



2022 Business and Financial Performance

March 7, 2023





1. Introduction

2. Group Overview

3. Market

4. Financials

5. Capex

6. Outlook

7. Annexes



Przemysław Sztuczkowski
Founder, President of the Board, CEO



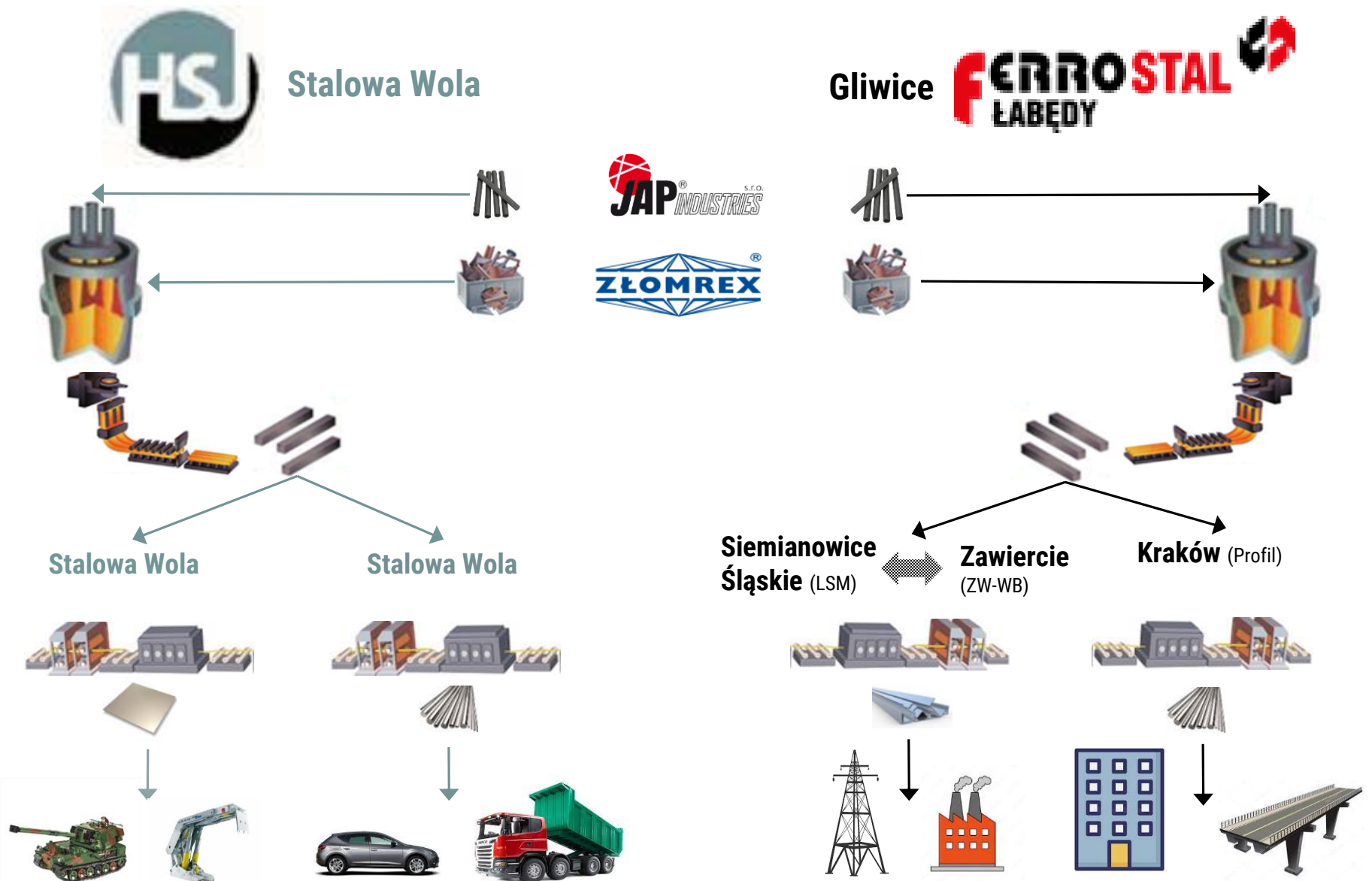
Krzysztof Zoła
Board Member, CFO

- Increased geopolitical risk and military spending
- De-globalisation and onshoring
- Protectionism and reindustrialisation of the EU
- Supply chain shortening
- Long-term underinvestment in energy sector; the end of commodity abundance as well as cheap energy
- CO2 emission costs increase; the end of BOF/BF steelmaking in the EU
- Green deal and sustainable economy
- Inflation, debt crisis and the end of cheap money decade
- Growing interest in fundamentally healthy and dividend paying value stocks at the expense of growth stocks

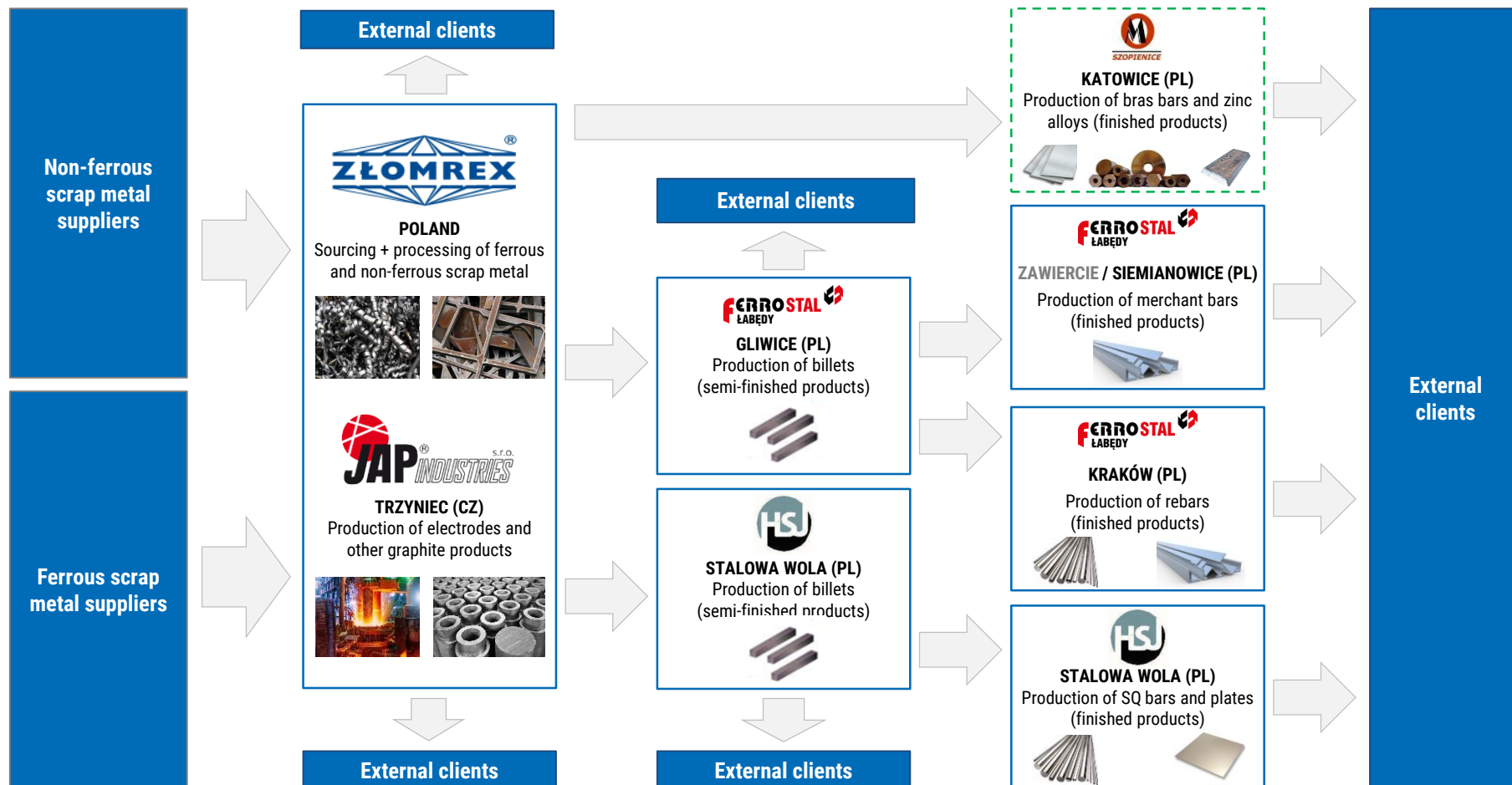
- 30 years of industry experience
- Exposure on mid European market: PL, DE, CZ, SK, HU, RO, LT, LV, ES
- Track record of resilience: crisis in the Polish steel industry in the 90s; hostile EU policy and VAT evasion practices in Poland in the 10s
- Energy efficient and environmentally friendly steel melting method in electric arc furnace (EAF)
- Modern and efficient production assets
- Product elasticity; no sectorial dependence, diversification of clients
- Strong presence on Polish scrap market; vertical integration stabilising raw material supplies
- Low debt; very strong balance sheet structure
- Rational and consequent CAPEX aimed at volume expansion and cost saving including of energy and feedstock
- Completion of Gliwice project; advanced modernisation in Kraków; construction works in Siemianowice Śląskie
- Dividend policy; attractive valuation ratios

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Group Overview | Structure



Group Overview | Vertically Integrated Business Model



- Cognor is vertically integrated which allows to control the production process starting from scrap metal sourced through our own scrap collecting sites network, production of electrodes, through melting of scrap metal, refining it in order to get the desired chemical composition of steel, then casting steel into a form of billets (semi-finished products) to finally arrive at the stage of billets being rolled into finished products, mostly bars (long products). This provides much greater security in terms of feedstock availability and allows to achieve the whole margin along the value chain

Group Overview | Steel Production Facilities

HSJ



HSJ Melting shop & rolling mills

Ferrostal



FERROSTAL LABEY Melting shop

Profil



FERROSTAL LABEY Rolling mill

ZW -WB / LSM



FERROSTAL LABEY Rolling mill

Location

- **Stalowa Wola**

- **Gliwice**

- **Kraków** (mid 2023)

- **Zawiercie**
- **Siemianowice** (2024)

Product portfolio

- Billets
- Bars
- Plates

- Billets

- Rebars

- Merchant bars

Production capacities

- Billets: 300 thousand tonnes
- Plates: 101 thousand tonnes
- Bars: 178 tys. thousand tonnes

- Billets: 375 + **155** thousand tonnes

- Bars: 240 + **160** thousand tonnes

- Bars: 198 thousand tonnes
- Bars: **450** thousand tonnes

Technology

- 1 EAF, 1 LF, 1CCM & 1 VD
- 1 furnace + 1 long products line & 2 flat products lines

