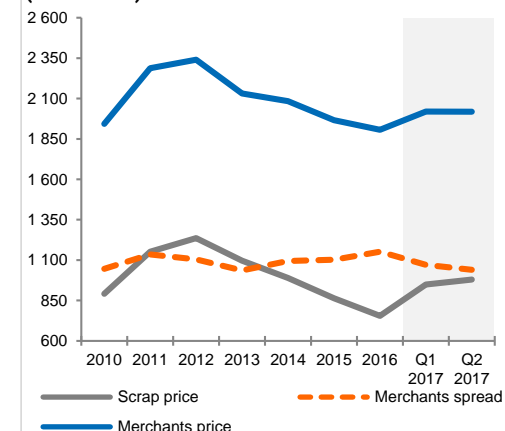


	2016	Q1 2016	Q2 2016	Q1 2017	Q2 2017
Scrap metal - average purchase price	755	676	805	949	979
Billets - average sales price	1,491	1,337	1,516	1,757	1,899
<i>Billets - volume</i>	85,337	30,895	21,596	47,052	32,603
Billets spreads	736	661	710	808	920
Finished products - average sales price	1,714	1,609	1,720	1,926	1,963
<i>Finished products - total volume</i>	318,095	78,877	91,571	68,588	65,864
plain bars	1,871	1,828	1,927	1,955	2,027
<i>volume</i>	29,304	7,767	7,467	5,318	8,111
flat bars	1,902	1,864	1,950	2,032	1,995
<i>volume</i>	61,409	16,133	16,386	8,776	12,160
squares	1,871	1,832	1,919	1,991	1,988
<i>volume</i>	7,726	1,868	2,011	1,149	1,286
rebars	1,581	1,408	1,588	1,887	1,923
<i>volume</i>	188,134	43,880	58,331	48,394	38,581
angles	1,918	1,860	1,954	2,058	2,024
<i>volume</i>	24,895	6,752	5,787	4,649	5,428
other	2,108	1,954	2,119	2,324	2,740
<i>volume</i>	6,627	2,477	1,589	302	298
Product spreads	959	932	915	977	984
plain bars	1,116	1,152	1,122	1,006	1,048
flat bars	1,147	1,188	1,145	1,082	1,017
squares	1,116	1,156	1,113	1,041	1,010
rebars	826	732	783	937	945
angles	1,164	1,183	1,149	1,109	1,045
other	1,353	1,278	1,314	1,375	1,761

Ferrostal: Rebars prices and spreads (PLN/tonne)



Ferrostal: Merchant bars prices and spreads (PLN/tonne)¹⁾

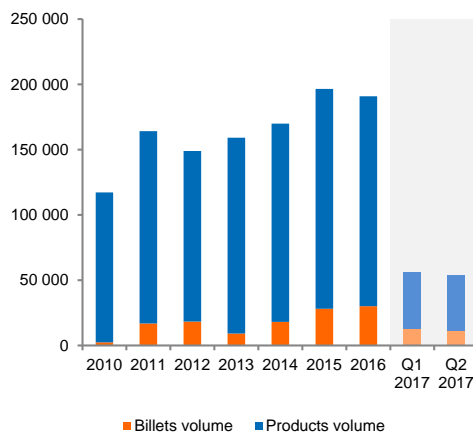


HSJ – volumes, prices and spreads

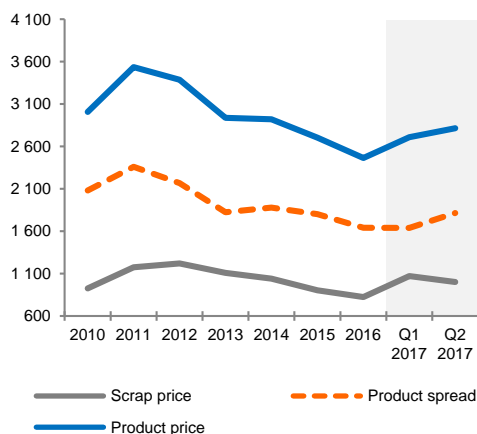


HSJ Steel mill

HSJ: Billets and product volumes (tonnes)

