



April 29, 2022

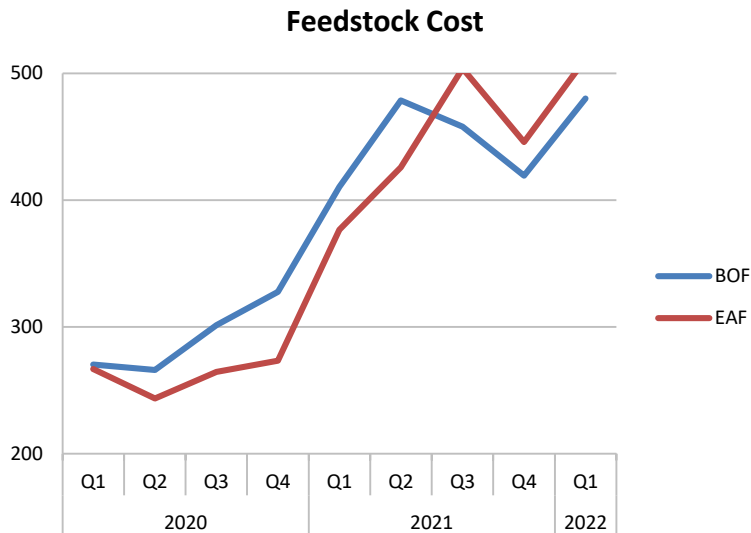
Q1 2022 - Management Discussion and Analysis

The first quarter of 2022 saw a decline in steel demand. In the European Union (EU27) crude steel production fell fairly moderately by 3.8% as compared to Q1 2021. This includes a slight deterioration of Poland's output which was down by just 2.0%. All major steel producing regions saw their production outputs down with China suffering the biggest losses to the tune of 10.5%. Consequently, the world's crude steel production contracted to 456.6 million tonnes which accounts for a 6.8% of a decline.

Contrary to the general tendency Cognor Holding S.A. (Cognor, the Company, the Group) managed to produce more crude steel (billets) by 4.7%. Our combined shipments of scrap metal, billets and finished products exceeded those of Q1 2021 by 2.2%. At the same time, the prices for scrap metal, semi-finished products (billets) and finished products saw unprecedented hikes, which resulted in our revenues growth by as much as 64.7%.

In line with revenues, the Group's profitability improved outstandingly. Our EBITDA reached PLN 192.4 million amid the increasing price environment and relatively fair demand for our products, which resulted in significant FIFO gains as well as the improvement of our conversion spreads. The latter rose by PLN 934 per tonne for billets and PLN 1,004 per tonne for finished products. The conversion spreads enhanced due to the faster pace of the increase of prices for billets and finished products compared with the scrap metal price increment. That was to a certain extent counterbalanced by the rise of certain production costs due to the increase of the underlying material prices.

The feedstock cost position of the electric arc furnace (EAF) producers vis-à-vis the blast oxygen furnace (BOF) mills was negative according to our feedstock cost model. This was due to the faster increase of scrap metal price as compared to the increase of the mix of main input materials used by BOF manufacturers. Worse competitive position of Cognor as an EAF producer did not impact the level of our billet sales though thanks to the wide and further improving conversion spreads. Should the spreads normalize, the currently less favorable feedstock cost profile of Cognor compared to the BOF producers may result in a decline of our billet sales in the future as this is the market area where both production methods compete with each other.



Covid-19 pandemics in 2020 and 2021 proved less of a problem for our daily operations. In Q1 2022 however, there appeared another threat after Russia had invaded Ukraine. Surprisingly enough, the severe sanctions imposed on the aggressor country by the democratic community added extra space to our conversion spreads as the imports of steel into the EU saw further obstacles. We do hope that the warfare ends and the civilians no longer suffer from that barbarian attack. Apart from the humanitarian aspect, which is obviously most important, the crisis poses risk of scarcity of certain production components and shortages in supply of energy in the months to come. We strive to supplement the threatened deliveries to avoid disruptions in supply chains. Nevertheless, we are of the opinion that the Russian aggression is now proving more hazardous for our business operations than the SARS-cov-2 ever was.