- 1 EAF, 1 LF & 1CCM

- 1 furnace + 1 long product lines

- 1 furnace + 3 long product lines

Employment

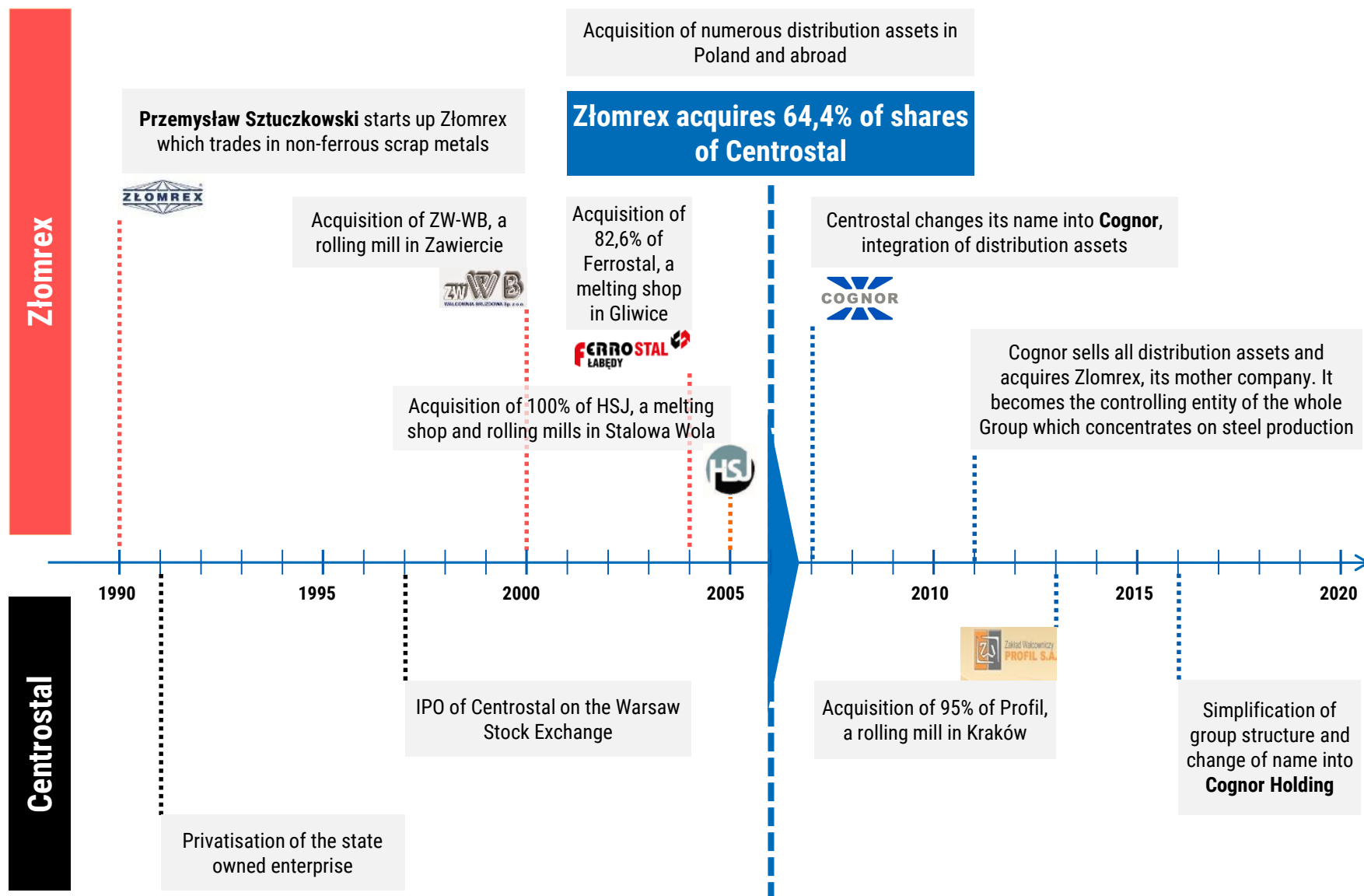
- ca 800 people

- ca 350 people

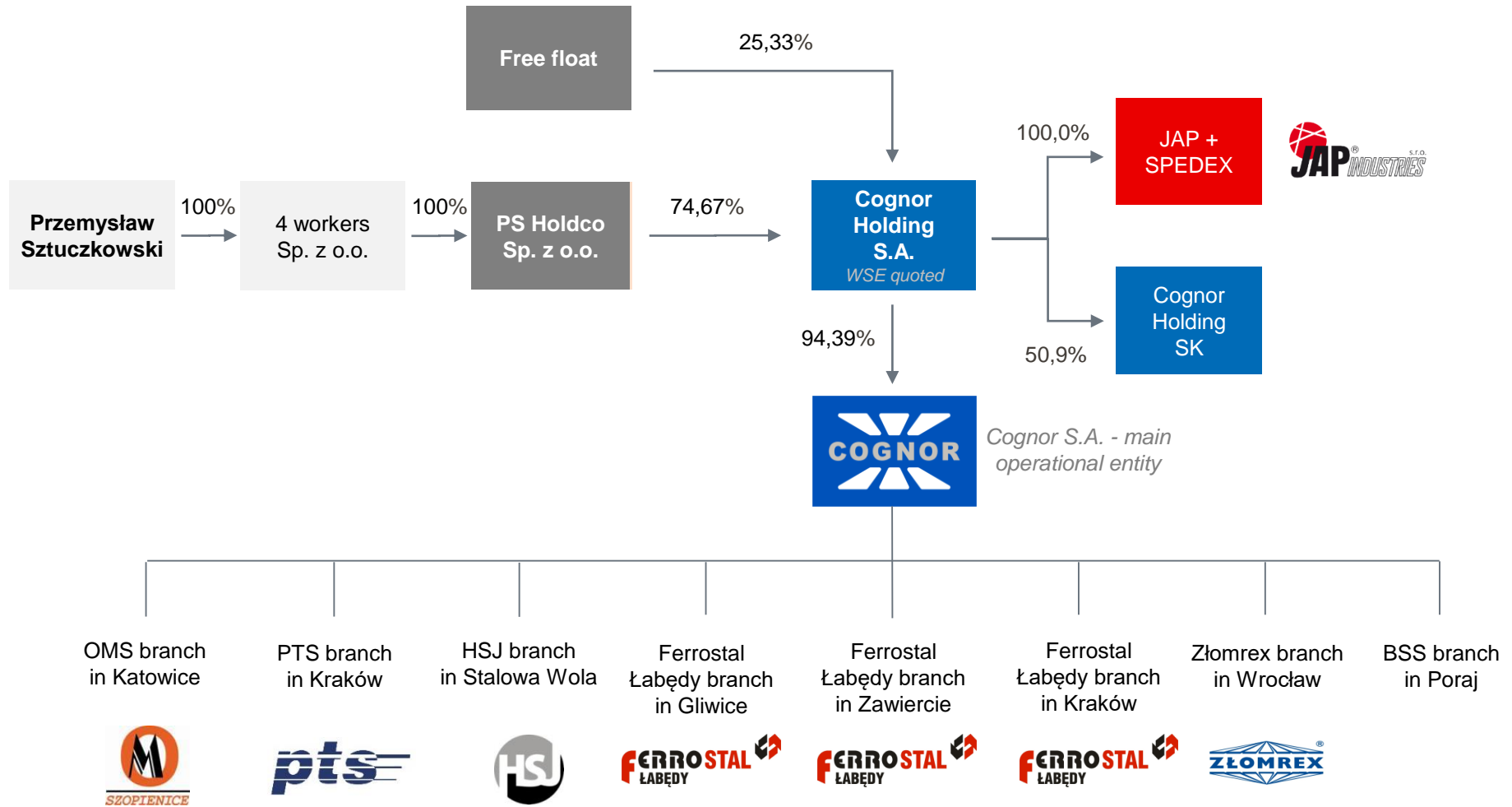
- ca 250 people

- ca 30+300 people outsourced
- ca 150 people

Group Overview | History

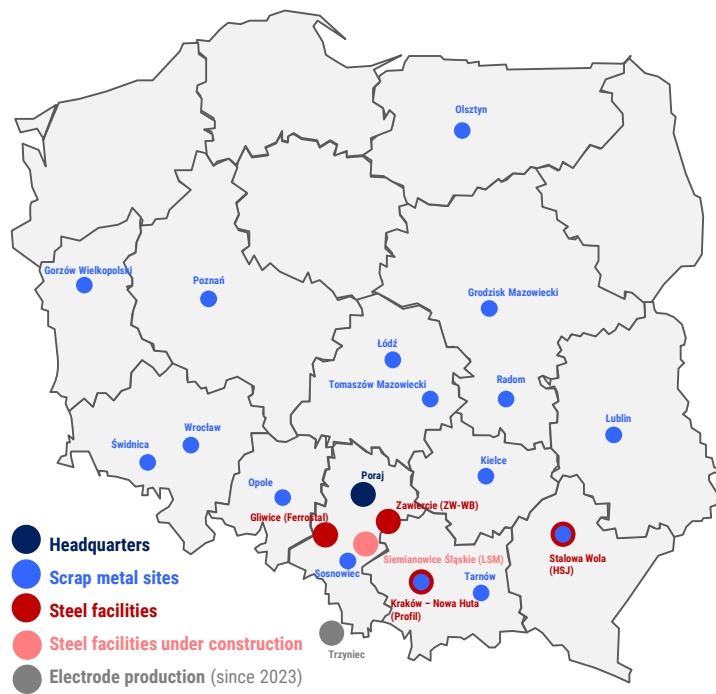


Group Overview | Group Structure & Shareholders



Group Overview | Locations and Segments Performance

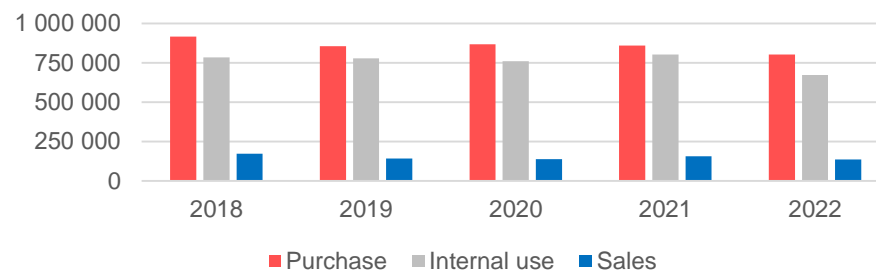
Presence on map



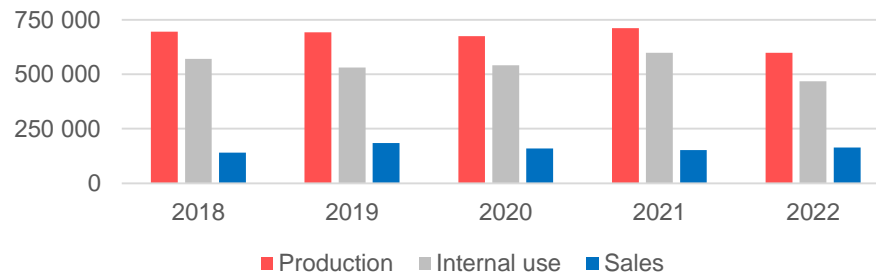
- Headquartered in Poraj near Częstochowa
- 15 scrap metal sites (under Zlomrex brand)
- 4 production facilities in Gliwice, Zawiercie, Kraków and Stalowa Wola (under Ferrostal and HSJ brands)
- Light sections (merchant bars) mill (LSM) under construction in Siemianowice Śląskie
- Electrode production plant in Trzyniec (Czechia)

Quantities per business segments

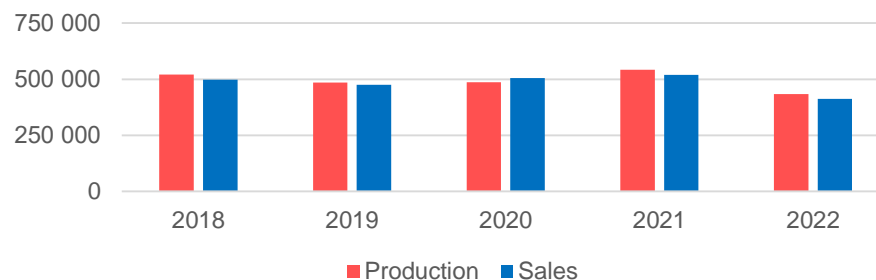
Scrap metal (tonnes)



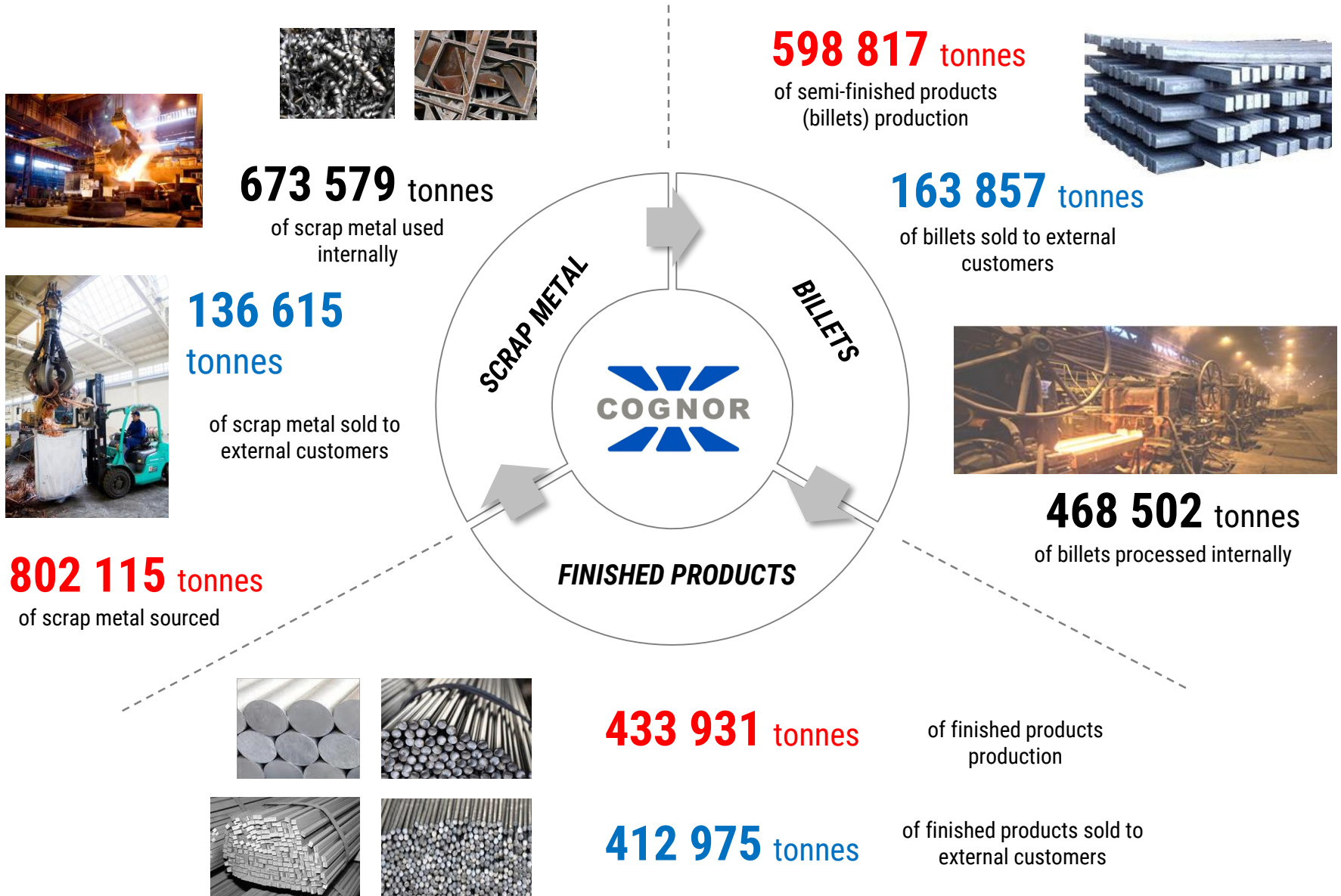
Billets (tonnes)



Finished products (tonnes)



Group Overview | 2022 Circular Economy & Sustainable Steelmaking



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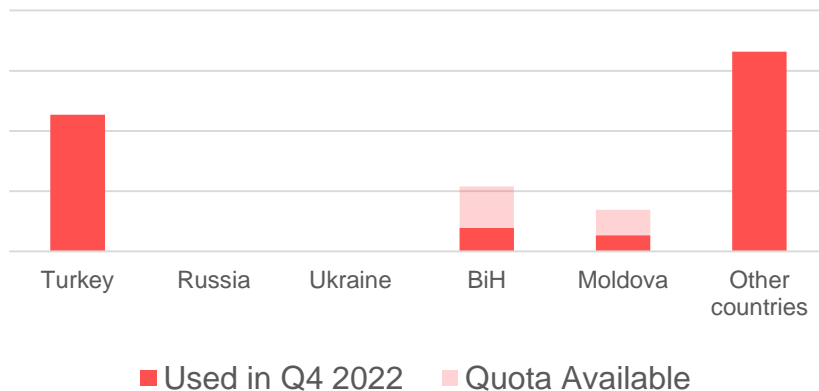
Anti Dumping

Since 2016 the EU has been determined on market protection. The anti dumping measures are numerous and financially severe.

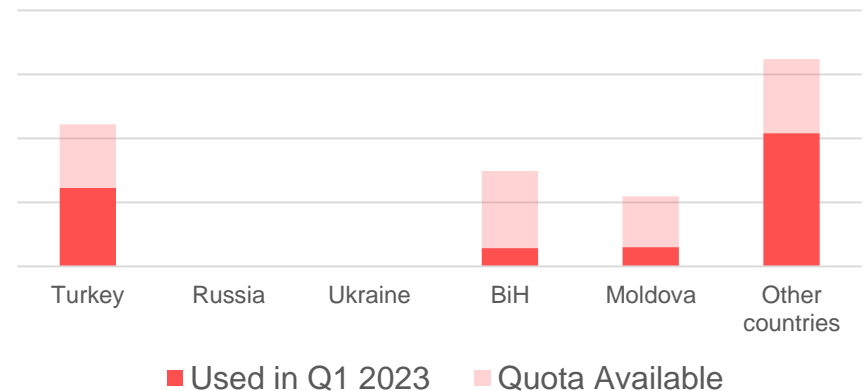
Safeguard

A quota tool introduced in 2018 to last through mid 2024 aimed to limit tax free imports. Below an example of its utilisation in Q4 2022 and Q1 2023

Rebars Q4 2022



Rebars Q1 2023 (as of 03.03.2023)



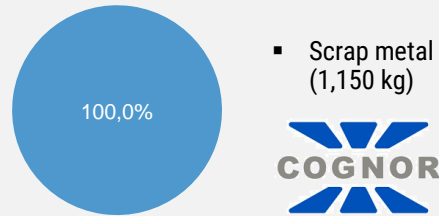
Carbon Tax

Aimed at preventing carbon leakage. It will start in 01.10.2023 and be fully effective from 01.01.2026. It will impose entry fees on steel importers equal to the level of CO2 emission costs which are born by the producers in the EU.