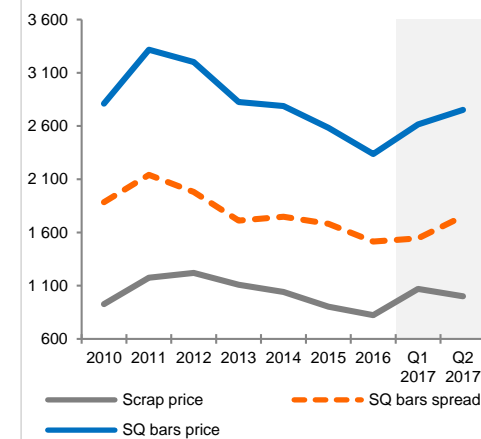


HSJ: Overall prices and spreads (PLN/tonne)



	2016	Q1 2016	Q2 2016	Q1 2017	Q2 2017
Scrap metal - average purchase price	823	722	841	1,070	1,000
Billets - average sales price	1,775	1,712	1,663	2,120	2,193
<i>Billets - volume</i>	30,159	7,781	6,779	12,563	10,979
Billets spreads	952	990	822	1,050	1,193
Finished products - average sales price	2,463	2,433	2,426	2,708	2,815
<i>Finished products - total volume</i>	160,708	47,563	46,017	43,415	42,639
SQ bars	2,337	2,294	2,298	2,615	2,752
<i>volume</i>	153,736	44,540	43,322	40,089	39,179
thick sheets	2,740	2,765	2,663	2,595	2,713
<i>volume</i>	5,696	2,556	2,234	3,009	3,297
thin sheets	11,147	10,728	11,318	10,488	11,851
<i>volume</i>	638	252	243	205	89
other	21,547	17,557	15,567	24,973	29,603
<i>volume</i>	638	215	218	112	74
Product spreads	1,640	1,711	1,585	1,638	1,815
SQ bars	1,514	1,572	1,457	1,545	1,752
thick sheets	1,917	2,043	1,822	1,525	1,713
thin sheets	10,324	10,006	10,477	9,418	10,851
other	20,724	16,835	14,726	23,903	28,603

HSJ: SQ bars prices and spreads (PLN/tonne)



Key business segments | Collection of metal scrap

1

MATERIALS: SCRAP

Mainly internal use



Application

- Materials used in further phases of steelmaking process

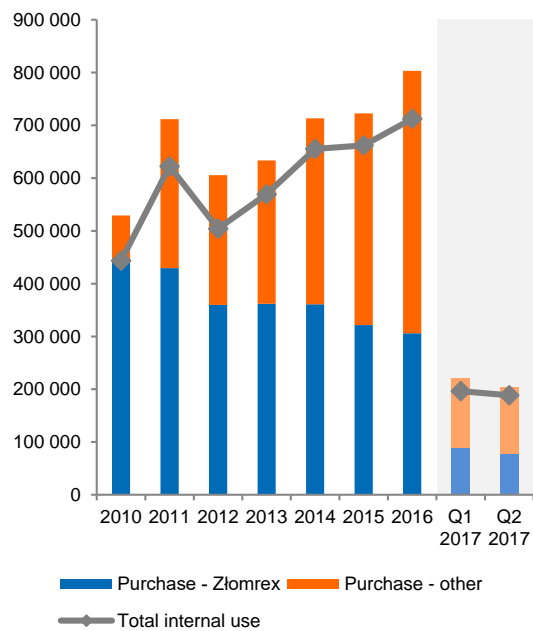
Form

- Ferrous scrap** (for internal use)
- Non-ferrous scrap**, wastepaper and other materials (for external sales)

Q2 2017 comments

- Scrap purchases in Q2 2017 decreased by 8% yoy, whereas internal use was similar to Q2 2016
- Scrap sales increased yoy by 26% and 53% volume-wise and money-wise respectively

Purchase and internal use (tonnes)



