



May 15, 2012

## Press release Q1 2012

For Cognor S.A. (Cognor, the Company, the Group) the first quarter of 2012 has brought both positive and negative outcomes. Significant increase in shipments and revenues was not matched with profitability which fell down in comparison to Q1 2011. The whole quarter remained under influence of strengthening zloty against the euro and the US dollar. This trend caused FX losses related to operations and pressure on the prices of our products and commodities in both domestic and external markets.

### I. Reported Statement

#### 1. Income Statement (continued operations)

The Group's revenues rose by PLN 72.2 million and 21.7% but gross profit decreased by PLN 6.9 million and 20.1% compared to Q1 2011. EBIT and EBITDA suffered even more with 77.3% and 48.9% of decrease respectively.

Financial income exceeded financial costs by PLN 12.6 million due to positive exchange gains related to the Company's indebtedness. Those gains reached PLN 30.8 million and were partially offset by FX losses on certain foreign currency assets.

END OF PERIOD EXCHANGE RATES	31 Mar 2012	31 Mar 2011	31 Dec 2011
PLN			
EUR/PLN	4,16	4,01	4,42
% change 31 Mar 2011	3,7%		
USD/PLN	3,12	2,82	3,42
% change 31 Mar 2011	10,6%		

AVERAGE EXCHANGE RATES	Q1 2012	Q4-2011
PLN		
EUR/PLN	4,23	4,41
% change Q4 2011	-4,1%	
USD/PLN	3,23	3,28
% change Q4 2011	-1,5%	

While strengthening zloty generated significant positive financial result, its impact on operations was negative. In addition to PLN 3.8 million of FX losses related the settlements of our foreign currency invoices, the strengthening zloty brought pressure on prices of our end products while domestic prices of scrap metal even increased. Particularly sensitive to the FX development was production and sales of bars at HSJ steel plant. This most profitable of our product lines saw decrease of prices in comparison to the previous quarter by 7% while scrap metal prices rose by 9%. The decrease in prices for our HSJ bars and so the deterioration of its product-scrap metal spread, by PLN 402 per tonne, was only partially offset by the improvement of margins of our other semi-finished and finished products.

UNIT PRICES	Q1 2012	% YoY	% Q4 2011	Q1 2011	Q4 2011	Y 2011
<i>PLN / Tonne</i>						
Scrap metal	1 117	8%	9%	1 038	1 027	1 017
Billets (FERR)	2 162	1%	6%	2 137	2 045	2 038
billet - scrap spread	1 045	-5%	3%	1 099	1 018	1 021
Bars (FERR)	2 420	4%	8%	2 323	2 239	2 285
bar - scrap spread	1 375	12%	13%	1 224	1 221	1 264
Bars (HSJ)	3 253	5%	-7%	3 105	3 501	3 317
bar - scrap spread	1 878	0%	-18%	1 881	2 280	2 053

Net profit also decreased compared to the first quarter of 2011 - it was lower by 51.2%. However, in both of the quarters certain significant non-recurrent items influenced the final results with financial profits in Q1 2012 and profits from discontinued operations in Q1 2011 in particular.

INCOME STATEMENT	Q1 2012	Y 2011	Q1 2011
<i>'000 PLN</i>			
Revenue	399 419	1 549 647	328 205
Cost of sales	-371 944	-1 377 076	-293 833
<b>Gross profit</b>	<b>27 475</b>	<b>172 571</b>	<b>34 372</b>
Other income	2 691	9 919	2 939
Distribution expenses	-7 972	-36 171	-7 347
Administrative expenses	-11 605	-46 600	-8 957
Other gains/(losses) – net	-3 693	15 309	-754
Other expenses	-2 976	-14 546	-2 973
<b>EBIT</b>	<b>3 920</b>	<b>100 482</b>	<b>17 280</b>
Financial income	28 104	6 562	343
Financial expenses	-15 537	-105 041	-19 850
<b>Net financing costs</b>	<b>12 567</b>	<b>-98 479</b>	<b>-19 507</b>
<b>Profit before tax</b>	<b>16 487</b>	<b>2 003</b>	<b>-2 227</b>
Income tax expense	-2 405	21 887	-4 795
Profit/loss for the period from discontinued operations	0	92 011	35 903
<b>Profit for the period</b>	<b>14 082</b>	<b>115 901</b>	<b>28 881</b>
Depreciation and amortization	-10 525	-44 169	-11 010
<b>EBITDA</b>	<b>14 445</b>	<b>144 651</b>	<b>28 290</b>

In order to properly evaluate and compare the current Group's performance we have calculated the following adjustments:

DESCRIPTION	Q1 2012	Q1 2011
'000 PLN		
<b>Reported EBITDA</b>	<b>14 445</b>	<b>28 290</b>
Non-recurring items including:	-3 620	517
- costs of sales	0	-33
- other income	904	1 057
- distribution expenses	-12	367
- administrative expenses	-819	0
- other gains/losses	86	25
- operational FX result	-3 779	130
- other impairments	0	-1 029
<b>Adjusted EBITDA</b>	<b>18 065</b>	<b>27 773</b>
 <b>Reported net result</b>	 <b>14 082</b>	 <b>28 881</b>
Non-recurring items including:	25 172	30 983
- EBITDA adjustments	-3 620	517
- FX result on debt less FX result on assets	28 104	-5 339
- result from discontinued operations	0	35 903
- pro-forma income tax adjustment	688	-98
<b>Adjusted net result</b>	<b>-11 090</b>	<b>-2 102</b>

According to the above computation Q1 2012 adjusted EBITDA stood at PLN 18.1 million, less by PLN 9.7 million and adjusted net result at PLN (-) 11.1 million less by PLN 9.0 million in comparison to the adjusted figures of Q1 2011.