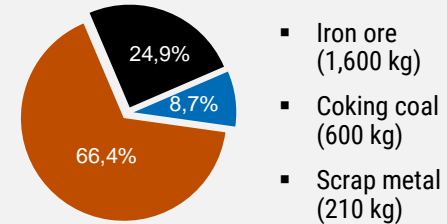
Market | EAF vs BOF technology

Feedstock applied to produce 1000 kg of crude steel

Electric Arc Furnace (EAF)



Basic Oxygen Furnace (BOF)



Commentary

- Approximately 1/3 of global steel production
- Scrap metal is melted by a heat generated by an electric arch

- Approximately 2/3 of global steel production
- Reduction of iron oxides (iron ore) by burning coke (produced from coking coal) generates huge CO2 emissions
- Scrap metal input is low and technologically reduced to max 30% of overall feedstock material

CASTING

Pros

- Flexible, can be switched on and off
- Lower CAPEX & maintenance
- Lower environmental impact

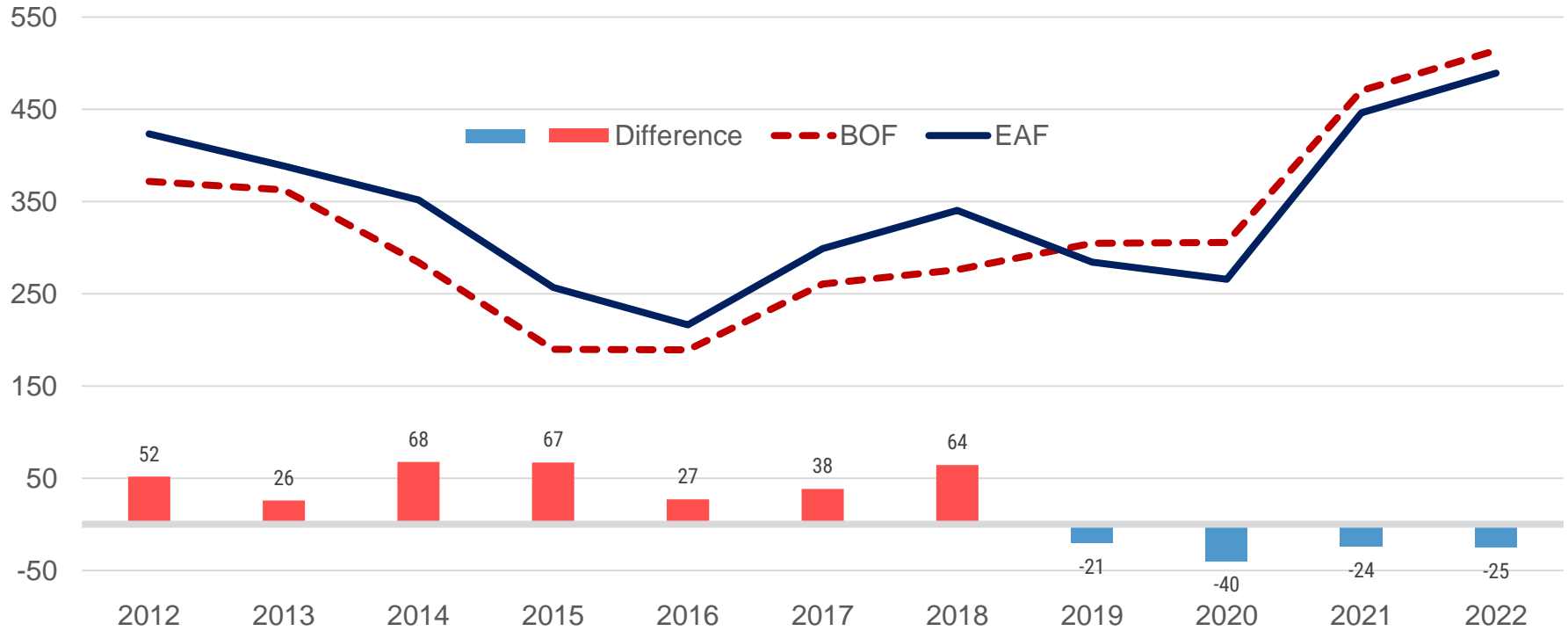
- Lower electric power consumption
- Easier to obtain high steel purity

Cons

- High cost sensitivity to scrap and electricity

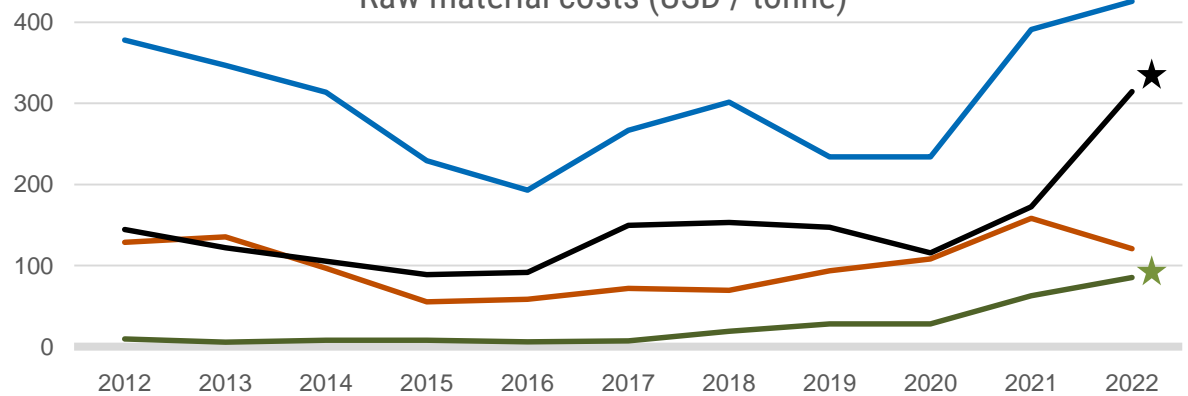
- High cost sensitivity to iron ore and coking coal
- Economical at large scale only; low flexibility
- 4x higher CO2 emission (incl. power plant gen.)

Market | BOF / EAF Feedstock Cost (USD / tonne)

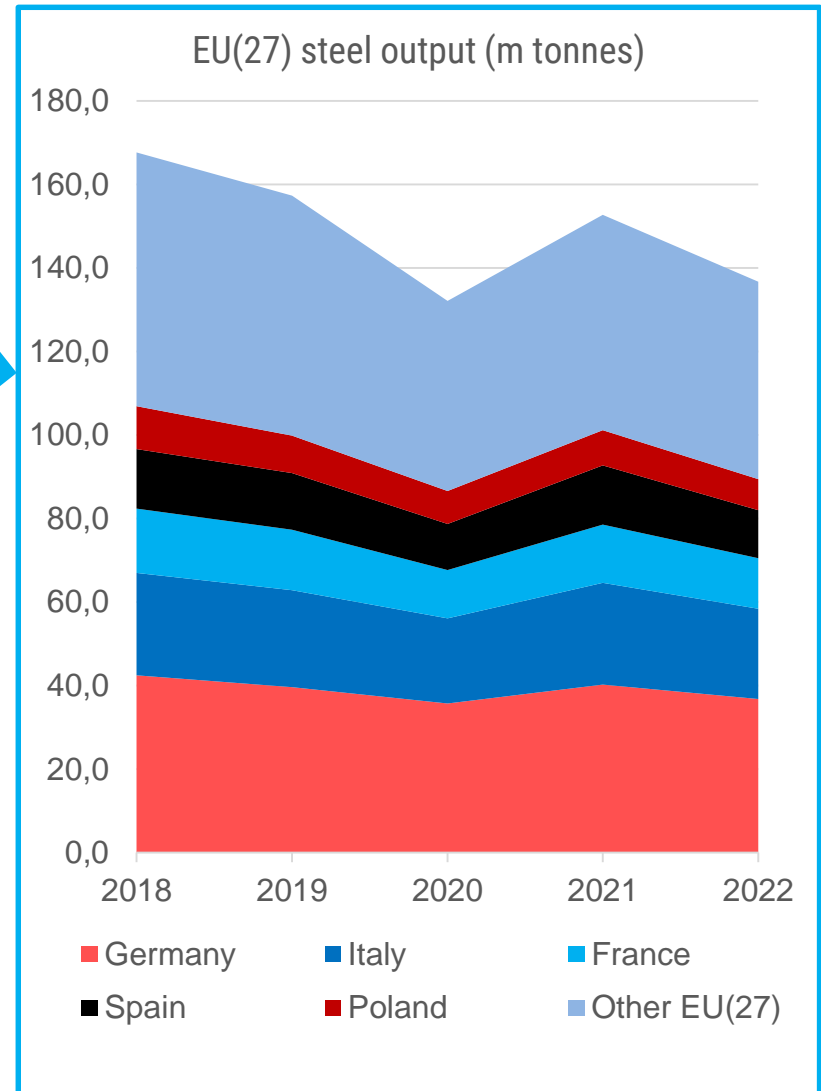
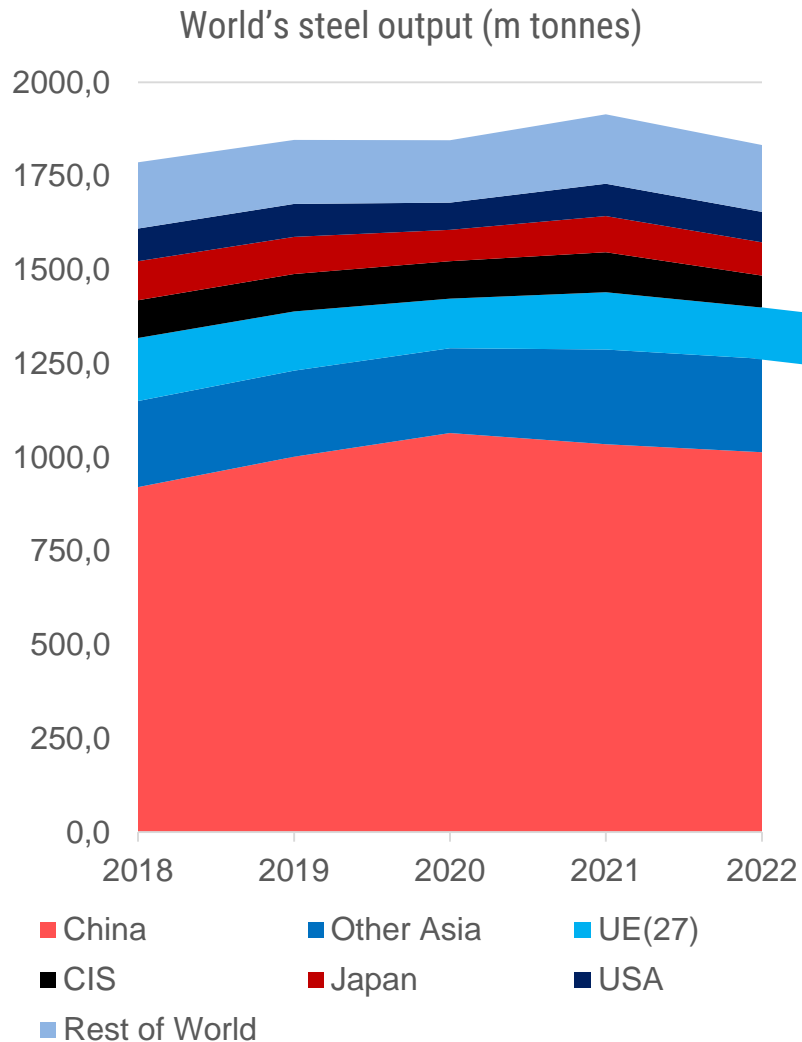


Feedstock Cost Model	BOF	EAF
<i>tonne / tonne of crude steel</i>		
scrap metal	0.21	1.12
coking coal	0.60	
iron ore	1.60	
CO2 emission rights	0.50	0.13

Raw material costs (USD / tonne)