	2016	Q1 2016	Q2 2016	Q1 2017	Q2 2017
PURCHASE FROM EXTERNAL SUPPLIERS (TONNES)					
Ferrostal	358,383	96,250	98,486	93,492	86,649
Złomrex	306,145	65,580	83,673	88,587	77,052
HSJ	138,704	35,581	38,194	38,186	39,283
INTERNAL USE (TONNES)					
Ferrostal	453,611	113,895	118,723	123,254	122,139
HSJ	258,680	68,241	72,532	73,149	66,372
SALES TO EXTERNAL CUSTOMERS (TONNES)					
Złomrex	93,553	24,156	24,019	27,848	30,211
SALES ('000 PLN)					
CONSOLIDATED	70,275	16,716	18,621	27,140	28,557
TOTAL PURCHASE (TONNES)	803,232	197,411	220,353	220,265	202,984
TOTAL INTERNAL USE (TONNES)	712,291	182,136	191,255	196,403	188,511
TOTAL SALES (TONNES)	93,553	24,156	24,019	27,848	30,211
TOTAL SALES ('000 PLN)	70,275	16,716	18,621	27,140	28,557

Key business segments | Billets – production of subproducts

2

SEMI-FINISHED PRODUCTS: BILLETS

Internal use and external sales



Application

- **Semi-finished products** to be used in further manufacturing

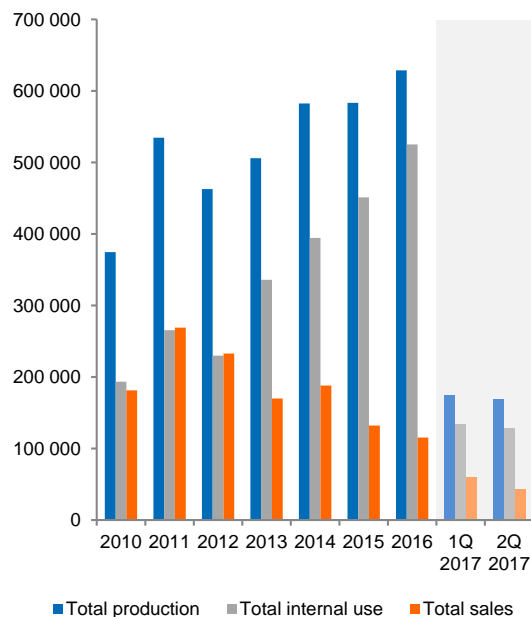
Form

- Square billets
- Rectangulars
- Circles

Q2 2017 comments

- Billet production in Q2 2017 flat yoy
- EAF cost position allowed for higher billet sales (by 54% and 95% volume-wise and money-wise respectively) and a 15% yoy lower internal use of them

Production, internal use and sales (tonnes)



	2016	Q1 2016	Q2 2016	Q1 2017	Q2 2017
PURCHASE FROM EXTERNAL SUPPLIERS (TONNES)					
Ferrostal	-	-	-	-	-
PRODUCTION (TONNES)					
Ferrostal	402,676	100,997	105,683	110,138	110,255
HSJ	226,090	59,470	63,786	63,997	58,234
INTERNAL USE (TONNES)					
Ferrostal	329,371	80,766	95,059	82,295	81,425
HSJ	195,931	51,689	57,007	51,434	47,255
SALES TO EXTERNAL CUSTOMERS (TONNES)					
Ferrostal	85,337	30,895	21,596	47,052	32,603
HSJ	30,159	7,781	6,779	12,563	10,979
SALES ('000 PLN)					
CONSOLIDATED	180,764	54,633	44,007	109,299	85,992
TOTAL PURCHASE (TONNES)	-	-	-	-	-
TOTAL PRODUCTION (TONNES)	628,766	160,467	169,469	174,135	168,489
TOTAL INTERNAL USE (TONNES)	525,302	132,455	152,066	133,729	128,680
TOTAL SALES (TONNES)	115,496	38,676	28,375	59,615	43,582
TOTAL SALES ('000 PLN)	180,764	54,633	44,007	109,299	85,992

Key business segments | Finished products

3 FINISHED PRODUCTS: LONG AND FLAT PRODUCTS

External sales



Application

- Wide application in numerous industries (automotive, machine, mining, energy, railway)

Form

- Flat bars, square bars, plain bars, angles
- rebars
- SQ bars

Q2 2017 comments

- Sales volume of rebars decreased respectively by 34% yoy and 20% qoq. due to increased sales of billets