In summary, the last quarter brought new records for our sales and profitability. Excellent result prints occurred at the backdrop of utterly unstable circumstances in politics and the economy. We managed to achieve all time high EBITDA of PLN 192.4 million and the best ever net result of PLN 156.8 million.

I. Reported Statement

1. Income Statement

The Group's revenues increased by PLN 378.0 million and 64.7% due to increases of prices by the following: (i) PLN 772 per tonne and 58.8% for scrap metal, (ii) PLN 1,688 per tonne and 68.0% for billets and (iii) PLN 1,716 per tonne and 59.7% for finished products. The strongly positive contribution of prices was slightly supported by higher shipments of: (i) billets by 3.2 thousand tonnes and 8.0% and (ii) finished products by 5.5 thousand tonnes and 4.2%. That was partially offset by a decrease of scrap metal shipments by 4.0 thousand tonnes and 10.1%.

Our conversion spreads for billets and finished products grew by PLN 934 per tonne and 1,004 per tonne, respectively. That was partially counterbalanced by higher prices for certain production components.

The influence of the very price dynamics on our EBITDA was strongly positive as Cognor has been selling its products during the increasing price environment in the last couple of quarters. In Q1 2022, we estimate the total support related to inventories at PLN 26.1 million compared to PLN 26.5 million a year ago. The following table illustrates the numbers and the method used to estimate the FIFO contribution:

implied result related to change of scrap metal cost contained in inventories (<i>billet equivalent</i>)	Q4 2021		Q1 2022		Q4 2020		Q1 2021	
	scrap metal cost	opening volume of stock	scrap metal cost	FIFO result	scrap metal cost	opening volume of stock	scrap metal cost	FIFO result
	PLN/T	T	PLN/T	000 PLN	PLN/T	T	PLN/T	000 PLN
HSJ billets & products	1 852	27 114	2 308	12 366	1 052	24 660	1 370	7 831
FERR billets & products	1 620	53 778	1 857	13 705	933	41 547	1 383	18 677
TOTAL				26 071				26 508

In the results of Q1 2022 we accounted an amount of PLN 6.0 million, which we expect to receive in 2023 within the framework of the act adopted by the Polish Parliament in 2019 based on which, a number of large carbon dioxide emitting companies will benefit from compensations intended to partially amortize the increase of prices of CO2 emission rights. We will continue recognizing the amount of PLN 6.0 million in each of the following quarters of 2022 as we expect to be eligible for a total of PLN 24.1 million of compensation for the full financial year. The final amount may differ depending on: (i) the quotation of CO2 emission rights and (ii) the degree of a pro-rata reduction applied should the total value of compensation demands exceed the limit of PLN 1.8 billion. In Q1 2021, the amount of PLN 3.8 million was accounted in respect of the said compensation scheme.

EBIT and EBITDA both increased by PLN 114.5 million and PLN 112.3 million respectively. The EBITDA margin improved from 13.7% up to 20.0%. The FX development had some positive effect on our operations with the average EUR/PLN exchange rate 1.7% higher and the USD/PLN exchange rate as much as 9.3% stronger as compared to Q1 2021. The impact on our net financial costs was also positive - the net FX gain related to the Company's indebtedness accounted for PLN 0.7 million while the EUR/PLN exchange rate quoted 4.65 as of March 31, 2022 and 4.60 as of December 31, 2021.

AVERAGE EXCHANGE RATES		Q1 2022	Q1 2021
	<i>PLN</i>		
EUR/PLN		4.63	4.55
	% change	1.7%	
USD/PLN		4.12	3.77
	% change	9.3%	

EXCHANGE RATES		31-Mar-2022	31-Dec-2021	31-Mar-2021
	<i>PLN</i>			
EUR/PLN		4.65	4.60	4.66
	% change (Mar 22 / Dec 2021)	1.2%		
USD/PLN		4.18	4.06	3.97
	% change (Mar 22 / Dec 2021)	3.0%		

In spite of the supportive currency trends our operational FX result was slightly negative at PLN 0.8 million.

The valuation of our financial instruments brought PLN 20.2 million of income. Our financial expenses stood at PLN 8.9 million and included PLN 0.7 million of FX losses related to our indebtedness. They were at the same level as in Q1 2020.

Our combined billet and product spreads improved. For Ferrostal and HSJ mills they were as follows.