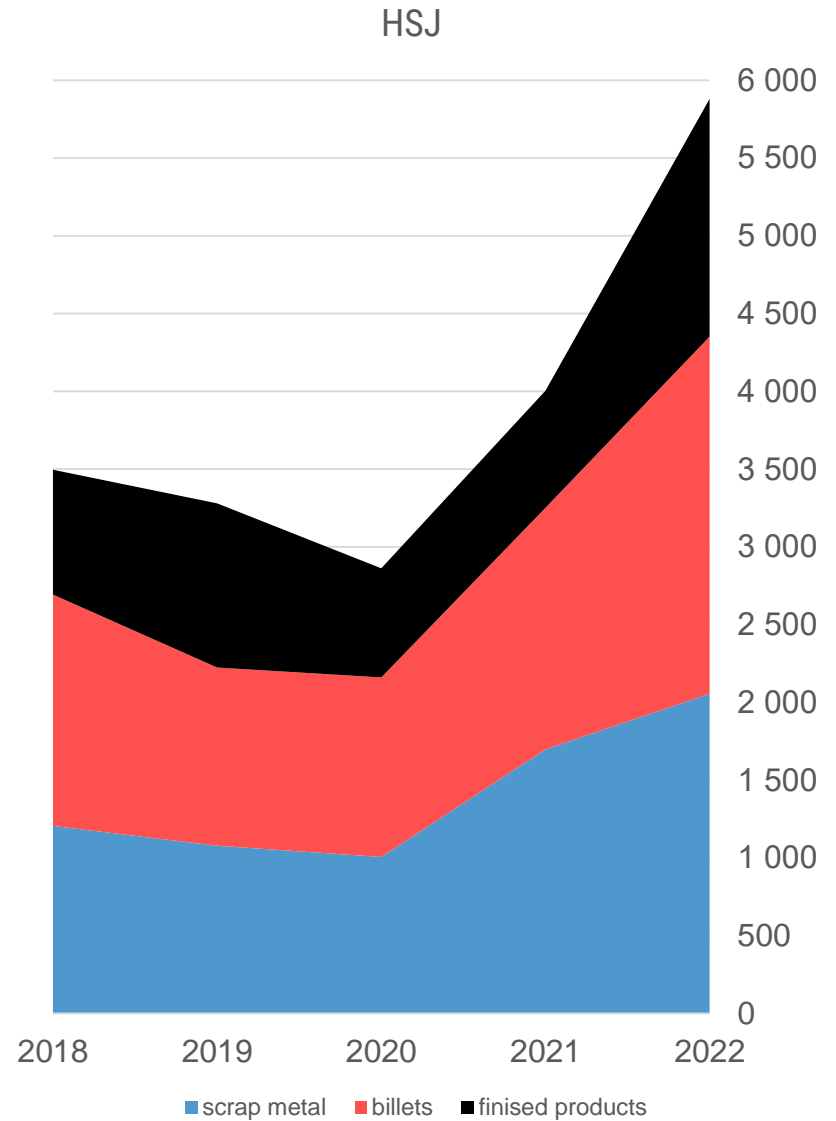
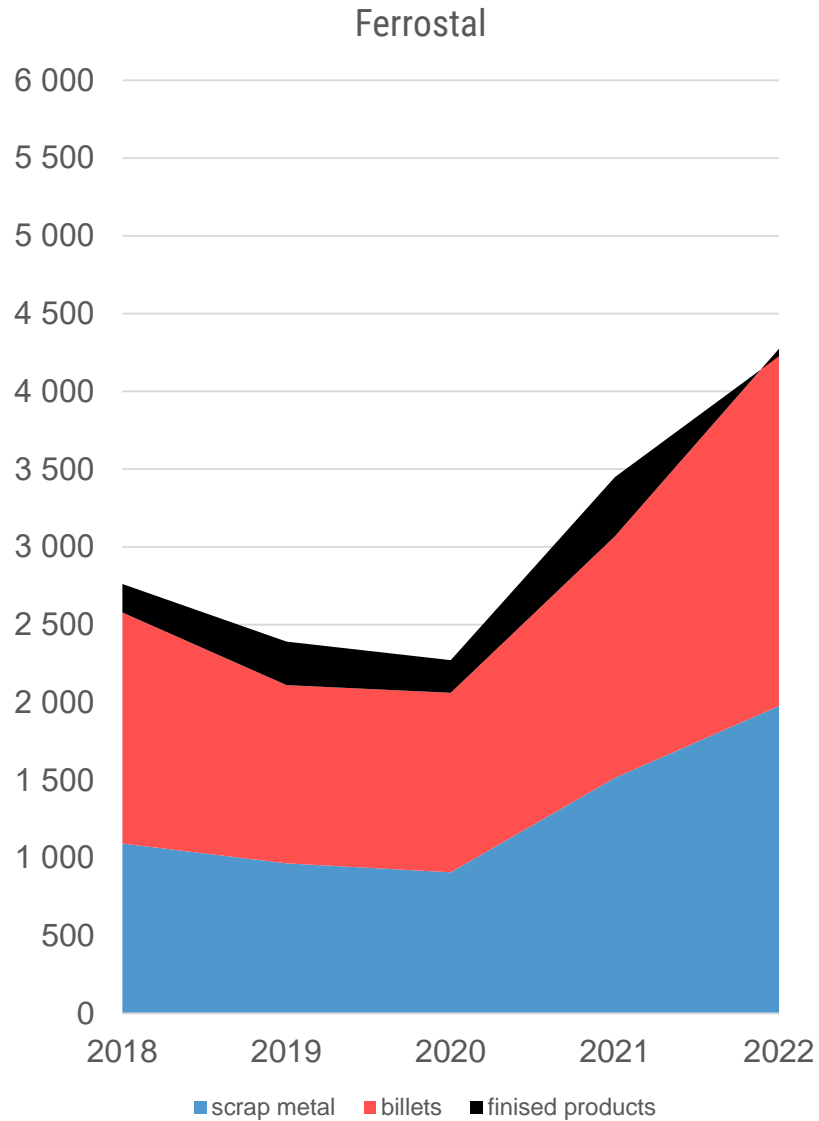


source: IMF - iron ore,
 EIA - coking coal
 Cognor - scrap metal,
 PSE - CO2 emission rights
 (25% due to approx. 75% allowances available for free)

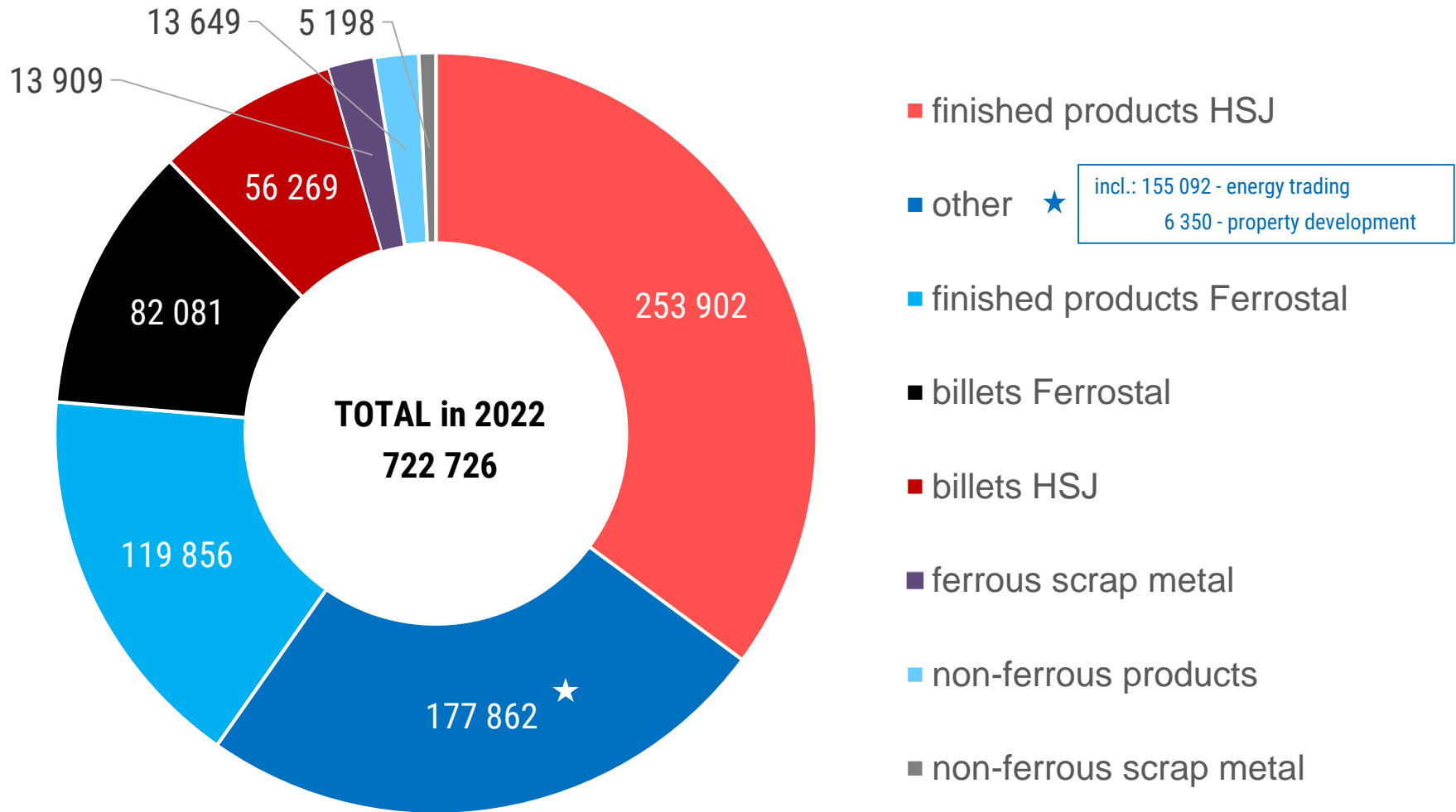


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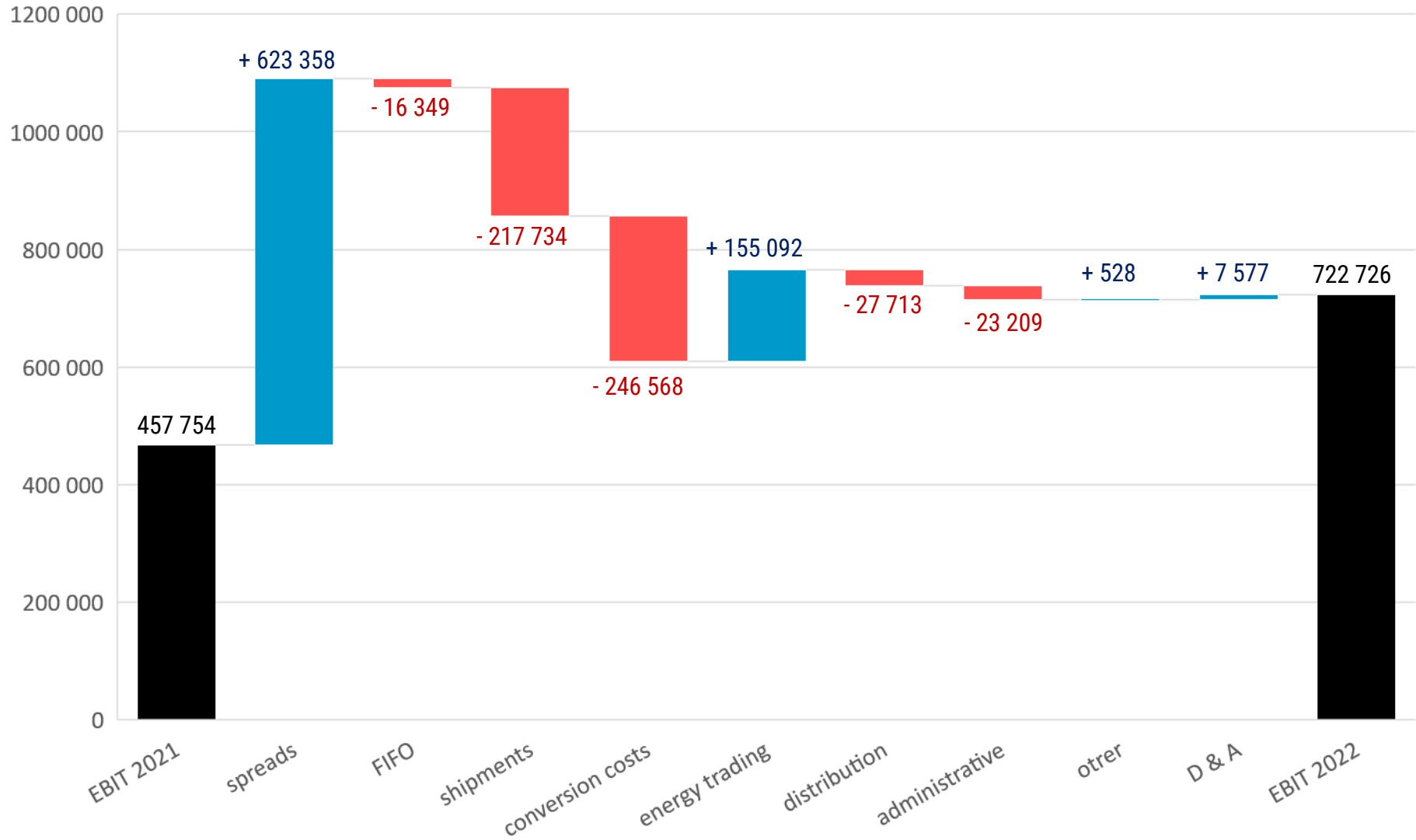
Financials | Prices and conversion premiums (PLN / tonne)



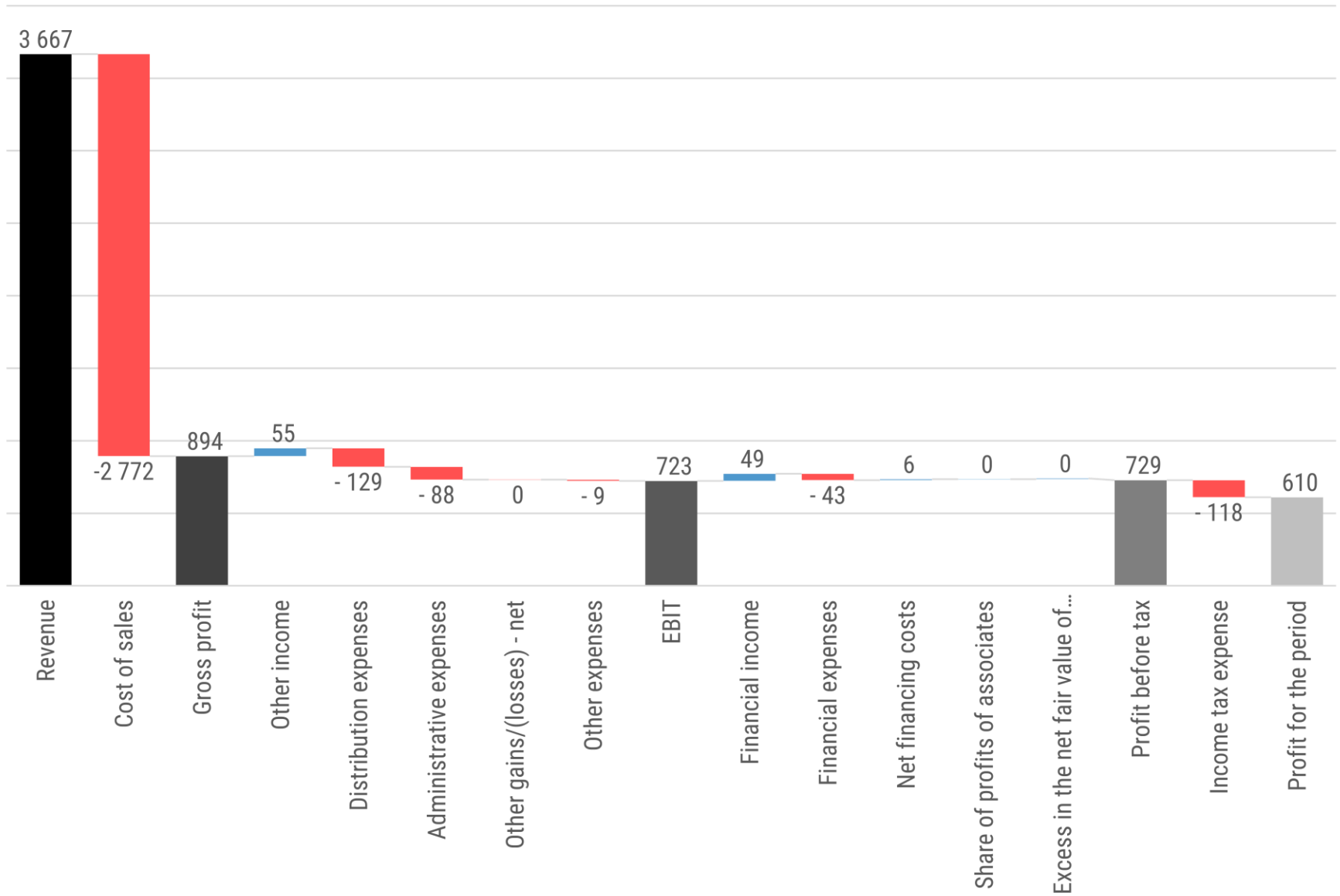
Financials | EBIT Generation Breakdown (PLN thousands)