Application

- Focus on specialized steels with high margins (for example defence industry)
- Confirmed deliveries for Polish Army (corpus for Rosomak military vehicle)

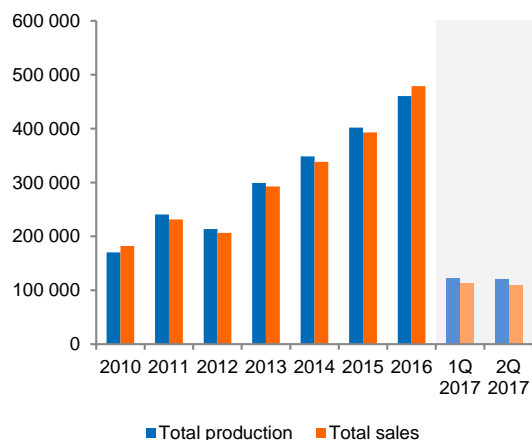
Form

- Construction sheets
- Armoured sheets (ARMSTAL)
- Heat-resistant sheets
- High strength sheets

Q2 2017 comments

- Sales volume of thick and thin sheets increased respectively by 26% yoy and 53% qoq

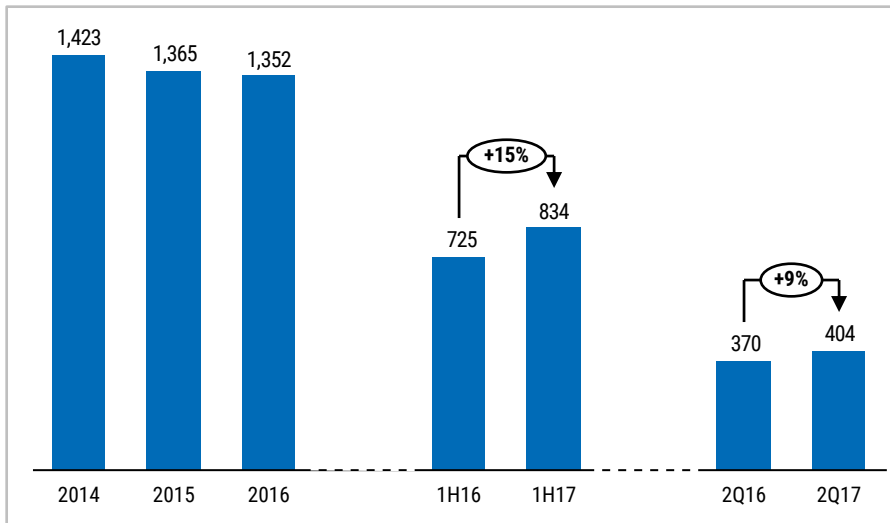
Production and sales (tonnes)



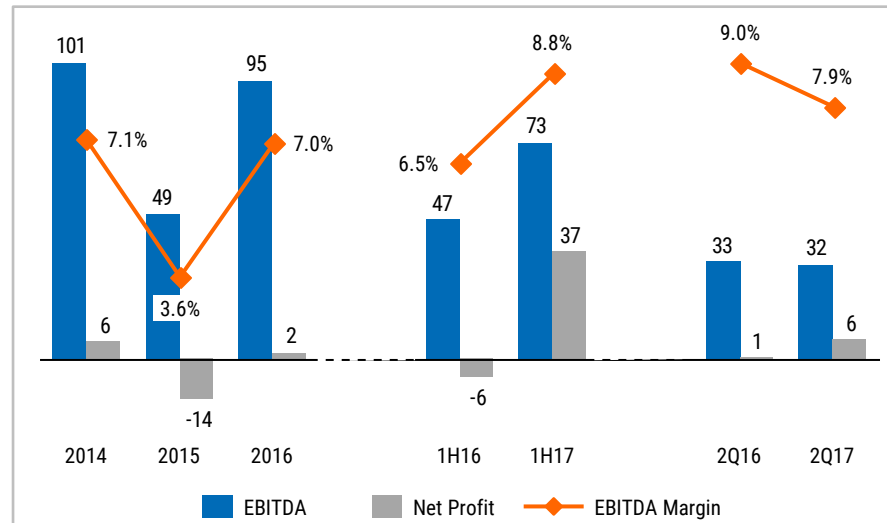
	2016	Q1 2016	Q2 2016	Q1 2017	Q2 2017
PURCHASE FROM EXTERNAL SUPPLIERS (TONNES)					
Ferrostal	132	75	17	-	-
PRODUCTION (TONNES)					
ZWWB	80,480	20,004	22,790	17,844	20,369
HSJ	156,858	40,745	47,635	43,392	42,743
Profil	223,029	55,442	66,372	60,556	57,046
SALES TO EXTERNAL CUSTOMERS (TONNES)					
Ferrostal	318,095	78,877	91,571	68,588	65,863
HSJ	160,708	47,563	46,017	43,415	42,639
SALES ('000 PLN)					
CONSOLIDATED	941,127	242,622	266,944	249,692	249,294
TOTAL PURCHASE (TONNES)	132	75	17	-	-
TOTAL PRODUCTION (TONNES)	460,367	116,191	136,797	121,792	120,158
TOTAL SALES (TONNES)	478,803	126,440	137,588	112,003	108,502
TOTAL SALES ('000 PLN)	941,127	242,622	266,944	249,692	249,294

