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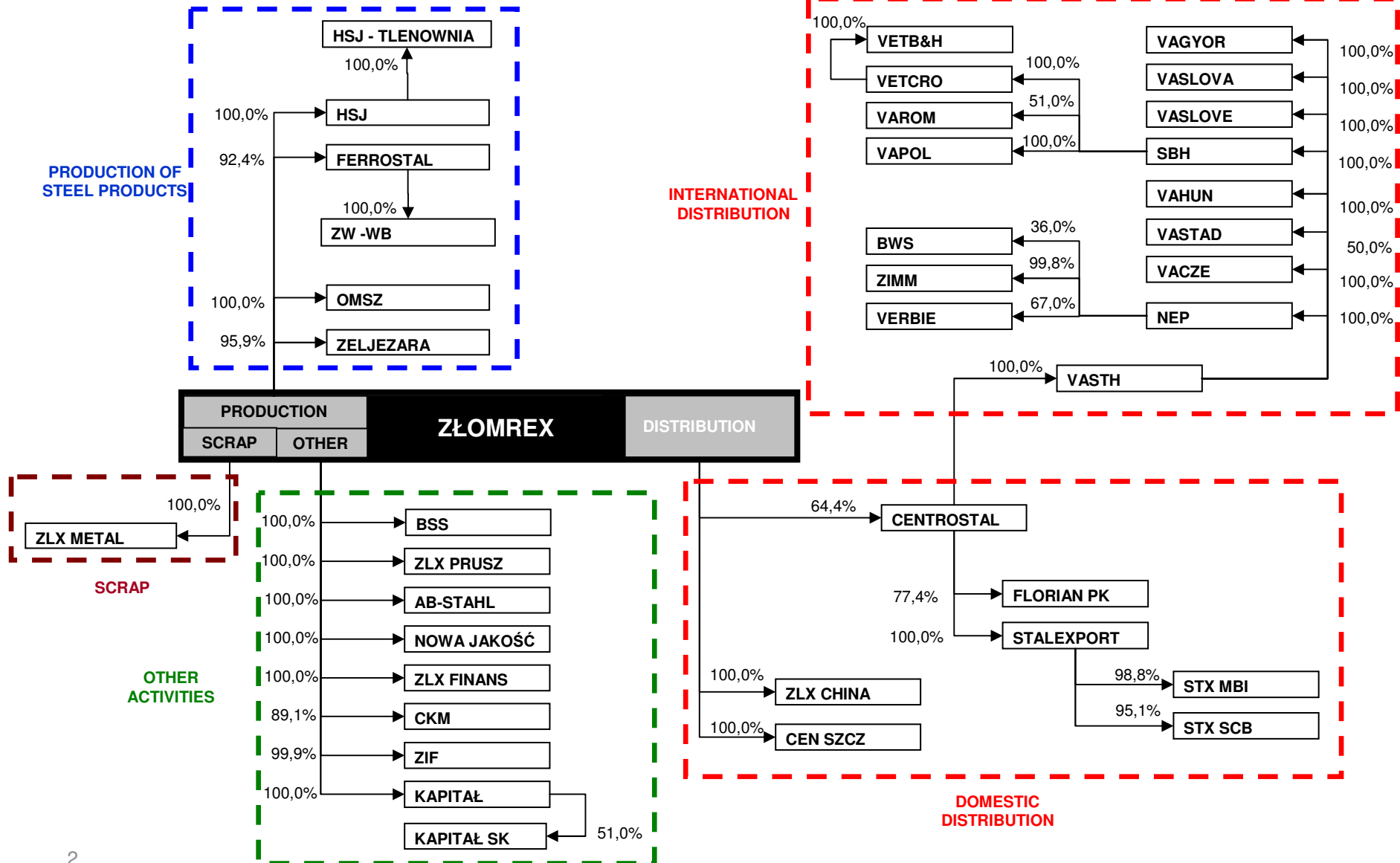
Business and Finance

Mid-tem perspective

Warsaw, February 15-16, 2012

Złomrex S.A. Group structure post expansion period between 2006-2008

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Złomrex S.A. Group performance during expansion period of 2006-2007 and first year of crisis