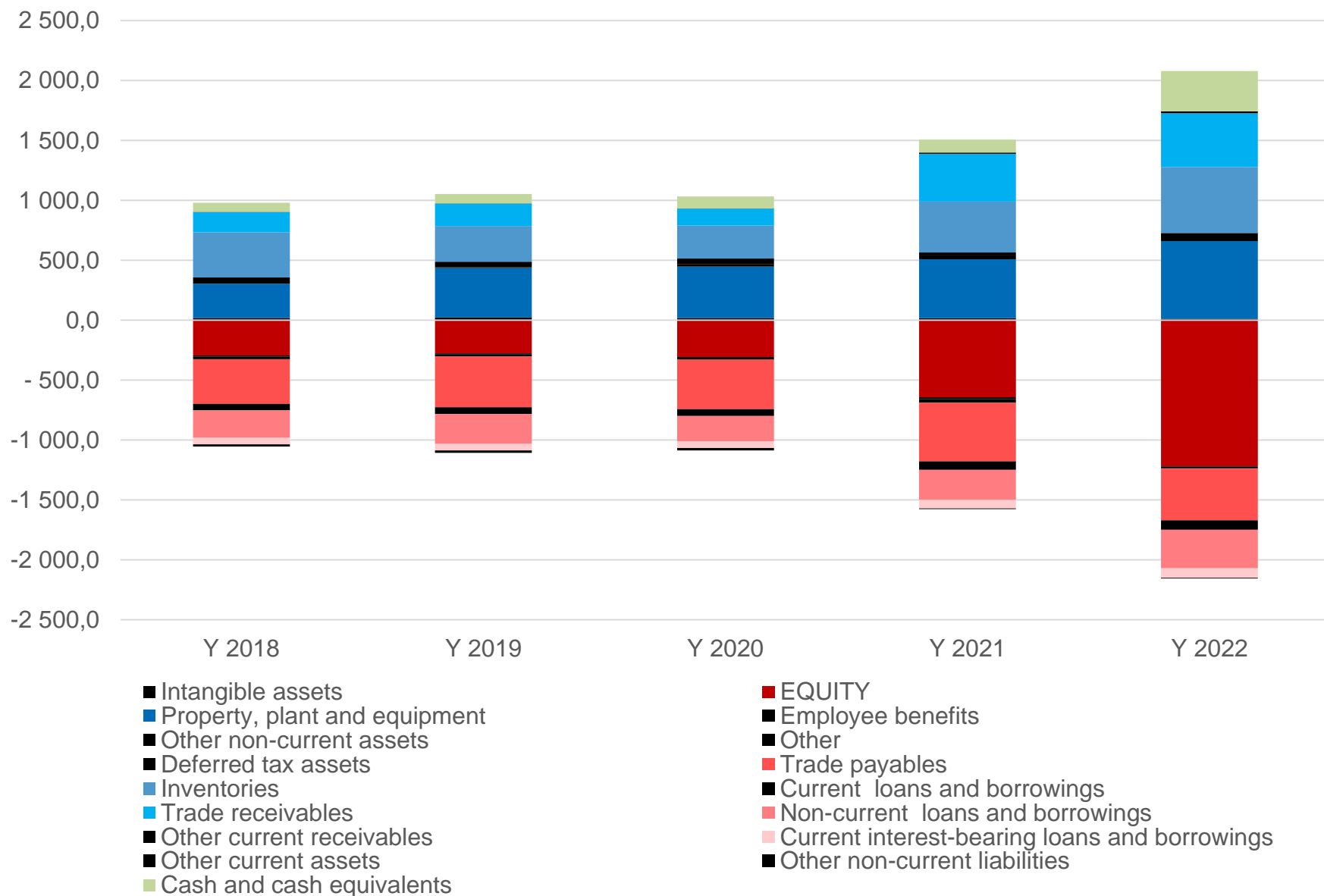
Financials | EBIT Bridge (PLN thousands)



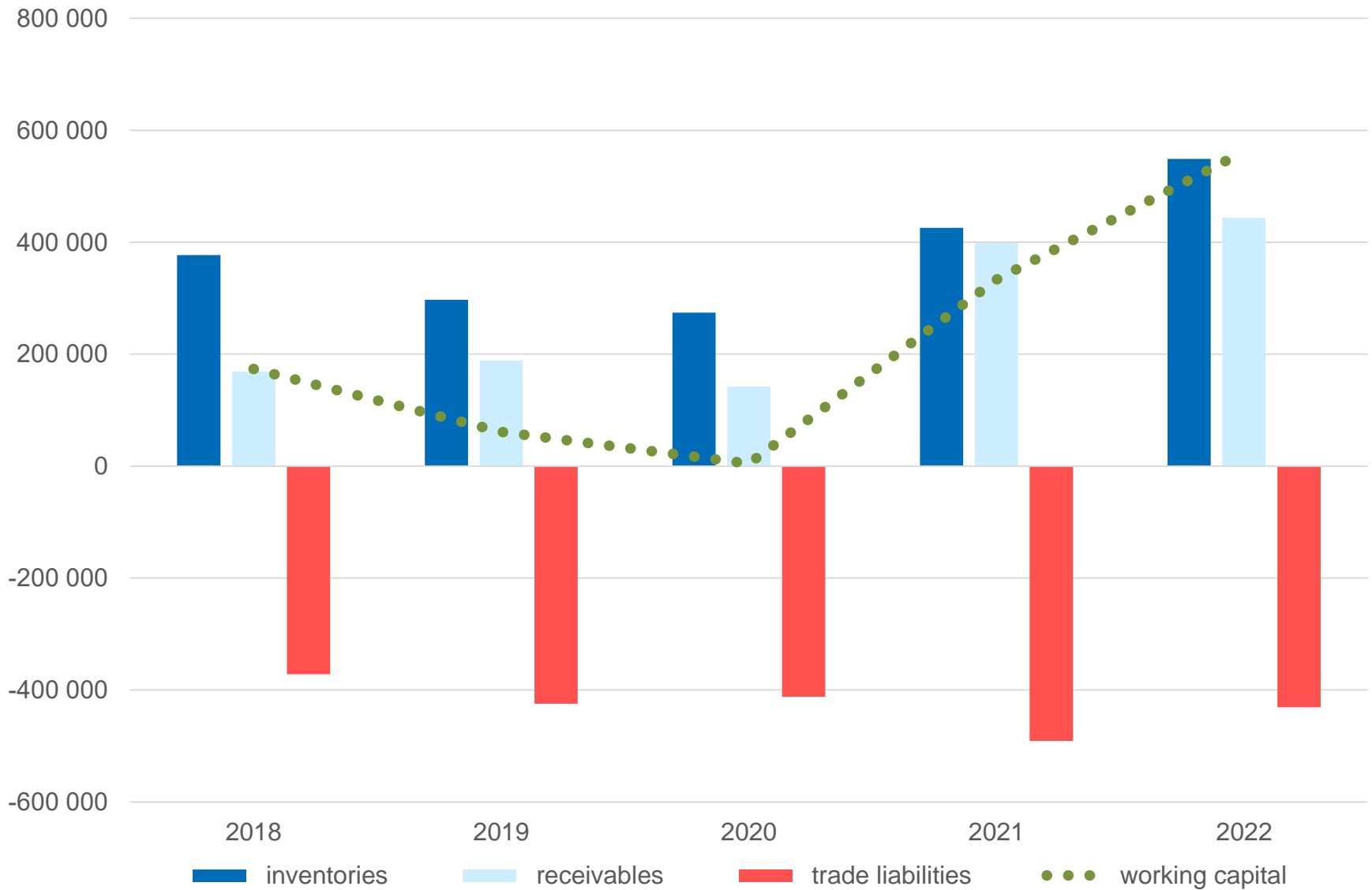
Financials | 2022 P&L Waterfall (PLN thousands)



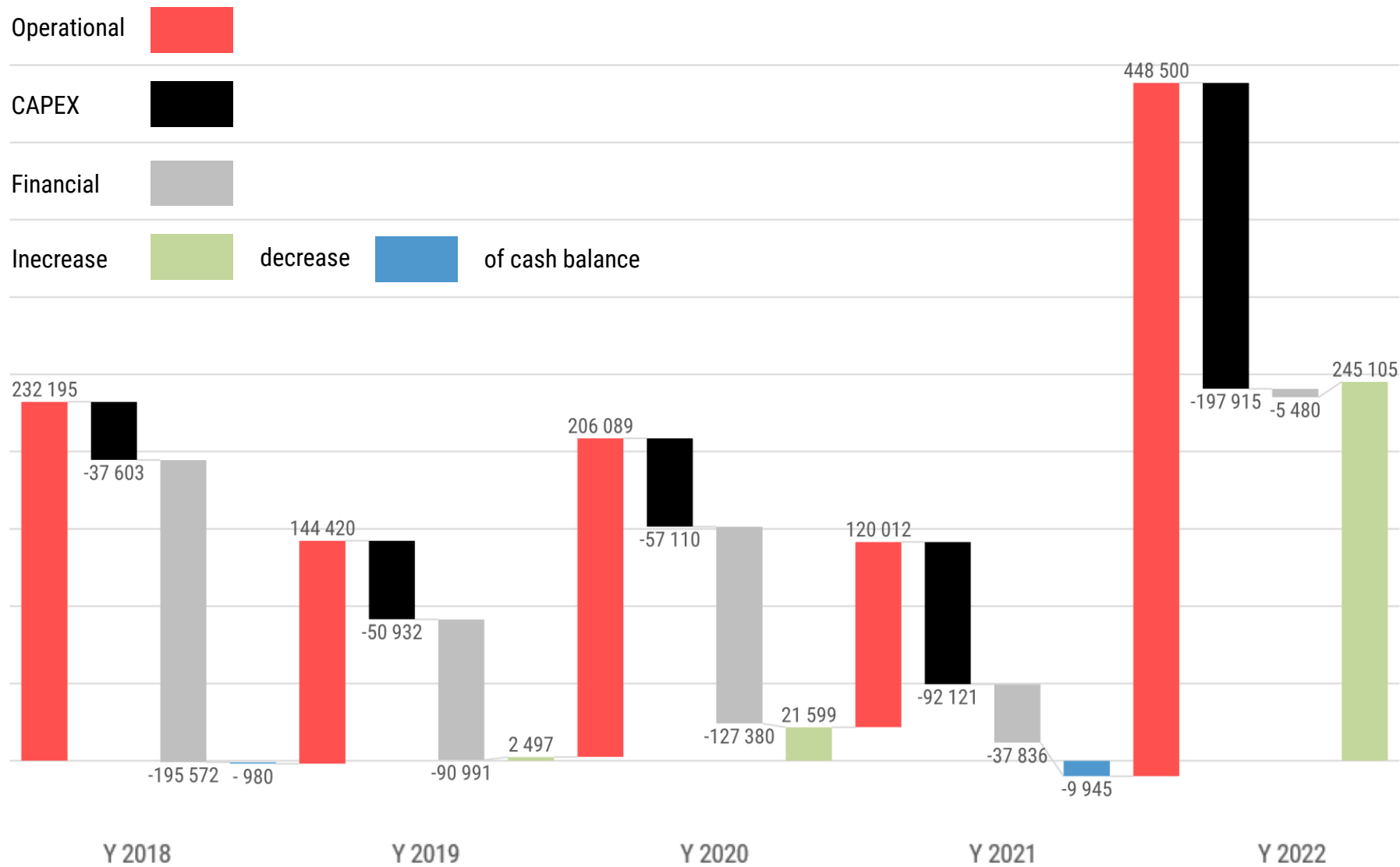
Financials | Balance Sheet (PLN thousands)



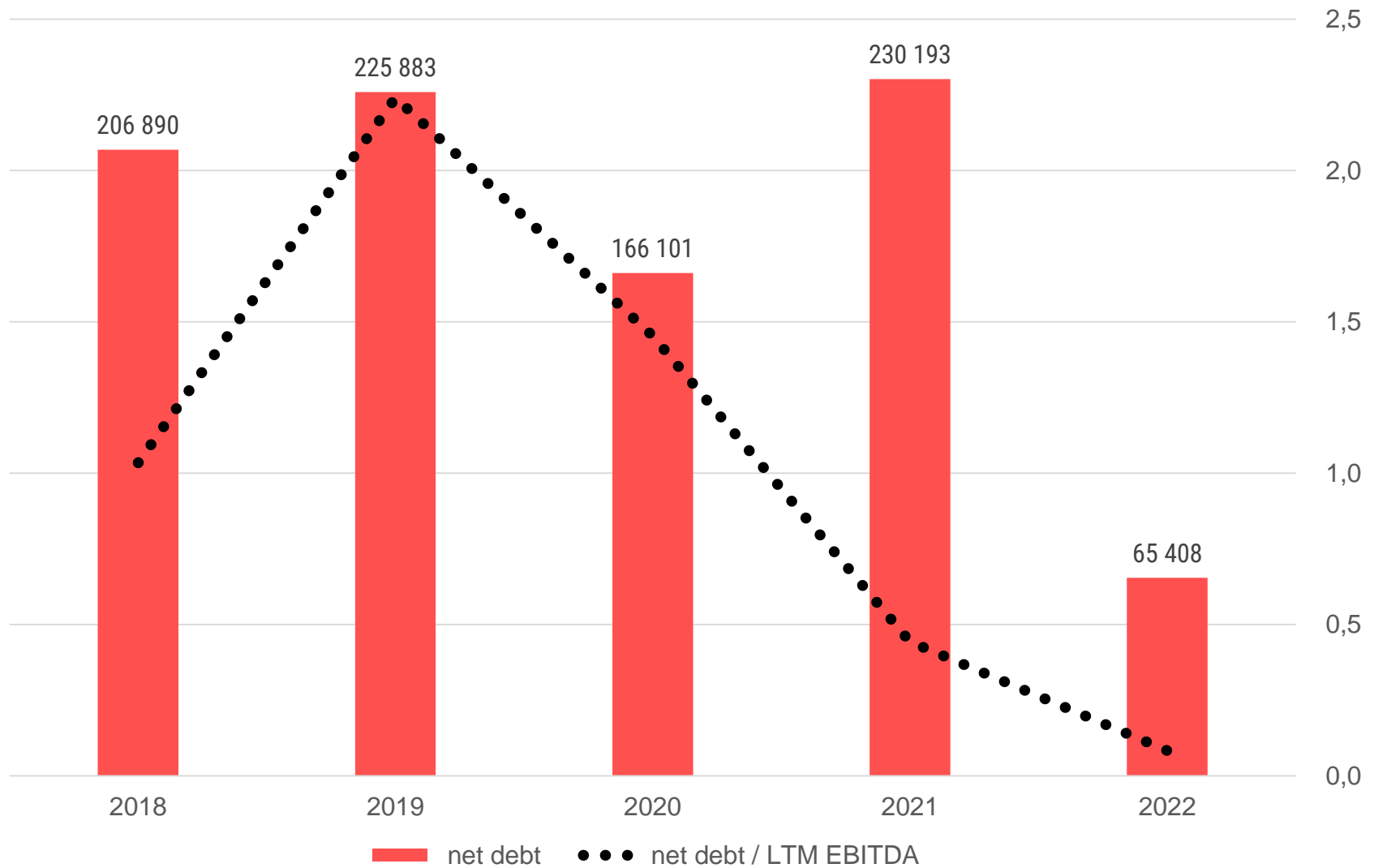
Financials | Balance Sheet – Working Capital (PLN thousands)