Cognor's financial results

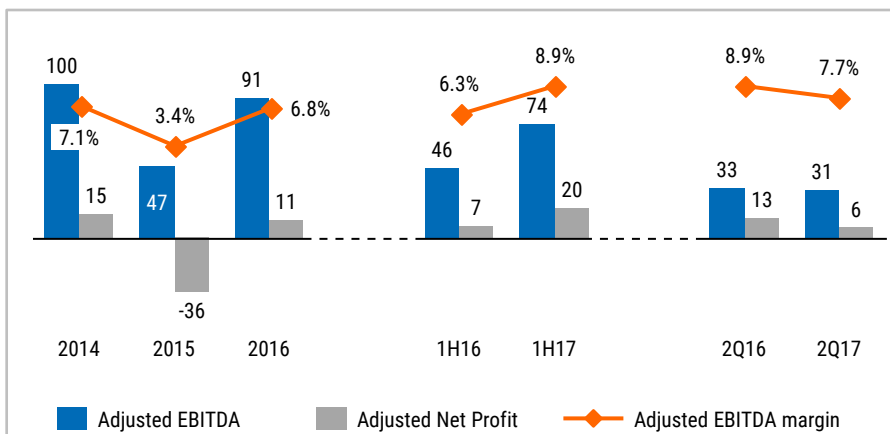
Revenue (PLN mn)



EBITDA, Net Profit (PLN mn)



Adjusted EBITDA and Net Profit (PLN mn)¹



Comments

Revenue:

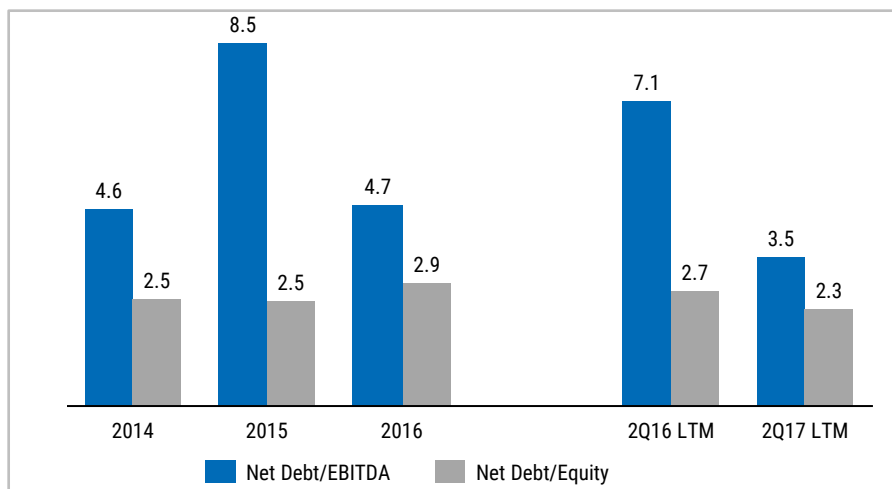
- In Q217 revenue was PLN 35 mn higher than in Q216, which was the effect of price increases in spite of 4% shipments decrease. It was the best quarterly result in Company's history.

