

Together reach more



Q3 2012 Business and Financial Performance

November 20, 2012

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Introduction

Speaker



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CFO
Age – 40
10 years with the Company

Q3 2012 Highlights

- Significant decrease in steel prices with scrap metal costs holding up. Very soft steel demand
- 22,5% decrease in revenues; shipments down by 22,2% fueled by semi-finished products down by 37,6% , scrap metal by 12% and finished products by 10,4% (all yoy)
- Decrease of adjusted EBITDA by 69,9% yoy

- Decrease in capacities' utilization:

	ANNUAL CAPACITY	UTYLIZATION RATE		
	Tonnes	Q3 2012	Q2 2012	Q3 2011
FERR	375 000	67%	104%	96%
HSJ	261 000	56%	65%	72%
COMBINED	636 000	63%	88%	86%

- Polish GDP growth at 1,7% in Q3 2012 down from 2,4% in Q2 2012. Recession in the EU and the Eurozone
- Polish steel production at 0% growth; Europe's down by 5% YoY



Business Overview

Environment

CRUDE STEEL PRODUCTION (1)	Q3 2012	% YoY	Q3 2011	Y 2011
<i>million tonnes</i>				
Poland	2,2	0%	2,2	8,8
EU (27)	40,4	-5%	42,5	177,4
China	178,3	2%	174,8	683,3
Global	376,0	0%	375,0	1 490,1

UNIT PRICES (2)	Q3 2012	% YoY	Q3 2011	Q2 2012	Q1 2012
<i>PLN / Tonne</i>					
Scrap metal	1 073	5%	1 022	1 060	1 117
Billets FERR	2 049	2%	2 016	2 142	2 162
billet - scrap spread	976	-2%	994	1 082	1 045
Bars FERR	2 312	2%	2 262	2 412	2 420
bar - scrap spread	1 239	0%	1 240	1 352	1 303
Bars HSJ	3 133	-8%	3 423	3 302	3 253
bar - scrap spread	2 060	-14%	2 401	2 242	2 136

(1) Source: World Steel Association

(2) Source: COGNOR SA

Segments

SCRAP METAL		Q3 2012	Y 2011	Q3 2011
PURCHASES FROM EXTERNAL SUPPLIERS				
	<i>Tonnes</i>			
FERR		29 580	158 537	43 914
ZLMET		80 822	429 488	110 594
HSJ		22 237	123 718	29 355
INTERNAL USE				
	<i>Tonnes</i>			
FERR		70 098	410 545	104 045
HSJ		41 819	211 872	52 414
SALES TO EXTERNAL CUSTOMERS				
	<i>Tonnes</i>			
ZLMET		31 092	118 098	35 381
SALES				
	<i>'000 PLN</i>			
CONSOLIDATED		33 401	120 064	36 193
TOTAL PURCHASES in TONNES		132 639	711 743	183 863
TOTAL INTERNAL USE in TONNES		111 917	622 417	156 459
TOTAL SALES in TONNES		31 128	118 098	35 381
TOTAL SALES in '000 PLN		33 401	120 064	36 193

ZLMET purchases down by 27%

Sales down by 8%

Shipments down by 12%

Segments

BILLETS		Q3 2012	Y 2011	Q3 2011
PRODUCTION	<i>Tonnes</i>			
FERR		63 159	348 596	90 173
HSJ		36 258	186 012	46 665
INTERNAL USE	<i>Tonnes</i>			
FERR		25 902	96 357	26 163
HSJ		31 392	169 103	43 206
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		37 257	252 239	64 010
HSJ		4 866	16 909	3 459
SALES	<i>'000 PLN</i>			
CONSOLIDATED		86 882	551 525	135 985
TOTAL PRODUCTION in TONNES		99 417	534 608	136 838
TOTAL INTERNAL USE in TONNES		57 294	265 460	69 369
TOTAL SALES in TONNES		42 123	269 148	67 469
TOTAL SALES in '000 PLN		86 882	551 525	135 985

Production down by 27%

Sales down by 36%

Shipments down by 38%

Segments

FINISHED PRODUCTS		Q3 2012	Y 2011	Q3 2011
PRODUCTION	<i>Tonnes</i>			
FERR / ZWWB		22 387	82 322	22 890
HSJ		33 154	158 335	34 793
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		21 772	84 291	24 180
HSJ		30 094	146 923	33 722
SALES	<i>'000 PLN</i>			
CONSOLIDATED		150 213	825 107	179 812
TOTAL PRODUCTION in TONNES		55 541	240 657	57 683
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		51 866	231 214	57 902
TOTAL SALES in '000 PLN		150 213	825 107	179 812