Financials | Cash Flows (PLN thousands)



Financials | Net Debt (PLN thousands) & Leverage



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Capex | Cognor in new scale (thousand tonnes)

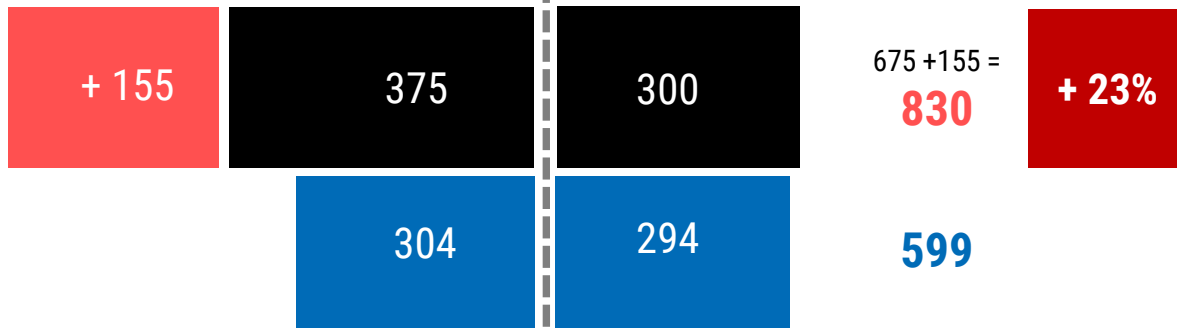


GLIWICE

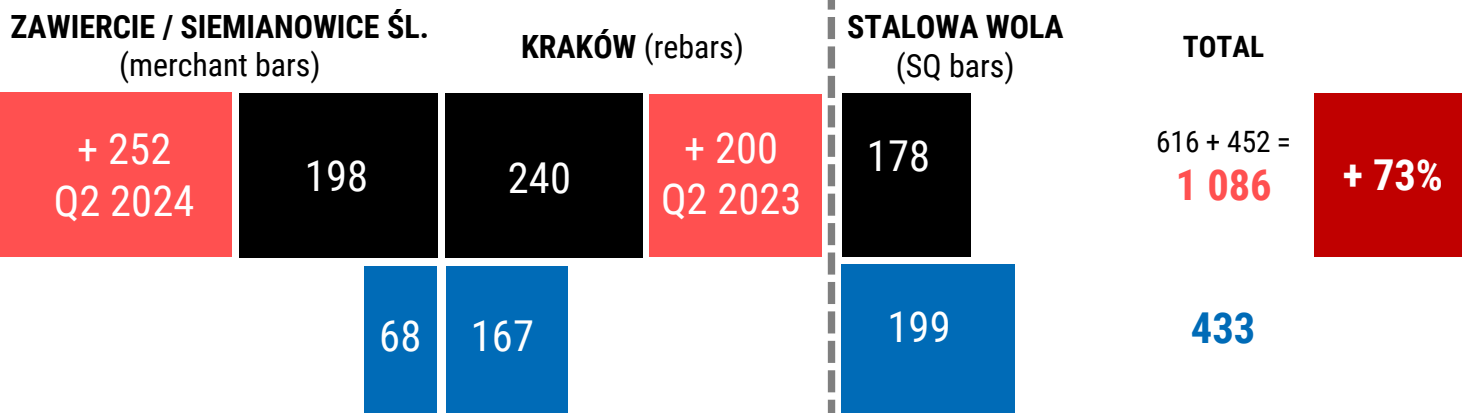
STALOWA WOLA

TOTAL

Production of billets
(semi-finished products)



Production of bars
(finished products)



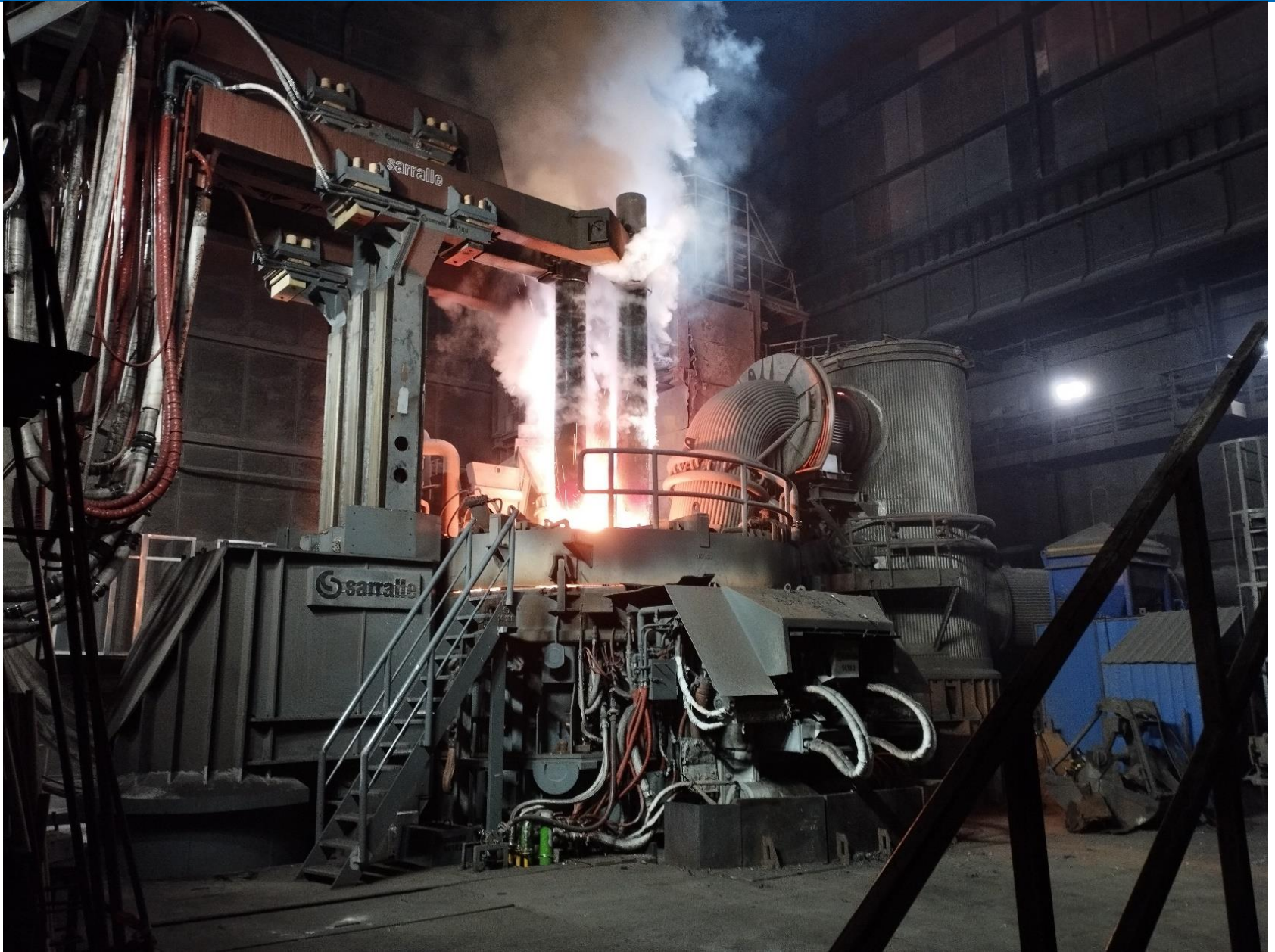
Gliwice Melting Shop | New Scrap Cars & Buckets



Gliwice Melting Shop | EAF Filled with Scrap from Scrap Bucket



Gliwice Melting Shop | Electrods Down the EAF to Start Melting



Gliwice Melting Shop | New EAF Working



Gliwice Melting Shop | New De-dusting Station



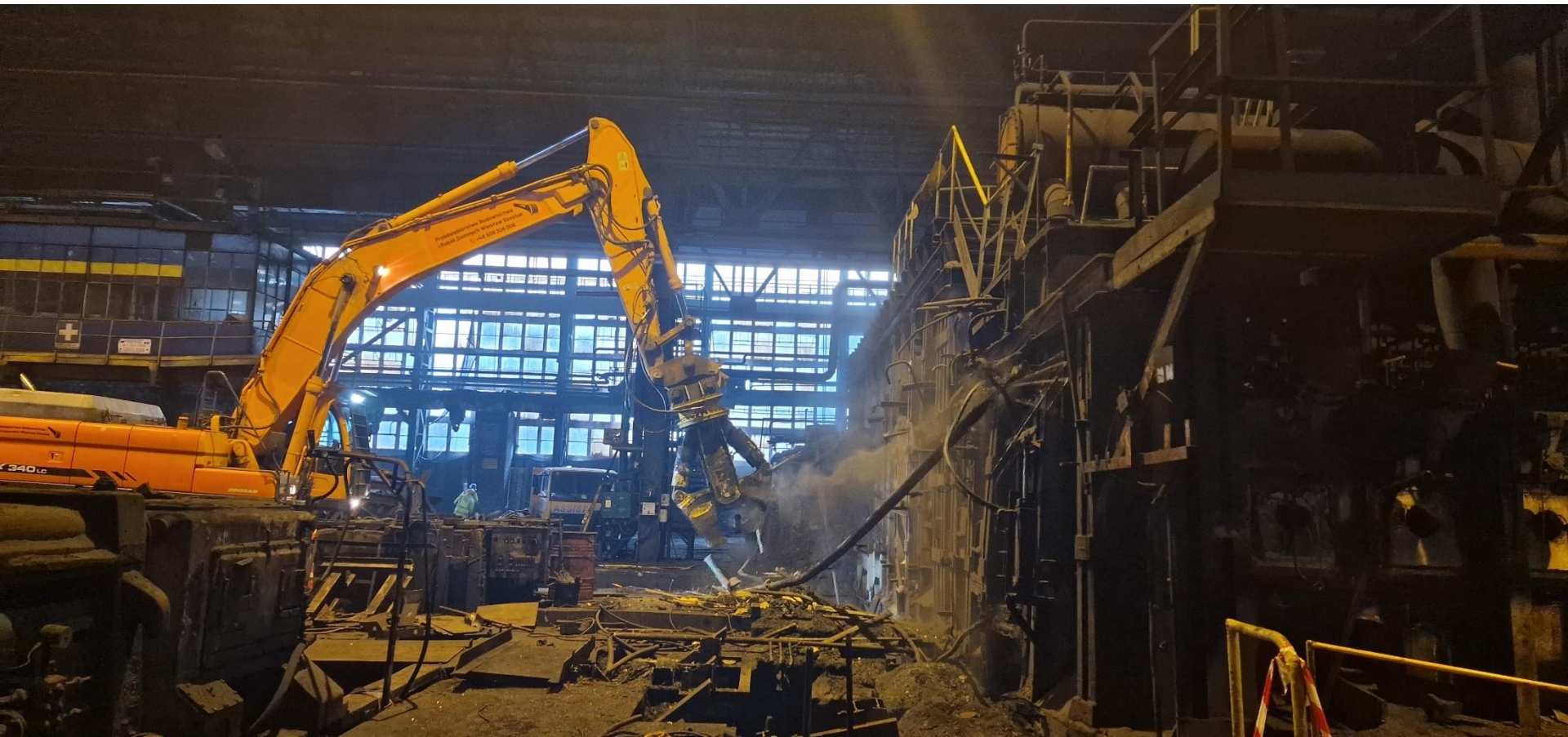
Gliwice Melting Shop | New Reactive Power Compensation Station



