

Together reach more



**Deutsche Bank
16th Annual European
Leveraged Finance Conference**

June 14, 2012
London

1. Introduction
2. Divestiture of Distribution Activities and Internal Reorganization
3. 2011 & Q1 2012
4. 2012 Financial Targets



Introduction

Speaker



Krzysztof Zoła
CFO
Age – 40
10 years with the Company

Divestiture of Distribution Activities and Internal Reorganization

INCOME STATEMENT	Y 2010	Y 2009
<i>'000 PLN</i>		
Revenue	975 282	782 015
Cost of sales	-909 068	-809 392
Gross profit	66 214	-27 377
Other income	9 673	9 765
Distribution expenses	-32 394	-27 073
Administrative expenses	-50 718	-45 017
Other gains/(losses) – net	-10 118	1 126
Other expenses	-18 080	-28 501
EBIT	-35 423	-117 077
Financial income	14 442	59 767
Financial expenses	-66 167	-77 204
Net financing costs	-51 725	-17 437
Profit before tax	-87 148	-134 514
Income tax expense	-8 887	23 641
Profit/loss for the period from discontinued operations	-88 118	-178 842
Profit for the period	-184 153	-289 715
Depreciation and amortization	-45 788	-50 355
EBITDA	10 365	-66 722

Severe losses in 2009
and in 2010

ASSETS	Y 2010	Y 2009
<i>'000 PLN</i>		
A. TOTAL NON-CURRENT ASSETS	459 195	826 348
I. Intangible assets	20 487	42 175
II. Property, plant and equipment	373 818	663 451
III. Other receivables	241	3 295
IV. Investment property and other investments	4 608	14 488
V. Prepaid perpetual usufruct of land	19 257	45 857
VI. Deferred tax assets	40 784	57 082
B. TOTAL CURRENT ASSETS	976 983	732 302
I. Inventories	176 216	249 052
II. Receivables	143 220	211 775
1. Trade receivables	142 620	204 235
2. Current income tax receivable	590	2 004
3. Other investments	10	5 536
III. Cash and cash equivalents	9 280	32 422
IV. Assets classified as held for sale	103 733	43 039
V. Assets of disposal groups and disc. oper.	544 534	196 014
TOTAL ASSETS	1 436 178	1 558 650

Substantial part of the assets put on sale

EQUITY AND LIABILITIES	Y 2010	Y 2009
<i>'000 PLN</i>		
A. EQUITY	91 858	241 225
I. Issued share capital	132 444	102 374
II. Reserves and retained earnings	-49 389	125 928
III. Minority interest	8 803	12 923
B. LIABILITIES	1 344 320	1 317 425
I. Non-current liabilities	525 393	592 239
1. Employee benefits obligation	11 862	38 819
2. Interest-bearing loans and borrowings	503 162	534 110
3. Other	10 369	19 310
II. Current liabilities	447 826	570 254
1. Interest-bearing loans and borrowings	107 249	169 904
2. Bank overdraft	83 884	126 657
3. Trade payables	250 570	269 074
4. Deferred government grants	1 007	1 145
5. Employee benefits obligation	4 713	2 317
6. Current income tax payable	0	323
7. Provisions for payables	403	834
III. Liabilities of disposal group classified as held for sale	371 101	154 932
TOTAL EQUITY AND LIABILITIES	1 436 178	1 558 650

Net debt at:

- PLN **798,2m** in 2009

- PLN **685,0m** in 2010

Divestiture of Distribution Activities and Internal Reorganization

Together reach more



- Sale of 100% of shares in Cognor Stahlhandel GmbH (CEE distribution network) to Mechel
 - Conditional SPA – 09.12.2010, closing 31.01.2011 r.
 - Price for 100% of shares was set at EUR 32.8m and referenced to the company's figures as of 31.12.2009 r. Final price to be established based on Cognor Stahlhandel GmbH group equity difference between 31.12.2009 i 31.01.2011 r.
 - Part of the transaction was a repayment of intercompany loan extended by Zlomrex S.A. (currently HSJ S.A.) at the amount of EUR 9.8m
 - Cognor S.A. (Cognor) has received and expects to receive the following proceeds:
 - EUR 24.6m – Feb 2011
 - EUR 0.9m – Feb 2012
 - **EUR 1.5 -2.0m – 2012**, the amount is subject to the dispute between Cognor and the buyer
 - HSJ S.A. has received the following amounts:
 - EUR 5.0m – Apr / Oct 2011
 - EUR 4.8m – Feb 2012
- Sale of the domestic distribution assets to Arcelor Mittal Distribution
 - Conditional APA – 16.11.2010, closing 04.05.2011 r. The transaction comprised of: inventories, real property and other fixed assets.
 - Total sale price accounted for PLN 181.2m net (PLN 197.2m VAT incl.)
 - Cognor has received and expects to receive the following proceeds:
 - PLN 168.8m – 04.05.2011,
 - PLN 4.1m – Jun 2011
 - PLN 2.0m – Q4 2011
 - PLN 7.4m – May 2012
 - **PLN 14.9m – May 2013**
- Internal reorganization
 - Cognor S.A. has acquired shares of its mother company (Zlomrex S.A.) and so it became a controlling entity of the Group.
 - The change enabled Cognor to apply the proceeds from the sale of its distribution operations downstream
 - A number of mergers followed (including a merger between Zlomrex S.A and HSW-HSJ S.A.) in order to simplify the structure and to utilize some income tax benefits
 - The whole Group became listed on Warsaw Stock Exchange
 - The reorganization did not impair the creditors' position



2011 & Q1 2012

Highlights

- Fair demand, prices and margins in 2011. Margin squeeze in Q1 2012 as European economy begun to slow
- YoY revenues increase at 59% in 2011 and 21,7% in Q1 2012
- Sharp increase of profitability in 2011, weakening in 2012 - Q1 EBIDTA at PLN 18.1 million compared to 27.8 in Q1 2011 (adjusted)
- Growth in utilization of crude steel production capacities:

	ANNUAL CAPACITY Tonnes	UTYLIZATION RATE							
		Q1 2012	Y 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Y 2010	Y 2009
FERR	375 000	85%	93%	105%	96%	86%	85%	64%	66%
HSJ	261 000	82%	71%	58%	72%	86%	70%	52%	37%
COMBINED	636 000	84%	84%	86%	86%	86%	79%	59%	54%

- GDP growth over 4% in Poland in 2011 and 3% in Q1 2012
- Polish steel production up by 10% in 2010 and by 20% in Q1 2012
- Closing of two divestment transactions regarding our distribution business and finalization of internal reorganization

Environment

CRUDE STEEL PRODUCTION		Q1 2012	% YoY	Y 2011	% YoY	Q1 2011	Y 2010	Y 2009
	<i>million tonnes</i>							
Poland		2,4	20%	8,8	10%	2,0	8,0	7,2
EU (27)		43,9	-4%	177,4	3%	45,6	172,9	139,0
China		174,2	0%	683,3	9%	173,6	626,7	567,8
Global		376,7	0%	1 490,1	7%	376,3	1 395,5	1 220,0

PRODUCTION OF FINISHED PRODUCTS		Q1 2012	% YoY	Y 2011	% YoY	Q1 2011	Y 2010	Y 2009
	<i>million tonnes</i>							
Poland		2,4	20%	8,8	10%	2,0	8,0	7,2
	flat products	1,0	25%	3,9	-13%	0,8	4,5	3,1
	long products	1,4	17%	4,9	40%	1,2	3,5	4,1

Source: World Steel Association

Environment

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

⁽²⁾ Source: COGNOR SA

INCOME STATEMENT	Q1 2012	Y 2011	Q1 2011	Y 2010	Y 2009
	<i>'000 PLN</i>				
Revenue	399 419	1 549 647	328 205	975 282	782 015
Cost of sales	-371 944	-1 377 076	-293 833	-909 068	-809 392
Gross profit	27 475	172 571	34 372	66 214	-27 377
Other income	2 691	9 919	2 939	9 673	9 765
Distribution expenses	-7 972	-36 171	-7 347	-32 394	-27 073
Administrative expenses	-11 605	-46 600	-8 957	-50 718	-45 017
Other gains/(losses) - net	-3 693	15 309	-754	-10 118	1 126
Other expenses	-2 976	-14 546	-2 973	-18 080	-28 501
EBIT	3 920	100 482	17 280	-35 423	-117 077
Financial income	28 104	6 562	343	14 442	59 767
Financial expenses	-15 537	-105 041	-19 850	-66 167	-77 204
Net financing costs	12 567	-98 479	-19 507	-51 725	-17 437
Profit before tax	16 487	2 003	-2 227	-87 148	-134 514
Income tax expense	-2 405	21 887	-4 795	-8 887	23 641
Profit/loss for the period from discontinued operations	0	92 011	35 903	-88 118	-178 842
Profit for the period	14 082	115 901	28 881	-184 153	-289 715
Depreciation and amortization	-10 525	-44 169	-11 010	-45 788	-50 355
EBITDA	14 445	144 651	28 290	10 365	-66 722
Adjusted EBITDA	18 065	131 170	27 773		