EBITDA, Net Profit:

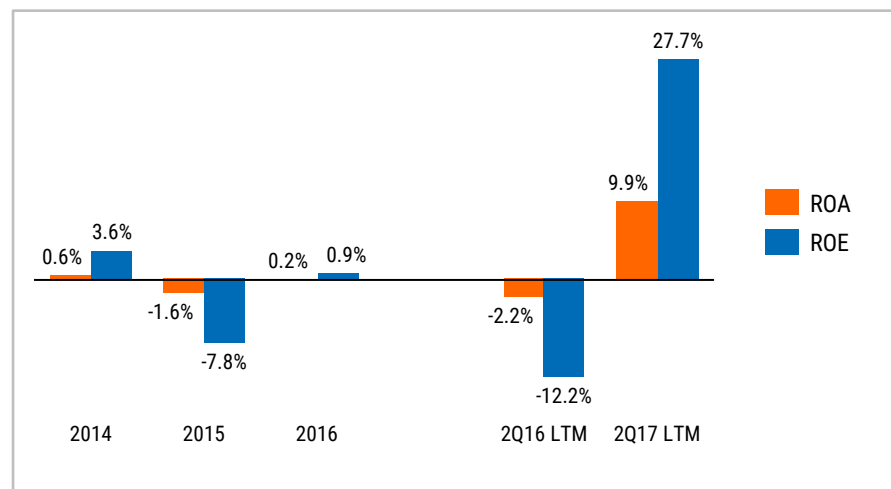
- EBITDA margin in Q217 at 7,9% (within upward trend of improving Company's profitability)
- Cost of scrap metal relative to product prices (conversion spread – the key profitability driver) improved by 252 for billets and 171 for finished products
- EBITDA held firm in 2Q17 in spite of lack of FIFO gains (pln 13.9 mn Q216)

Cognor's leverage and profitability

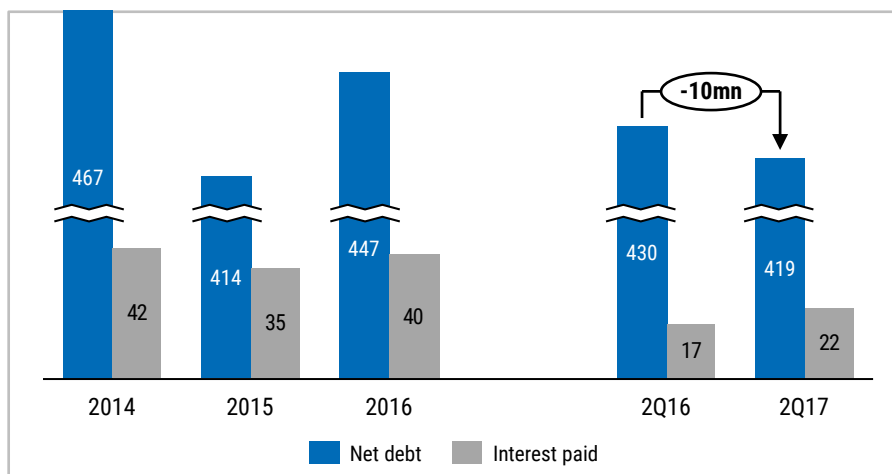
Cognor's Leverage Ratios



Cognor's Profitability Ratios



Cost of Cognor's debt [PLN mn]



Comments

Leverage:

- Cognor reduced its net debt in Q217 by PLN 10 mn compared to Q216,
- Increasing EBITDA and debt reduction resulted in net debt/EBITDA ratio coming back to „safe territory” of 3.5x
- Debt structure - **bonds accounted for ca 80% of total financial liabilities** in Q217

Cost of debt:

- It is dependent primarily on bonds' coupons currently cash-wise at **12.5%** and P&L-wise at **10.9%**