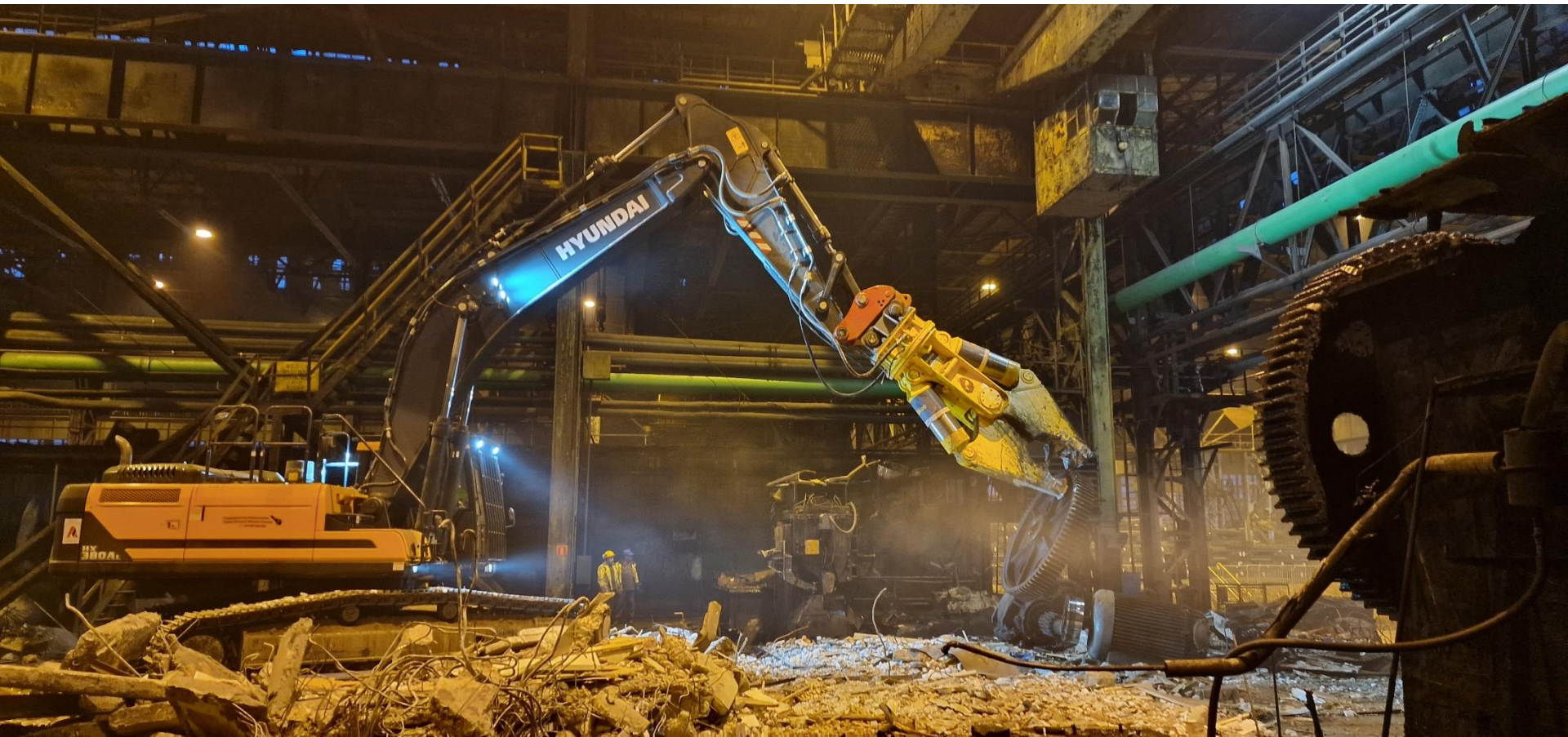
Kraków Rolling Mill | Last Rolling



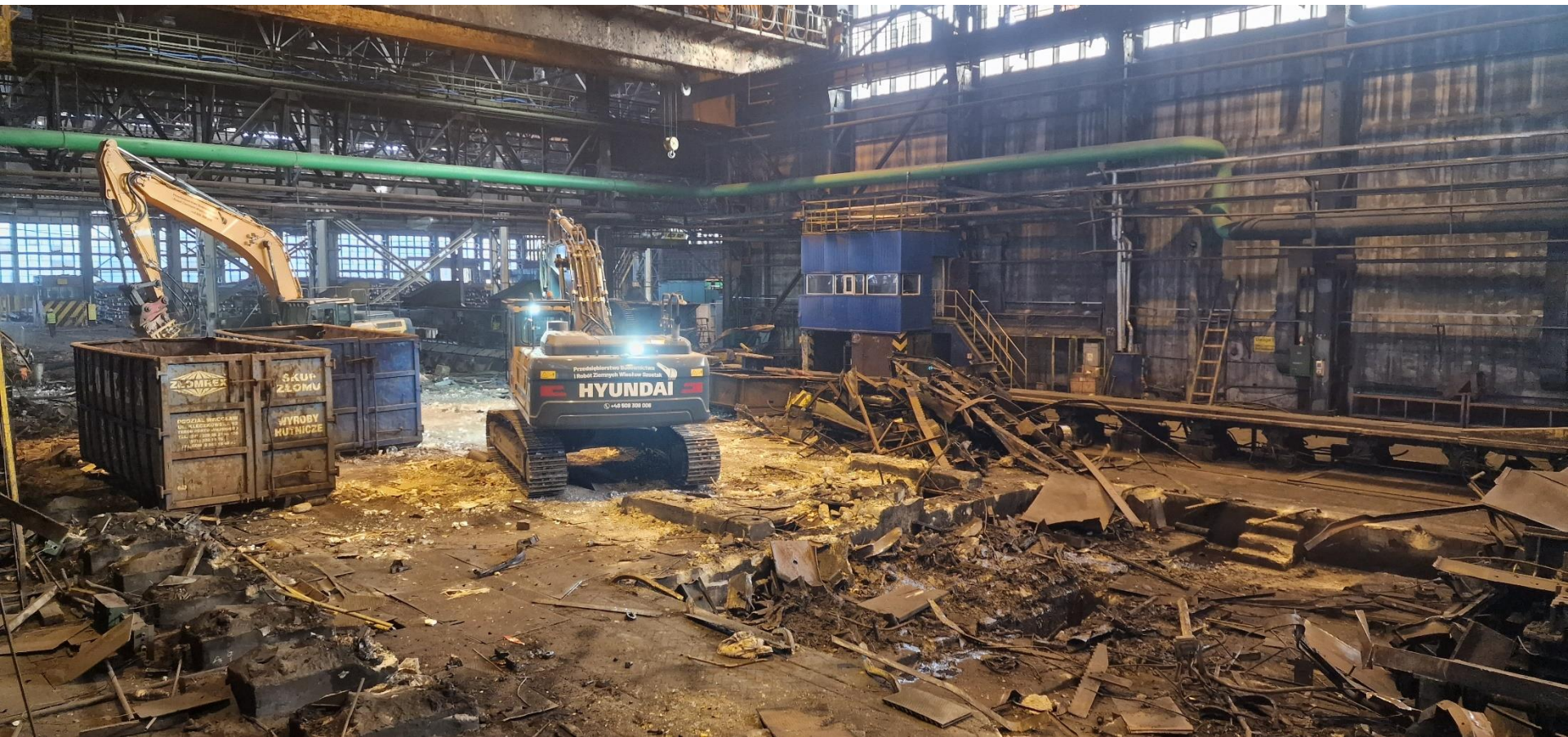
Kraków Rolling Mill | Demolition of Reheating Furnace



Kraków Rolling Mill | Dismantling of Rolling Line



Kraków Rolling Mill | Demolition of Cooling Bed



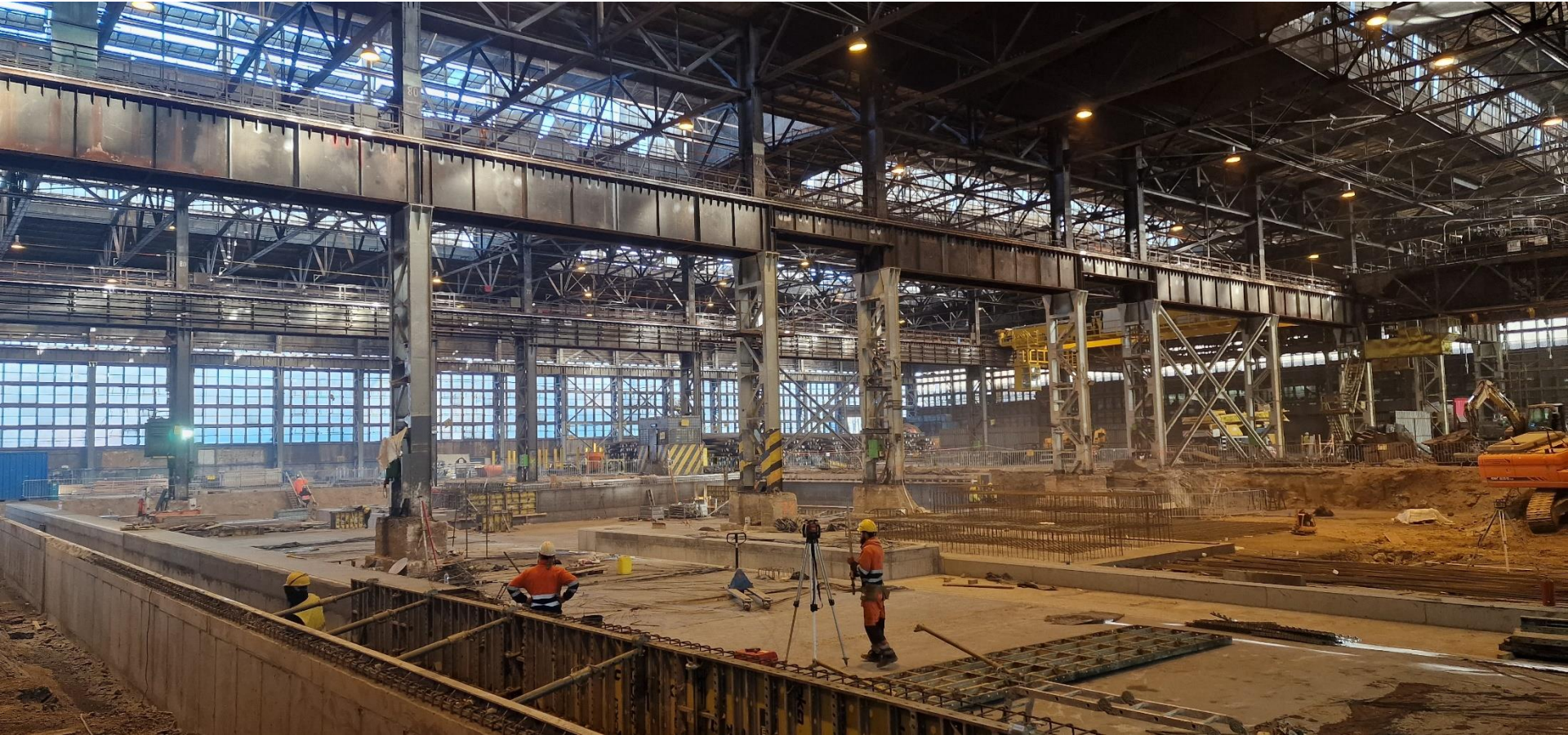
Kraków Rolling Mill | Ready for Civil Works



Kraków Rolling Mill | Civil Works



Kraków Rolling Mill | Civil Works



Kraków Rolling Mill | Civil Works



Siemianowice Śląskie Mill | Location – Old Tube Mills (WRJ & WRS)



Siemianowice Śląskie Mill | New LSM Mill



Siemianowice Śląskie Mill | New LSM Mill



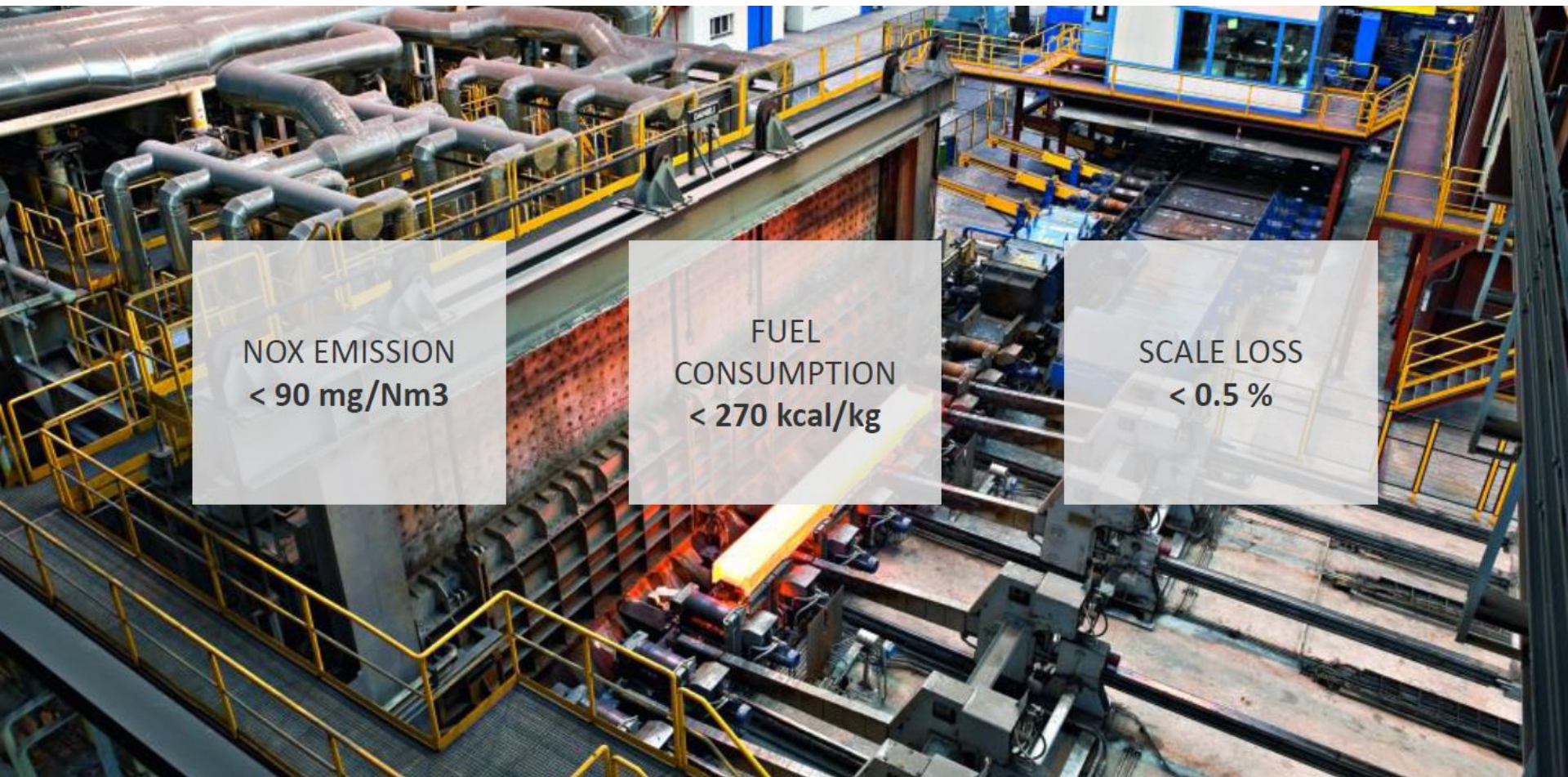
Siemianowice Śląskie Mill | New LSM Mill