PRICES AND SPREADS	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<i>(pln/ tonne)</i>					
FERROSTAL					
SCRAP METAL - all purchases	1 883	1 608	1 743	1 431	1 269
BILLETS - sales to external customers	4 325	3 800	3 595	2 656	2 362
BILLET SPREAD	2 442	2 192	1 853	1 224	1 093
FINISHED PRODUCTS - sales to external customers	4 037	3 685	3 880	2 073	2 624
PRODUCT SPREAD	2 153	2 077	2 137	1 641	1 355
HSJ					
SCRAP METAL - all purchases	2 278	1 875	1 912	1 623	1 438
BILLETS - sales to external customers	4 036	3 633	3 742	3 084	2 640
BILLET SPREAD	1 758	1 758	1 830	1 461	1 202
FINISHED PRODUCTS - sales to external customers	5 344	4 843	4 479	3 734	3 214
PRODUCT SPREAD	3 066	2 968	2 567	2 111	1 776

INCOME STATEMENT	Q1 2022	Q4 2021	Q1 2021
	<i>'000 PLN</i>		
Revenue	962 036	794 048	584 076
Cost of sales	-735 701	-602 877	-487 108
Gross profit	226 335	191 171	96 968
Other income	8 040	10 729	6 173
Distribution expenses	-31 483	-26 541	-25 223
Administrative expenses	-18 998	-18 339	-14 365
Other gains/(losses) – net	-627	-3 430	4 194
Other expenses	-1 992	-2 578	-975
EBIT	181 275	151 012	66 772
Financial income	21 045	17 779	827
Financial expenses	-8 946	-12 715	-8 931
Net financing costs	12 099	5 064	-8 104
Share of profits of associates	-44	138	-53
Excess in the net fair value of acquired assets over cost	0	0	0
Profit before tax	193 330	156 214	58 615
Income tax expense	-36 550	-30 862	-12 758
Profit/loss for the period from discontinued operations	0	0	0
Profit for the period	156 780	125 352	45 857
Depreciation and amortization	-11 127	-12 849	-13 312
EBITDA	192 402	163 861	80 084

The non-recurring items had a slight negative effect on our EBITDA and a noticeably positive on our net result. The following adjusted EBITDA and net profit figures facilitate an analogous assessment of the Group's results achieved from the ordinary course of business:

ITEMS	Q1 2022	Q4 2020	Q1 2021
	<i>'000 PLN</i>		
Reported EBITDA	192 402	163 861	80 084
Non-recurring items including:	-1 573	-3 211	4 641
- costs of sales	4	39	131
- other income	341	2 784	494
- distribution expenses	-52	-799	63
- administrative expenses	0	0	0
- other gains/losses	196	-2 350	3 038
- operational FX result	-823	- 1 080	1 156
- other impairments	-1 239	- 1 805	-241
Adjusted EBITDA	193 975	167 072	75 443
Reported net result	156 780	125 359	45 857
Non-recurring items including:	15 704	9 117	851
- EBITDA adjustments	-1 537	-3 211	4 641
- FX result on debt	719	60	-1 444
- financial instruments result	20 203	17 717	827
- interest result & abolition tax	-61	-7 698	-2 238
- share of associate result	-44	-53	-53
- pro-forma income tax adjustment	-3 540	2 302	-882
Adjusted net result	141 076	116 242	45 006

According to the above, the Q1 2022 adjusted EBITDA stood at PLN 194.0 million and the adjusted net profit was to the tune of PLN 141.1 million. They were much higher compared to the adjusted results of Q1 2021 where the Group had PLN 75.4 million of recurring EBITDA and PLN 45.0 million of net adjusted profit.

2. Balance Sheet

During the last twelve months, the value of non-current assets increased by PLN 157.2 million due to the increase of the value of property, plant and equipment and perpetual usufruct of land to the tune of PLN 134.2 million. That was primarily the effect of the acquisition of property, plant and equipment at the amount of PLN 183.0 million, in which PLN 81.4 million related to the acquisitions conducted in Q1 2022. That was partially offset by disposals to the tune of PLN 1.6 million, in which PLN 0.0 million were carried out in Q1 2022. Positive valuation of our financial instruments resulted in an increase of the value of non-current assets by further PLN 31.6 million. The counterbalancing effect had the following elements: (i) amortization and depreciation charges at the amount of PLN 49.6 million and (ii) utilization of a "tax shield" which resulted in the reduction of deferred assets by PLN 23.7 million.