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	('000 pln)	2008	2007	2006
Revenues		4 027 950	3 366 004	1 942 514
EBITDA		209 648	216 759	172 880
Net profit		-199 788	214 100	97 100
	('000 pln)			
Long-term indebtedness:		699 379	655 878	65 302
- bonds		625 635	584 479	0
- banks		45 569	39 264	35 560
- leasing		28 175	31 139	27 098
- other		0	996	2 644
- acquisition liabilities		36 676	68 687	33 515
- social benefits		50 505	46 298	11 968
Short-term indebtedness:		363 933	550 889	354 973
- accrued bonds' coupon		22 998	21 567	0
- RCF		118 937	215 913	236 477
- overdraft		115 888	145 010	55 925
- leasing		22 591	18 883	12 652
- factoring		60 062	125 182	48 856
- other		18 200	16 476	0
- other (forwards, options)		5 257	7 858	1 063
- acquisition liabilities		40 527	151 569	12 239
- social benefits		3 039	3 656	1 544
TOTAL DEBT		1 194 059	1 476 977	479 541

Divestiture of distribution division and following operational and financial reorganization

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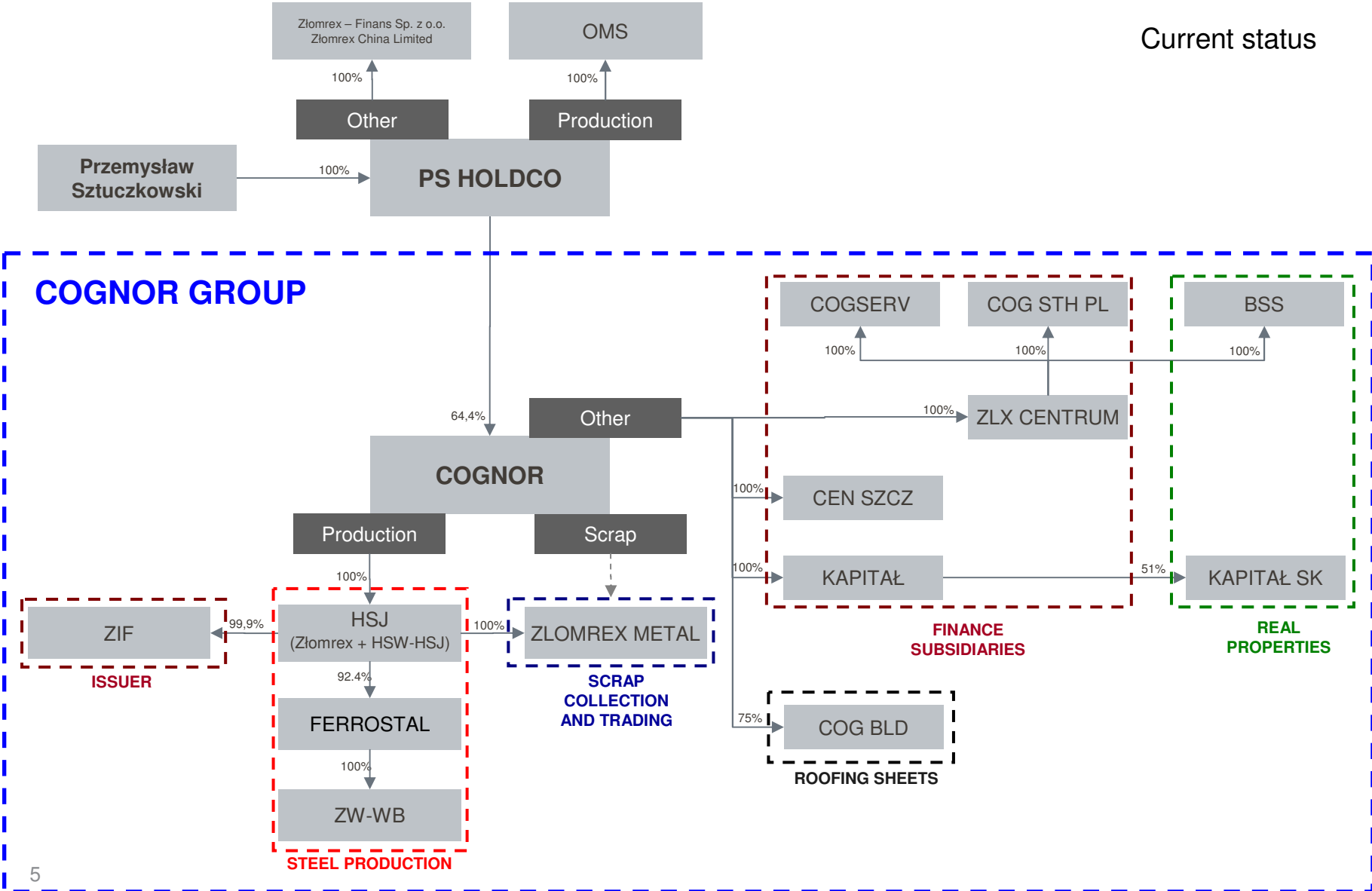
- Sale of 100% of shares in Cognor Stahlhandel GmbH to Mechel
 - Conditional SPA – 09.12.2010, closing 31.01.2011 r.
 - Price for 100% of shares was set at EUR 32.8m and referenced to the company's figures as of 31.12.2009 r. Final price to be established based on Cognor Stahlhandel GmbH group equity difference between 31.12.2009 i 31.01.2011 r.
 - Part of the transaction was a repayment of intercompany loan extended by Złomrex 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** – H1 2012, the amount is subject to the dispute between Cognor and the buyer
 - HSJ S.A. has received and expects to receive 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 of the Group
 - Acquisition of Złomrex S.A. by Cognor including an indirect acquisition of shares in (i) steel plants - Ferrostal + HSW-HSJ and (ii) scrap collection network - Złomrex Metal
 - Downstream application of proceeds and repayment of bank loans as well as working capital improvement
 - Simplification of the Group's structure by the following subsidiary companies' mergers aimed at increasing internal efficiencies and tax benefits
 - The whole of former Złomrex S.A. Group's business became listed on Warsaw Stock Exchange
 - Significant increase of Cognor's potential and profitability