Siemianowice Śląskie Mill | New LSM Mill



Siemianowice Śląskie Mill | Energy Efficient Reheating Furnace by Danieli



NOX EMISSION
< 90 mg/Nm³

FUEL
CONSUMPTION
< 270 kcal/kg

SCALE LOSS
< 0.5 %

Siemianowice Śląskie Mill | State-of-the-art Machinery and Equipment by Danieli



▪ Cooling bed



▪ Straightener



▪ Shear



▪ Stacker

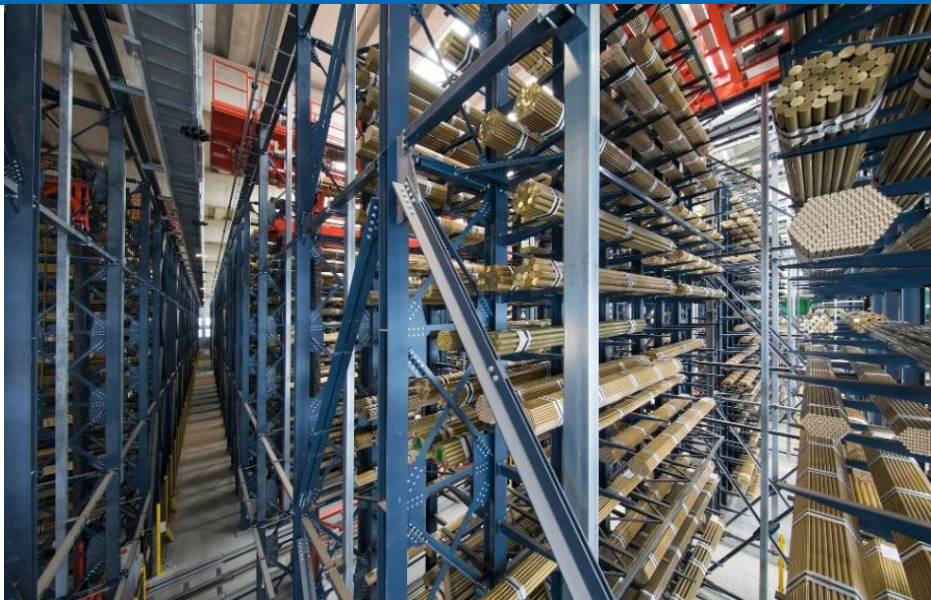
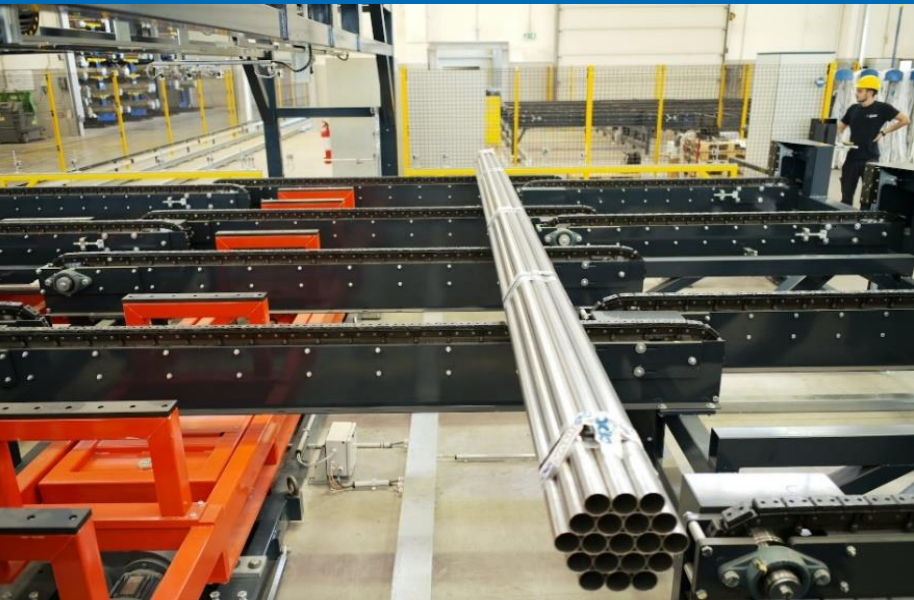


▪ Packing



▪ Dispatch

Siemianowice Śląskie Mill | Automated Storage by Matter



Siemianowice Śląskie Mill | Demolition of Old Tube Mill (WRS)



Siemianowice Śląskie Mill | Demolition of Old Tube Mill (WRS)



Siemianowice Śląskie Mill | Demolition of Old Tube Mill (WRS)



Siemianowice Śląskie Mill | Demolition of Old Tube Mill (WRS)



- I. Gliwice – replacement of EAF and ancillary items (Completed)
 - Cost – approximately PLN 80 million, all expenditures covered by 2022
 - Financing - equity
 - Effects – increase of crude steel capacities by at least 155 thousand tonnes of billets per annum

- II. Kraków – entire mill modernisation plus spooling line (Q2 2023; Q4 2023 for spooling line)
 - Cost – approximately PLN 200 million of which PLN 150 million expected in 2023
 - Financing - equity
 - Effects – (i) debottlenecking of 200 thousand tonnes of capacity, (ii) savings of variable costs and emissions inter alia by way of natural gas consumption reduction, (iii) savings of fixed costs by lower labour requirements; (iv) introduction of new product type – rebar coils and (v) improvement of quality

- III. Siemianowice Śląskie – most modern LSM mill in Europe (Q2 2024)
 - Cost – approximately PLN 500 million, of which approximately 200 million advanced in 2022, approximately 200 million to be spent in 2023 and approximately 100 million in 2024.
 - Financing – PLN 240 million and EUR 30.5 million in a 10-year fixed rate bank loan; all loan equity advanced in 2022
 - Effects – 450 thousand tonnes of new capacities to replace 198 thousand in Zawiercie of which just ca 80 thousand was capable of being utilized due to uncompetitive product mix and high manufacturing cost. A profound reduction of fixed and variable production costs and ultimate product and service quality

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- I. Macro trends (slide 4) unchanged
- II. Potential release of post Covid UE funds for Poland to invigorate infrastructural spending in H2 2023
- III. Concrete reinforcement business (Ferrostal) weak through the summer of 2023
- IV. Automotive steel segment (HSJ) to remain relatively strong
- V. Prices of scrap metal, steel billets and finished products to remain broadly stable at Q4 2022 levels with some pickup potential for rebars in H2 2023
- VI. Kraków mill stoppage time to last over the whole of H1 2023
- VII. Energy transactions to contribute less compared to 2022. Cheaply hedged energy to continue supporting production costs
- VIII. JAP negative goodwill recognition to contribute to nett profit at the amount of PLN 112.4 million in Q1 2023
- IX. Subsidy dedicated to compensate for energy increase in 2022 expects at EUR 4 million to contribute to nett profit in Q1 2023
- X. Recommendation of a 2022 dividend at the amount PLN 1,23 per share
- XI. Results good yet the recurring EBITDA and net profit of 2022 difficult to be repeated in 2023

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Dividend policy - 25% of consolidated net profit

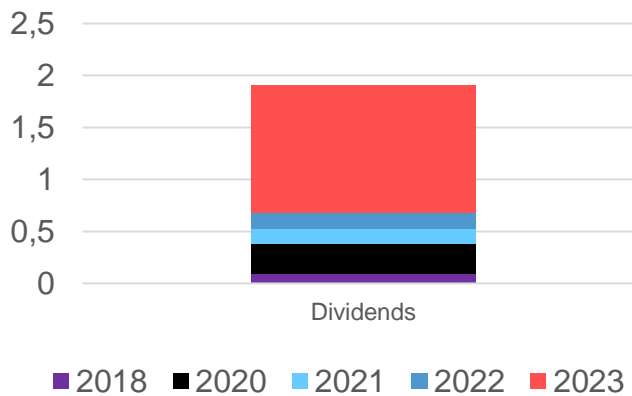
Trading of Cognor shares on Warsaw Stock Exchange

2022

Nett profit	610 337
Equity	1 228 431
Number of shares	171 420 663

03.03.2023

Share price (PLN)	8,05
P / E	2,26
P / BV	1,12



Annexes | P&L (PLN thousands)

STATEMENT OF PROFIT OR LOSS	2018	2019	2020	2021	2022
'000 PLN					
Sales revenue	2 081 841	1 901 604	1 733 221	2 811 151	3 666 690
Cost of sales	-1 805 528	-1 730 554	-1 574 324	-2 222 237	-2 772 410
Gross profit	276 313	171 050	158 897	588 914	894 280
Other income	10 542	13 060	41 193	47 900	54 752
Distribution expenses	-76 700	-75 261	-81 753	-101 065	-128 778
Administrative expenses	-46 041	-48 140	-46 695	-65 099	-88 308
Other gains/(losses) – net	1 977	917	1 234	2 481	-342
Other expenses	-9 883	-7 034	-6 349	-5 377	-8 878
EBIT	156 208	54 592	66 527	467 754	722 726
Financial income	4 460	927	0	24 602	49 182
Financial expenses	-67 230	-31 731	-34 317	-39 756	-43 426
Net financing costs	-62 770	-30 804	-34 317	-15 154	5 756
Share of profits of associates	-662	-1 455	60	30	222
Excess in fair value of acquired assets over cost	0	0	0	0	0
Profit before tax	92 776	22 333	32 270	452 630	728 704
Income tax expense	-20 730	-2 561	1 276	-89 104	-118 331
Profit/loss for the period from discontinued operations	0	0	0	0	0
Profit for the period	72 046	19 772	33 546	363 526	610 373
Depreciation and amortization	-43 861	-46 236	-47 708	-51 828	-44 251
EBITDA	200 069	100 828	114 235	519 582	766 977

Revenues up by 856m & 30%

- shipments down by 11.1%

Gross profit up by 305m & 51%

- widening of spreads: 623m

- energy sale: 155m

- lower shipments: 218m

- FIFO loss: 16m

- increase of production costs: 247m

- extra outage cost 30m

EBIT up by 255m & 55%

- CO2 compensation 41m

Financial income up by 25m & 100%

- hedge valuation at 48m

Financial costs up by 4m & 9%

- higher gross debt @ higher rates

Net result up by 247m & 68%

Adjusted net result 469m (v. 339m in 2021)

EBITDA up by 247m & 48%

Adjusted EBITDA 640m (v. 505m in 2021)

Annexes | Assets (PLN thousands)

ASSETS	2018	2019	2020	2021	2022
	'000 PLN				
A. TOTAL NON-CURRENT ASSETS	379 296	487 249	514 518	564 496	740 355
I. Intangible assets	17 965	22 296	18 100	15 139	12 851
II. Property, plant and equipment	284 617	412 199	429 769	493 220	647 439
III. Other receivables	324	4 293	8 938	14 777	13 971
IV. Investment property and other investments	2 767	1 255	8 331	1 134	1 204
V. Financial instruments assets		0	0	15 689	50 551
VI. Prepaid perpetual usufruct of land	23 013	0	0	0	0
VII. Deferred tax assets	50 610	47 206	49 380	24 537	14 339
B. TOTAL CURRENT ASSETS	622 082	564 482	516 681	940 676	1 342 661
I. Inventories	376 969	297 001	274 101	425 801	549 078
II. Receivables	168 654	188 525	142 025	398 227	444 009
1. Trade and other receivables	167 982	188 342	141 678	398 095	427 760
2. Current income tax receivable	660	38	226	38	16 172
3. Other investments	12	145	121	94	77
III. Financial instruments assets			0	1 845	6 842
IV. Cash and cash equivalents	76 459	78 956	100 555	107 810	335 761
V. Prepayments	0		0	0	0
VI. Assets classified as held for sale	0	0	0	6 993	6 971
Total	1 001 378	1 051 731	1 031 199	1 505 172	2 083 016

Fixed assets up by 175m & 31%
 - CAPEX 198,3m
 - financial instruments valuation 35m
 - D&A 44m

Current assets up by 402m & 43%
 Inventories up by 123m & 29%
 Receivables up by 46m & 12%
 Trade receivables sold (net) 166m
In 2021 (net) 67m

Cash up by 228m % 211%
includes PLN 120m under an L/C

Annexes | Equity and Liabilities

EQUITY AND LIABILITIES	2018	2019	2020	2021	2022
<i>'000 PLN</i>					
A. EQUITY	295 885	277 191	307 014	643 869	1 228 431
I. Issued share capital	180 626	185 911	185 911	257 131	257 131
II. Reserves and retained earnings	97 538	72 897	101 849	346 754	898 965
III. Minority interest	17 721	18 383	19 254	39 984	72 335
B. LIABILITIES	705 493	774 540	724 185	861 303	854 585
I. Non-current liabilities	259 585	279 916	244 437	269 631	346 112
1. Employee benefits obligation	10 677	11 071	13 011	14 343	11 878
2. Interest-bearing loans and borrowings	229 188	249 669	209 774	249 987	327 536
3. Other	19 720	19 176	21 652	5 301	6 698
II. Current liabilities	445 908	494 624	479 748	590 124	506 928
1. Interest-bearing loans and borrowings	54 161	55 170	56 882	70 816	70 441
2. Bank overdraft	0	0	0	17 200	46
3. Trade and other payables	371 911	424 370	411 846	490 695	431 067
4. Deferred government grants	5 653	9 324	4 941	4 538	1 398
5. Liability under financial instruments	2 531	2 869	4 011	0	0
6. Employee benefits obligation	7 258	2 346	1 583	2 139	1 863
7. Current income tax payable	0	319	460	2 936	783
8. Provisions for payables	4 394	226	25	1 800	1 330
III. Liabilities of disposal group	0	0	0	1 548	1 545
Total	1 001 378	1 051 731	1 031 199	1 505 172	2 083 016

Equity up by PLN

585m & 91%

- net result 610m

- dividend 25.7m

Gross debt up by PLN

60m & 18%

Net debt down by PLN

168m & 73%

Annexes | Cash Flows & Metrics

CASH FLOW	2018	2019	2020	2021	2022
	<i>'000 PLN</i>				
A. OPERATING ACTIVITIES	232 195	144 420	206 089	120 012	489 565
B. INVESTING ACTIVITIES	-37 603	-50 932	-57 110	-92 121	-235 834
C. FINANCING ACTIVITIES	-195 572	-90 991	-127 380	-37 836	-8 626
Net increase in cash	-980	2 497	21 599	-9 945	245 105

working capital outflow 193m
 Income tax 80m
 CAPEX 205m
 Payment for JAP's shares 33m
 debt incurrence 132m
 debt repayment 81m
 dividend outflow of PLN 26m
 interest service 38m

MAIN METRICS	2018	2019	2020	2021	2022
Liquidity ratio	1.40	1.14	1.08	1.59	2.64
Quick ratio	0.55	0.54	0.51	0.87	1.56
Inventories turnover <i>days</i>	76	63	64	70	72
Receivables turnover <i>days</i>	29	36	30	52	43
EBITDA margin	9.6%	5.3%	6.6%	18.5%	20.9%
Net profit margin	3.5%	1.0%	1.9%	12.9%	16.6%
Equity <i>'000 PLN</i>	295 885	277 191	307 014	643 869	1 228 431
Net debt <i>'000 PLN</i>	206 890	225 883	166 101	230 193	62 262
Net debt / LTM EBITDA	1.0	2.2	1.5	0.4	0.1

liquidity metrics excellent
 Inventory ratio up by 2 days and poor
 Receivable ratio down by 9 days and fair
 Profitability ratios high and very good
 Net leverage down to 0.1 times



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