Segments

SCRAP METAL		Q1 2012	Y 2011	Q1 2011	Y 2010	Y 2009
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>					
FERR		45 914	158 537	34 610	90 855	86 839
ZLMET		108 364	429 488	101 697	332 240	351 289
HSJ		29 372	123 718	36 016	105 533	77 474
INTERNAL USE	<i>Tonnes</i>					
FERR		93 176	410 545	96 131	286 270	286 700
HSJ		61 684	211 872	52 768	157 241	111 849
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>					
ZLMET		27 025	118 098	26 769	102 016	92 516
SALES	<i>'000 PLN</i>					
CONSOLIDATED		30 192	120 064	27 583	88 355	56 309
TOTAL PURCHASES in TONNES		183 650	711 743	172 323	528 628	515 602
TOTAL INTERNAL USE in TONNES		154 860	622 417	148 899	443 511	398 549
TOTAL SALES in TONNES		27 025	118 098	26 769	102 016	92 516
TOTAL SALES in '000 PLN		30 192	120 064	27 583	88 355	56 309

Segments

BILLETS		Q1 2012	Y 2011	Q1 2011	Y 2010	Y 2009
PRODUCTION	<i>Tonnes</i>					
FERR		79 708	348 596	79 906	240 043	248 823
HSJ		53 420	186 012	45 367	134 665	96 035
INTERNAL USE	<i>Tonnes</i>					
FERR		25 219	96 357	36 277	61 186	115 166
HSJ		53 420	169 103	43 131	132 256	95 648
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>					
FERR		54 489	252 239	43 629	178 857	133 657
HSJ		4 187	16 909	2 236	2 409	2 309
SALES	<i>'000 PLN</i>					
CONSOLIDATED		129 277	551 525	98 038	295 338	178 520
TOTAL PRODUCTION in TONNES		133 128	534 608	125 273	374 708	344 858
TOTAL INTERNAL USE in TONNES		78 639	265 460	79 408	193 442	210 814
TOTAL SALES in TONNES		58 676	269 148	45 865	181 266	135 966
TOTAL SALES in '000 PLN		129 277	551 525	98 038	295 338	178 520

Segments

FINISHED PRODUCTS		Q1 2012	Y 2011	Q1 2011	Y 2010	Y 2009
PRODUCTION	<i>Tonnes</i>					
ZWWB		17 539	82 322	23 181	53 767	66 549
FERR		0	0	0	0	33 472
HSJ		42 645	158 335	40 618	116 379	97 546
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>					
FERR		17 150	84 291	18 538	57 252	108 419
HSJ		45 282	146 923	38 810	112 256	85 529
SALES	<i>'000 PLN</i>					
CONSOLIDATED		195 176	825 107	168 265	1 358 570	1 618 626
TOTAL PRODUCTION in TONNES		60 184	240 657	63 799	170 146	197 567
TOTAL BULK PRODUCT SALES in TONNES		62 432	231 214	57 348	169 508	193 948
TOTAL SALES in '000 PLN		195 176	825 107	168 265	1 358 570	1 618 626

ASSETS	Q1 2012	Y 2011	Q1 2011	Y 2010	Y 2009
	<i>'000 PLN</i>				
A. TOTAL NON-CURRENT ASSETS	491 110	499 437	443 154	459 195	826 348
I. Intangible assets	16 257	17 067	19 711	20 487	42 175
II. Property, plant and equipment	341 225	342 734	364 070	373 818	663 451
III. Other receivables	41 888	44 583	256	241	3 295
IV. Investment property and other investments	4 371	4 377	4 495	4 608	14 488
V. Prepaid perpetual usufruct of land	19 744	19 850	19 160	19 257	45 857
VI. Deferred tax assets	67 625	70 826	35 462	40 784	57 082
B. TOTAL CURRENT ASSETS	533 234	480 180	669 165	976 983	732 302
I. Inventories	211 746	178 472	211 838	176 216	249 052
II. Receivables	255 264	237 834	346 762	143 220	211 775
1. Trade receivables	243 417	204 904	266 084	142 620	204 235
2. Current income tax receivable	8 173	7 744	586	590	2 004
3. Other investments	3 674	25 186	80 092	10	5 536
III. Cash and cash equivalents	53 836	47 166	8 176	9 280	32 422
IV. Assets classified as held for sale	12 388	16 708	102 389	103 733	43 039
V. Disposal assets and discontinued operations	0	0	0	544 534	196 014
TOTAL ASSETS	1 024 344	979 617	1 112 319	1 436 178	1 558 650