Consolidated income statement

'000 PLN	H1 2016	H1 2017	Q2 2016	Q2 2017
Revenue	725 179	833 841	369 507	404 312
Cost of sales	-655 845	-729 419	-323 780	-358 157
Gross profit	69 334	104 422	45 727	46 155
Other income	2 353	2 366	1 148	1 503
Distribution expenses	-24 942	-30 677	-13 557	-14 777
Administrative expenses	-16 975	-19 543	-8 574	-10 462
Other gains/(losses) – net	1 353	-700	555	756
Other expenses	-2 014	-2 167	-1 197	-1 094
EBIT	29 109	53 701	24 102	22 081
Financial income	2 165	17 692	2 138	-626
Financial expenses	-43 571	-25 768	-29 804	-13 045
Net financing costs	-41 406	-8 076	27 666	-13 671
Share of profits of associates	87	-22	50	29
Excess in the net fair value of acquired assets over cost	0	0	0	0
Profit before tax	-12 210	45 603	-3 514	8 439
Income tax expense	6 199	-8 820	4 052	-2004
Profit/loss for the period from discontinued operations	0	0	0	0
Profit for the period	-6 011	36 783	538	6 435
Depreciation and amortization	18 208	19 559	9316	9947
EBITDA	47 317	73 260	33 418	32 028

Revenue & Gross profit

- The best quarterly revenue figure in Group's history due to good shipments (though -4% yoy) and price increases (15.1%)
- Gross profit margin was 11.4% in Q217 due to spreads improvement

EBIT ...

- at PLN 22 mn; just under the one of Q2 2016 but no FIFO support of pln 13.9 mn in Q216

Financial ...

- costs were lower in Q217 due to the lack of significant FX losses; pln 14,7 mn FX losses in Q216.

EBT & Net profit

- Positive result of EBT enabled company to partially utilize its tax shield

Consolidated balance sheet

ASSETS [000 PLN]	
A. TOTAL NON-CURRENT ASSETS	
I. Intangible assets	
II. Property, plant and equipment	
III. Other receivables	
IV. Investm. property and other investments	
V. Prepaid perpetual usufruct of land	
VI. Deferred tax assets	
B. TOTAL CURRENT ASSETS	
I. Inventories	
II. Receivables	
1. Trade receivables	
2. Current income tax receivable	
3. Other investments	
III. Cash and cash equivalents	
IV. Prepayments	
V. Assets classified as held for sale	
VI. Assets of disposal groups	

	H1 2016	H1 2017
A. TOTAL NON-CURRENT ASSETS	421 829	412 104
I. Intangible assets	11 051	12 504
II. Property, plant and equipment	288 308	287 575
III. Other receivables	33	170
IV. Investm. property and other investments	12 812	3 283
V. Prepaid perpetual usufruct of land	20 180	25 769
VI. Deferred tax assets	89 445	82 803
B. TOTAL CURRENT ASSETS	450 944	517 419
I. Inventories	248 099	317 008
II. Receivables	176 128	159 984
1. Trade receivables	171 686	158 780
2. Current income tax receivable	47	10
3. Other investments	4 395	1 194
III. Cash and cash equivalents	20 705	40 427
IV. Prepayments	0	0
V. Assets classified as held for sale	6 012	0
VI. Assets of disposal groups	0	0

EQUITY AND LIABILITIES [000 PLN]	
A. EQUITY	
I. Issued share capital	
II. Reserves and retained earnings	
III. Minority interest	
B. LIABILITIES	
I. Non-current liabilities	
1. Employee benefits obligation	
2. Interest-bearing loans and borrowings	
3. Other	
II. Current liabilities	
1. Interest-bearing loans and borrowings	
2. Bank overdraft	
3. Trade payables	
4. Deferred government grants	
5. Employee benefits obligation	
6. Current income tax payable	
7. Provisions for payables	
TOTAL EQUITY AND LIABILITIES	

	H1 2016	H1 2017
A. EQUITY	159 967	186 213
I. Issued share capital	139 702	151 902
II. Reserves and retained earnings	240	18 256
III. Minority interest	20 025	16 055
B. LIABILITIES	712 806	743 310
I. Non-current liabilities	446 089	395 786
1. Employee benefits obligation	9 079	9 058
2. Interest-bearing loans and borrowings	399 551	362 206
3. Other	37 459	24 522
II. Current liabilities	266 717	347 524
1. Interest-bearing loans and borrowings	42 745	74 093
2. Bank overdraft	8 069	23 580
3. Trade payables	210 464	241 976
4. Deferred government grants	117	117
5. Employee benefits obligation	2 613	2 504
6. Current income tax payable	347	205
7. Provisions for payables	2 362	5 049
TOTAL EQUITY AND LIABILITIES	872 773	929 523