Production down by 4%

Sales down by 16,5%

Shipments down by 10,4%



Financials

INCOME STATEMENT	Q3 2012	Q2 2012	Q3 2011
<i>'000 PLN</i>			
Revenue	311 332	428 763	401 496
Cost of sales	-290 615	-386 409	-354 823
Gross profit	20 717	42 354	46 673
Other income	2 536	2 198	12 977
Distribution expenses	-5 510	-10 833	-9 989
Administrative expenses	-9 099	-11 887	-12 013
Other gains/(losses) - net	136	2 865	3 256
Other expenses	-5 108	-1 506	-3 879
EBIT	3 672	23 191	37 025
Financial income	15 370	-11 069	552
Financial expenses	-15 278	-17 094	-56 206
Net financing costs	92	-28 163	-55 654
Profit before tax	3 764	-4 972	-18 629
Income tax expense	-2 393	1 406	4 744
Profit for the period	1 371	-3 566	-13 885
Depreciation and amortization	-10 443	-10 434	-10 719
EBITDA	14 115	33 625	47 744

Gross profit down by PLN 20.7m and 44% yoy

Net profit adjusted for non-recurring items: PLN (-) 11.3m ,
down by PLN 28m yoy

EBITDA adjusted for non-recurring items: PLN 13.3m, down
by PLN 30m and 70% yoy

ASSETS	Q3 2012	Q2 2012	Q3 2011
	<i>'000 PLN</i>		
A. TOTAL NON-CURRENT ASSETS	477 886	485 835	469 837
I. Intangible assets	14 571	15 339	17 880
II. Property, plant and equipment	325 489	332 848	349 170
III. Other receivables	41 398	42 870	247
IV. Investment property and other investments	7 604	4 363	4 598
V. Prepaid perpetual usufruct of land	19 059	19 164	20 897
VI. Deferred tax assets	69 765	71 251	77 045
B. TOTAL CURRENT ASSETS	445 139	505 616	552 355
I. Inventories	182 325	183 851	203 499
II. Receivables	202 039	224 746	291 636
1. Trade receivables	198 319	221 005	254 172
2. Current income tax receivable	6	6	101
3. Other investments	3 714	3 735	37 363
III. Cash and cash equivalents	48 898	84 475	40 505
IV. Assets classified as held for sale	11 877	12 544	16 715
TOTAL ASSETS	923 025	991 451	1 022 192

A.III. includes PLN 41.1m of the Croatian Claim

B.I. + B.II.1. Decrease in value of inventories and trade receivables 22,4% yoy

EQUITY AND LIABILITIES	Q3 2012	Q2 2012	Q3 2011
	<i>'000 PLN</i>		
A. EQUITY	188 486	187 144	185 421
I. Issued share capital	132 444	132 444	132 444
II. Reserves and retained earnings	43 348	41 948	43 895
III. Minority interest	12 694	12 752	9 082
B. LIABILITIES	734 539	804 307	836 771
I. Non-current liabilities	504 308	521 145	543 180
1. Employee benefits obligation	6 560	7 151	10 093
2. Interest-bearing loans and borrowings	488 751	505 130	526 810
3. Other	8 997	8 864	6 277
II. Current liabilities	230 231	283 162	293 591
1. Interest-bearing loans and borrowings	69 353	74 972	39 617
2. Bank overdraft	13 534	7 687	26 423
3. Trade payables	143 369	195 076	220 801
4. Deferred government grants	1 768	3 502	2 825
5. Employee benefits obligation	1 667	1 232	1 951
6. Income tax payable	5	6	1 599
7. Provisions for payables	535	687	375
TOTAL EQUITY AND LIABILITIES	923 025	991 451	1 022 192

B.I.2. + B.II.1. + B.II.2 Indebtedness net of cash up by PLN 19.4m and down by PLN 29.6m yoy

B.II.3. Trade payables down by PLN 77.4 and 35% yoy

CASH FLOW	Q3 2012	Q2 2012	Q3 2011
	<i>'000 PLN</i>		
OPERATING ACTIVITIES	-21 849	40 000	-816
INVESTING ACTIVITIES	128	6 281	15 289
FINANCING ACTIVITIES	-19 701	-26 572	-7 768
NET INCREASE IN CASH	-41 422	19 709	6 705

Working capital outflow of PLN (-) 26.9m

MAIN METRICS	Q3 2012	Q2 2012	Q3 2011
Liquidity ratio	1,93	1,79	1,88
Quick ratio	1,14	1,14	1,19
Inventories turnover (days)	56	43	52
Receivables turnover (days)	57	46	57
EBITDA margin	4,5%	7,8%	11,9%
Net profit margin	0,4%	-0,8%	-3,5%
Equity	188 486	187 144	185 421
Net debt	522 740	503 314	552 345
Net debt / LTM EBITDA	6,0	4,2	5,4



Q4 2012 Outlook

Main factors

- EU Recession in many EU economies
- Polish GDP further down but positive
- EU and Polish steel production down
- Slight increase in demand and prices
- Cognor's performance similar to Q3 2012



Refinancing and Mid-term CAPEX

Refinancing

- Cognor intends to address the 2014 maturity of its senior notes in H1 2013 by a combination of privately placed new high-yield issue and a new equity issue at the minimum amount of PLN 100m
- The equity component might be preceded by a bridge financing should trading of Cognor's shares stay at the low levels as currently

Mid-term CAPEX

- New rolling line and CCM upgrade
- 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
- Broadening of semi-product portfolio (new qualities and size range)



Q & A

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