The computation of adjustments does not include any quantification of previously discussed FX development which had a negative impact on our sale prices and margins in Q1 2012. This is because the margin of error in such evaluation would be too wide in our opinion to be included in this report.

Major Group's entities made the following contribution to the consolidated results:

'000 PLN	FERR	ZW-WB	HSJ	ZLMET
Revenues	161 753	5 225	166 106	166 038
- incl. Internal	256	5 151	600	110 083
EBIT	(-) 356	(-) 605	12 539	2 374
EBITDA	103	(-) 288	17 880	3 487
<b>Profit for the period</b>	<b>(-) 3 967</b>	<b>(-) 728</b>	<b>20 665</b>	<b>1 871</b>

## 2. Balance Sheet

The amount of total assets grew by 4.6% in comparison to 2011 yearend due to 11.0% increase of non-current assets value. The increase was mostly fueled by increase of receivables and inventories which grew by 12.2%. This was partially offset by the decrease of non-current assets and the decrease of assets held for sale with closing of transactions on sale of a couple of real properties.

ASSETS	Q1 2012	Y 2011	Q1 2011
'000 PLN			
<b>A. TOTAL NON-CURRENT ASSETS</b>	<b>491 110</b>	<b>499 437</b>	<b>443 154</b>
I. Intangible assets	16 257	17 067	19 711
II. Property, plant and equipment	341 225	342 734	364 070
III. Other receivables	41 888	44 583	256
IV. Investment property and other investments	4 371	4 377	4 495
V. Prepaid perpetual usufruct of land	19 744	19 850	19 160
VI. Deferred tax assets	67 625	70 826	35 462
<b>B. TOTAL CURRENT ASSETS</b>	<b>533 234</b>	<b>480 180</b>	<b>669 165</b>
<b>I. Inventories</b>	<b>211 746</b>	<b>178 472</b>	<b>211 838</b>
<b>II. Receivables</b>	<b>255 264</b>	<b>237 834</b>	<b>346 762</b>
1. Trade receivables	243 417	204 904	266 084
2. Current income tax receivable	8 173	7 744	586
3. Other investments	3 674	25 186	80 092
<b>III. Cash and cash equivalents</b>	<b>53 836</b>	<b>47 166</b>	<b>8 176</b>
<b>IV. Assets classified as held for sale</b>	<b>12 388</b>	<b>16 708</b>	<b>102 389</b>
<b>V. Assets of disposal groups and discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>1 024 344</b>	<b>979 617</b>	<b>1 112 319</b>

Net debt decreased by PLN 32.4 million in comparison to 2011 yearend and most of the decrease came from positive FX development which generated PLN 30.8 million of net gains related to the Group's indebtedness. Equity reached PLN 190.7 million thanks to the net profit of the period.

EQUITY AND LIABILITIES	Q1 2012	Y 2011	Q1 2011
'000 PLN			
<b>A. EQUITY</b>	<b>190 709</b>	<b>176 441</b>	<b>105 502</b>
I. Issued share capital	132 444	132 444	132 444
II. Reserves and retained earnings	46 349	31 796	-35 497
III. Minority interest	11 916	12 201	8 555
<b>B. LIABILITIES</b>	<b>833 635</b>	<b>803 176</b>	<b>1 006 817</b>
<b>I. Non-current liabilities</b>	<b>516 402</b>	<b>548 729</b>	<b>527 342</b>
1. Employee benefits obligation	7 970	7 970	11 724
2. Interest-bearing loans and borrowings	498 985	532 138	509 333
3. Other	9 447	8 621	6 285
<b>II. Current liabilities</b>	<b>317 233</b>	<b>254 447</b>	<b>479 475</b>
1. Interest-bearing loans and borrowings	74 621	45 878	100 270
2. Bank overdraft	3 963	25 236	79 242
3. Trade payables	228 844	176 117	292 751
4. Deferred government grants	4 561	865	2 954
5. Other financial liabilities	0	0	0
6. Employee benefits obligation	4 366	5 677	3 855
7. Current income tax payable	0	293	0
8. Provisions for payables	878	381	403
<b>III. Liabilities of disposal group classified as held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 024 344</b>	<b>979 617</b>	<b>1 112 319</b>

### 3. Cash flow (continued operations)

The Group had slight negative cash flow from operating activities mainly due to working capital outflow at PLN (-) 18.5 million. Cash from investing activities was positive and so from financing. Overall we saw increase of cash from continued operations.

CASH FLOW		Q1 2012	Y 2011	Q1 2011
	'000 PLN			
A. FROM OPERATING ACTIVITIES		-5 368	-32 697	-53 972
B. FROM INVESTING ACTIVITIES		21 141	-7 151	-717
C. FROM FINANCING ACTIVITIES		12 792	-140 588	-21 912
NET INCREASE IN CASH		28 565	-180 436	-76 601

## II. Main Metrics

Main metrics deteriorated slightly in comparison to the end of the previous quarter yet most of the them remain at very satisfactory levels with liquidity and turnover ratios in particular.

MAIN METRICKS	Q1 2012	Y 2011	Q1 2011
Liquidity ratio	1,68	1,89	1,40
Quick ratio	1,01	1,19	0,95
Inventories turnover (days)	51	47	65
Receivables turnover (days)	55	48	73
EBITDA margin	3,6%	9,3%	8,6%
Net profit margin	3,5%	7,5%	8,8%
Equity	190 709	176 441	105 502
Net debt	523 733	556 086	680 669
Net debt / LTM EBITDA	4,0	3,8	17,8