Current assets increased by PLN 650.4 million primarily due to an increase of: (i) receivables by PLN 277.1 million, (ii) inventories by PLN 215.2 million and (iii) cash balance by PLN 148.1 million. The increase of receivables and inventories was primarily caused by the increase of cost of scrap metal, semi-finished and finished products kept in stock. The higher cash position was predominantly due to the build-up of cash at the amount of PLN 126.0 million which serves as a security for a letter of credit issued in connection with one of the pending investment projects. The level of receivables was influenced by the value of receivables sold under the non-recourse factoring arrangements. At the end of Q1 2022, the net amount of receivables disposed (accounts receivable transferred, reduced by the amount owed by factors) accounted for PLN 291.0 million, while a year ago it was PLN 196.1 million.

As a result of the afore mentioned changes, our total assets saw an increase of PLN 807.6 million and 67.5%.

ASSETS	Q1 2022	Q4 2021	Q1 2021
	<i>'000 PLN</i>		
A. TOTAL NON-CURRENT ASSETS	666 055	564 496	508 846
I. Intangible assets	14 924	15 139	18 096
II. Property, plant and equipment	563 782	493 220	398 563
III. Other receivables	31 639	14 777	9 405
IV. Investment property and other investments	1 089	1 134	8 271
V. Financial instruments assets	34 843	15 689	0
VI. Prepaid perpetual usufruct of land	0	0	31 010
VII. Deferred tax assets	19 778	24 537	43 501
B. TOTAL CURRENT ASSETS	1 337 280	940 676	686 890
I. Inventories	546 481	425 801	331 236
II. Receivables	503 698	398 227	226 562
1. Trade receivables	503 587	398 095	226 403
2. Current income tax receivable	38	38	38
3. Other investments	73	94	121
III. Financial instruments assets	2 894	1 845	0
IV. Cash and cash equivalents	277 219	107 810	129 092
V. Prepayments	0	0	0
VI. Assets classified as held for sale	6 988	6 993	0
VII. Assets of disposal groups	0	0	0
TOTAL ASSETS	2 003 335	1 505 172	1 195 736

Cognor's equity of Q1 2022 increased by PLN 445.9 million primarily as a result of the positive net result of the last 12 months at PLN 474.4 million which was offset by the adoption and payment of a dividend at the amount of PLN 25.7 million. Our net debt stood at PLN 142.6 million – increased by PLN 16.4 million as compared to Q1 2021.

EQUITY AND LIABILITIES	Q1 2022	Q4 2021	Q1 2021
	<i>'000 PLN</i>		
A. EQUITY	800 561	643 869	354 661
I. Issued share capital	257 131	257 131	254 431
II. Reserves and retained earnings	494 708	346 754	78 156
III. Minority interest	48 722	39 984	22 074
B. LIABILITIES	1 202 774	861 303	841 075
I. Non-current liabilities	326 564	269 631	223 965
1. <i>Employee benefits obligation</i>	<i>12 705</i>	<i>14 343</i>	<i>12 580</i>
2. <i>Interest-bearing loans and borrowings</i>	<i>308 800</i>	<i>249 987</i>	<i>198 430</i>
3. <i>Other</i>	<i>5 059</i>	<i>5 301</i>	<i>12 955</i>
II. Current liabilities	874 730	590 124	617 110
1. <i>Interest-bearing loans and borrowings</i>	<i>61 111</i>	<i>70 816</i>	<i>56 885</i>
2. <i>Bank overdraft</i>	<i>49 908</i>	<i>17 200</i>	<i>0</i>
3. <i>Trade and other payables</i>	<i>741 536</i>	<i>490 695</i>	<i>544 001</i>
4. <i>Deferred government grants</i>	<i>4 582</i>	<i>4 538</i>	<i>5 056</i>
5. <i>Liability under financial instruments</i>	<i>0</i>	<i>0</i>	<i>3 183</i>
6. <i>Employee benefits obligation</i>	<i>2 213</i>	<i>2 139</i>	<i>1 330</i>
7. <i>Current income tax payable</i>	<i>14 080</i>	<i>2 936</i>	<i>6 630</i>
8. <i>Provisions for payables</i>	<i>1 300</i>	<i>1 800</i>	<i>25</i>
III. Liabilities of disposal group	1 480	1 548	0
TOTAL EQUITY AND LIABILITIES	2 003 335	1 505 172	1 195 736