Grupa Cognor i podmiot kontrolujący

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Current status



2009-2010 results and 2011 forecast

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	('000 pln)	2011 F	2010 ⁽¹⁾	2009 ⁽¹⁾
Revenues		1 500 000	994 465	799 375
EBITDA		150 000	28 138	-61 430
Net profit		120 000	-166 977	-289 240
	('000 pln)			
Long-term indebtedness:		543 000	503 222	534 267
- bonds		529 000	494 063	507 691
- banks		0	125	7 573
- leasing		5 000	9 034	19 003
- other		0	0	0
- acquisition liabilities		10 000	12 121	39 057
- social benefits		65 000	194 158	299 599
Short-term indebtedness:		18 000	17 813	18 479
- accrued bonds' coupon		0	34 389	101 787
- RCF		20 000	86 782	129 543
- overdraft		5 000	10 731	14 101
- leasing		20 000	13 325	5 417
- factoring		0	31 118	30 272
- other		0	33 542	44 459
- other (forwards, options)		2 000	4 735	2 194
TOTAL DEBT		608 059	747 778	919 576

F – forecast

⁽¹⁾ – restated to reflect divestiture of distribution division and internal reorganization

- **Background:**
 - High yield bonds markets to remain weak; sovereign debt crisis; increase in yields
 - Cognor's rating: S&P - CCC+ (stable), Moody's – Caa2 (stable)
 - Upgrade possible after confirmation of 2011 forecast and positive business development in Q1 2012
 - Main short-term bank lines: SEB CF: PLN 39m, DB: PLN 27m, BRE: PLN 28m
 - Banks to remain reluctant in terms of long-term financing
 - Cognor's shares quoted around at PLN 4.0. Further improvement of market perception possible
 - Cognor has issued 6.600 of its warrants (PS Holdco currently holds 6.072 of those rights) enabling a holder to subscribe for 60.720 of Cognor's shares at a fixed price of PLN 4.0 per share; first conversion possible in Q3 2012
- **Financial needs – refinancing and expansionary CAPEX:**
 - Company's notes' refinancing, maturity 01.02.2014 r. – 120 mln. eur.
 - Planned CAPEX between 2013-2015 – PLN 250-500m. The CAPEX will be aimed at substantial increase in most profitable production and expanding of own billets' processing. The Company is preliminarily considering two major projects, similar in value. Commencement of those projects is subject to setting up a new long-term financing framework. Size of the expenditures will be conditional upon on stability and availability of financing.
- **Potential sources:**
 - Free cash flow 2012-2013 (PLN 100-200m)
 - New High Yield bonds issuance (EUR 100-150m)
 - Cognor's new share issuance (up to 250m)
 - Polish bond offering (PLN 150-500m)
 - Vendor finance: (PLN 150-400m)
 - Bank debt: ?
- **Financing structure:**
 - Most probable and preferred Company's new financing would constitute a combination of long-term debt (bonds + vendor finance), free cash flow and new share offering (within the existing warrants' scheme)

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