Non-current assets

- ...value decreased by PLN 9,5 mn primarily due to the decrease of deferred tax assets, investm. property and other investments. This was offset by reclassification of pln 6mn of assets held for sale

Current assets

- ... PLN 66.5 mn growth was due to increase of inventories (PLN 68.9 mn) and cash and cash equivalents (PLN 19.7 mn)
- Company has strong cash position with PLN 40.4 mn in cash and cash equivalents

Equity:

- ...increased by PLN 26.2 mn due to strong LTM net profit

Liabilities:

- liabilities grew primarily due to trade payables increase fueled by increased sales
- Both non-current and current interest-bearings loans and borrowings decreased. Net debt lower by PLN 10.2 mn

Consolidated cash flow and key metrics

CASH FLOW ['000 PLN]	H1 2016	H1 2017	Q2 2016	Q2 2017
A. OPERATING ACTIVITIES	54 295	62 115	25 279	31 678
B. INVESTING ACTIVITIES	-14 777	-6 261	-6 735	-1 459
C. FINANCING ACTIVITIES	-47 964	-40 833	-24 762	-14 207
NET CHANGE IN CASH	-8 446	15 021	-6 218	16 012

KEY METRICS	Q2 2016	Q2 2017
Liquidity ratio	1.69x	1.49x
Quick ratio	0.76x	0.58x
Inventories turnover (days)	69	80
Receivables turnover (days)	42	35
EBITDA margin	9.0%	7.9%
Net profit margin	0.1%	1.6%
Equity	159 967	186 213
Net debt	429 660	419 452
Net debt / LTM EBITDA	7.1x	3.5x

Cash flows

- Operating activities brought PLN 22.2 mn more cash inflows in 2Q17 compared to 2Q16. Slight WC inflow of pln 1,4 mn
- Investing activities cash flows less negative due to lower CAPEX
- Financing activities saw a sizeable negative outflow due to debt and interest repayments at pln 7,6 and pln 6,6 mn respectively
- Company had a net increase in cash of pln 16.0 mn

Cash flows

- Liquidity ratios decreased due to an increase of current trade liabilities. Still OK
- Company's net profit margin up and EBITDA slightly down
- Net debt/EBITDA ratio back within „safe territory” level of 3.5x. It was made by both factors EBITDA increase and Net/Debt decrease
- Inventory ratio higher due to lower shipments; receivables collection down due to higher non-recourse factoring utilization of pln 101,7 mn; Q216 pln 69,9 mn

Consolidated EBITDA/Net Profit adjustments

DESCRIPTION	H1 2016	H1 2017	Q2 2016	Q2 2017
'000 PLN				
Reported EBITDA	47 317	73 260	33 418	32 028
Non-recurring items including:	1422	-653	492	805
- costs of sales	0	0	0	0
- other income	291	779	88	198
- distribution expenses	192	-524	61	41
- administrative expenses	0	0	0	0
- other gains/losses	-12	-31	-584	306
- operational FX result	1 365	-669	1 139	450
- other impairments	-414	-208	-212	-190
Adjusted EBITDA	45 895	73 913	32 926	31 223
Reported net result	-6 011	36 783	538	6 435
Non-recurring items including:	-13 107	16 996	-12 426	58
- EBITDA adjustments	1 359	-653	429	805
- FX result on debt	-16 136	17 547	-14 665	-623
- result on own debt repurchase	2 165	0	2 165	0
- result on cancellation of debt	0	0	0	0
- share of associate result	124	-22	87	29
- pro-forma income tax adjustment	-682	124	-505	-153
Adjusted net result	7 096	19 787	12 964	6 377

Q3 2017 – outlook (*as compared to Q2 2017*)

- **Capacity utilization rates lower** due to summer maintenance periods
- **Good demand, high shipments and sales**
- **Further increase of prices**
- **Conversion spreads maintained**
- **EAF feedstock cost higher** compared to BOF but not significantly