3. Cash flow

The Group had a positive operating cash flow in Q1 2022 due to positive EBITDA which was partially offset by the outflow of cash from working capital at the amount of PLN 12.9 million. Investment activities proved negative with CAPEX outflows amounting to PLN 79.4 million. Financing activities were overall cash-flow positive due to incurrance of new indebtedness at PLN 60.5 million which was counterbalanced by the following: (i) the repayment of debt under loans and leasing arrangements at the amount of PLN 13.4 million and (ii) payment of interest charges and fees at the amount of PLN 23.8 million.

CASH FLOW	Q1 2022	Q4 2021	Q1 2021
	<i>'000 PLN</i>		
A. OPERATING ACTIVITIES	193 897	63 667	53 245
B. INVESTING ACTIVITIES	-79 134	-36 884	-7 994
C. FINANCING ACTIVITIES	21 938	-33 999	-16 714
NET INCREASE IN CASH	136 701	-7 216	28 537

II. Main Metrics

Liquidity metrics improved and they are very good. Efficiency ratios worsened but remain good. The EBITDA and net profit margins showed excellent prints. Equity went up greatly while net indebtedness increased only slightly. Leverage is historically low due to exceptionally strong LTM EBITDA.

MAIN METRICS	Q1 2022	Q4 2021	Q1 2021
Liquidity ratio	1.53	1.59	1.11
Quick ratio	0.90	0.87	0.58
Inventories turnover (days)	67	70	61
Receivables turnover (days)	47	52	35
EBITDA margin	20.0%	18.5%	13.7%
Net profit margin	16.3%	12.9%	7.9%
Equity	800 561	643 869	354 661
Net debt	142 600	230 193	126 223
Net debt / LTM EBITDA	0.2	0.4	0.8

III. Communication with Media and Investors

Our Q1 2022 results will be presented on Friday, **April 29, 2022**. On that day, a presentation discussing the operational and financial details will be made available on the Company's website at: www.cognor.eu.

1.

The **press conference** will be organized at the Westin Hotel, #21 Jana Pawła II, Warsaw, Poland **at 10:00 CET**, in Polish language. The **conference for investors** will follow at the same venue **at 11:30 CET**, also in Polish language.

To take part in either of the two meetings the participants are kindly asked to contact:

Kamil Więckowski: k.wieckowski@makmedia.pl, mob.: +48 735 959 581 or

Przemysław Małoszyc: pmaloszyc@cognor.eu, mob.: +48 508 032 813.

2.

The **conference call for investors** will be held at **16:00 CET** (15:00 LND, 10:00 NY, 07:00 LA) in English language. Participants who wish to join the conference call are kindly asked to use the following MS Teams link:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_OTMyZTFIYTAtNjA0MS00ZTMylWFhMTAtYTA1Njg4NGE4Yzg5%40thead.v2/0?context=%7b%22Tid%22%3a%22d509b1a0-bbd1-4ee1-ab17-b888cff6aefe%22%2c%22Oid%22%3a%229a766f4b-3ca7-4b6e-a67a-7728929823c4%22%7d

To take part, you can connect through your Internet browser or download the app at:

<https://play.google.com/store/apps/details?id=com.microsoft.teams&hl=pl>

or at Apple App Store:

<https://apps.apple.com/app/id1113153706?cmpid=downloadiOSGetApp&lm=deeplink&msrc=downloadPage>

Technical support – Kamil Więckowski: k.wieckowski@makmedia.pl, mob.: +48 735 959 581.

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Przemysław Sztuczkowski

Chairman of the Executive Board

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Krzysztof Zoła

Member of the Executive Board

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Przemysław Grzesiak

Vice-chairman of the Executive Board

.....

Dominik Barszcz

Member of the Executive Board

Poraj, April 29, 2022