Y 2011

- A.III. includes PLN 44.3 m in Croatian Claim
- A.VI. Increased due to additional tax asset creation due to internal reorganization

Q1 2012

- 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	Y 2010	Y 2009
<i>'000 PLN</i>					
A. EQUITY	190 709	176 441	105 502	91 858	241 225
I. Issued share capital	132 444	132 444	132 444	132 444	102 374
II. Reserves and retained earnings	46 349	31 796	-35 497	-49 389	125 928
III. Minority interest	11 916	12 201	8 555	8 803	12 923
B. LIABILITIES	833 635	803 176	1 006 817	1 344 320	1 317 425
I. Non-current liabilities	516 402	548 729	527 342	525 393	592 239
1. Employee benefits obligation	7 970	7 970	11 724	11 862	38 819
2. Interest-bearing loans and borrowings	498 985	532 138	509 333	503 162	534 110
3. Other	9 447	8 621	6 285	10 369	19 310
II. Current liabilities	317 233	254 447	479 475	447 826	570 254
1. Interest-bearing loans and borrowings	74 621	45 878	100 270	107 249	169 904
2. Bank overdraft	3 963	25 236	79 242	83 884	126 657
3. Trade payables	228 844	176 117	292 751	250 570	269 074
4. Defferd government grants	4 561	865	2 954	1 007	1 145
5. Employee benefits obligation	4 366	5 677	3 855	4 713	2 317
6. Current income tax payable	0	293	0	0	323
7. Provisions for payables	878	381	403	403	834
III. Liabilities of disposal group	0	0	0	371 101	154 932
TOTAL EQUITY AND LIABILITIES	1 024 344	979 617	1 112 319	1 436 178	1 558 650

Y 2011

- B.I.2. + B.II.1. + B.II.2
Indebtedness net of cash down by PLN 128.9 m
- Debt reduction offset by PLN 55.8m of net FX losses regarding indebtedness
- B.II.3. Increase of trade payables

Q1 2012

- 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	Y 2010	Y 2009
'000 PLN					
A. FROM OPERATING ACTIVITIES	-5 989	-32 697	-66 744	30 769	-6 193
B. FROM INVESTING ACTIVITIES	21 141	-7 151	84 963	8 658	1 432
C. FROM FINANCING ACTIVITIES	12 792	-140 658	-21 520	-31 651	-62 186
NET INCREASE IN CASH	27 944	-180 506	-3 301	7 776	-66 947

Y 2011

- A. Includes PLN 130,2 negative cash flow from working capital

Q1 2012

- A. Includes PLN 18.5 negative cash flow from working capital

MAIN METRICS	Q1 2012	Y 2011	Q1 2011	Y 2010	Y 2009
Liquidity ratio	1,68	1,89	1,40	1,19	1,01
Quick ratio	1,01	1,19	0,95	0,98	0,67
Inventories turnover (days)	51	47	65	71	112
Trade receivables turnover (days)	55	48	73	53	95
EBITDA margin	3,6%	9,3%	8,6%	1,1%	-8,5%
Net profit margin	3,5%	7,5%	8,8%	-18,9%	-37,0%
Equity	190 709	176 441	105 502	91 858	241 225
Net debt	523 733	556 086	680 669	685 015	798 249
Net debt / EBITDA (LTM)	4,0	3,8			



Industry Exposure in Q1 2012

	<i>Tonnes</i>	SCRAP	SEMI-PRODUCTS	PRODUCTS	OTHER	TOTAL	%
auto			11 467	123 690		135 158	33,8%
mining			87 318			87 318	21,9%
construction				59 492		59 492	14,9%
other		30 192	30 491	11 993	44 774	117 451	29,4%
		30 192	129 277	195 176	44 774	399 419	



2012 Financial Targets

The Targets:

- Revenues: PLN 1,500-1,600 million
- EBITDA: PLN 100-120 million
- Capex: PLN 20 million
- Interest expense: PLN 50 million
- Gross debt: PLN 550 million
- Net debt: PLN 450-470 million

Assumptions:

- EUR / PLN: 4.0 yearend; 4.2 average
- Capacity utilization: 80%-85% (500k-540k tonnes of crude steel)

Together reach more



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