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Market

Financials

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Annexes



Q1 2023 Business and Financial Performance

MAY 17, 2023

Speaker

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KRZYSZTOF ZOŁA

Board Member, CFO

Key Macro Trends

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Increased geopolitical risk
military spending



De-globalisation
onshoring, reshoring,



Protectionism
reindustrialisation of the EU



Supply chain shortening
friendshoring



Underinvestment in energy sector
the end of commodity abundance and cheap energy



CO2 emission costs
the end of BOF/BF in the EU



Green deal
sustainable economy



Inflation, debt crisis
the end of cheap money decade



Value investing
growing interest in fundamentally healthy and dividend paying at the expense of growth stocks

Cognor – Modern EU Steelmaker

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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

Financials

Capex

**Energy efficient and
environmentally
friendly**

steel melting method in
electric arc furnace (EAF)

**Modern and efficient
production assets;**

finalized and well
advanced modernization
projects

Product elasticity;

no sectorial dependence,
diversification of clients

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Cognor – Modern EU Steelmaker

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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

Q1 2023 Highlights

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Weak GPD growth

0% Poland and 1.3% EU
YoY

Falling billet and finished product prices

compared to Q4 2022
while still slightly above
Q1 2022 in most cases

Spreads shrinking for all billets and products

compared to Q4 2022 yet
still wider than in Q1 2022
for certain types of them

Rebar market in crisis

prices and spreads lower
QoQ and YoY; no
production due to
Cracow stoppage and
very low sales resulting in
overall shipments decline

Low capacity utilisation

Cracow investment
stoppage; no additional
billet sales to support
steel melting

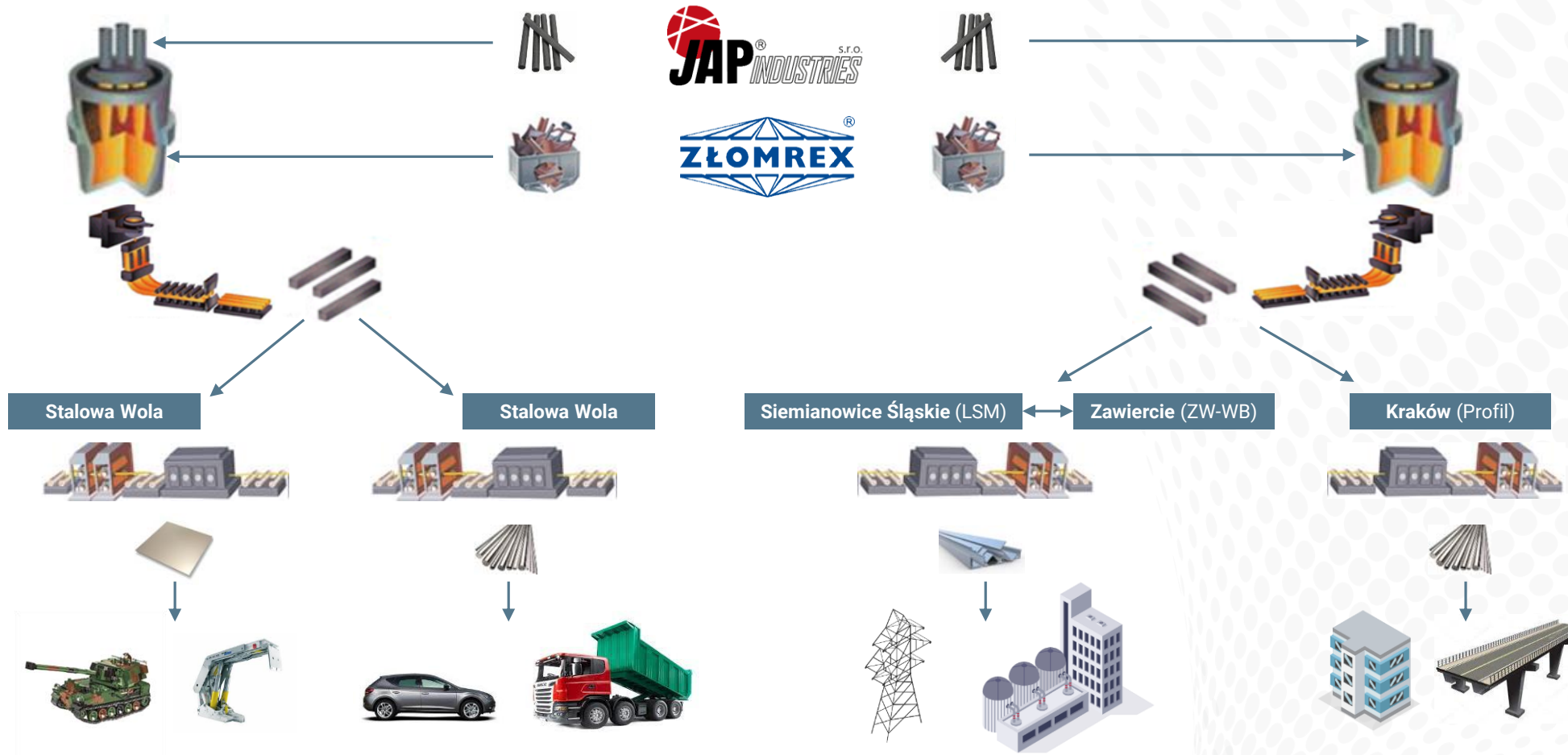
PLN 100m exchangeable notes issue

further liquidity & balance
sheet strengthening

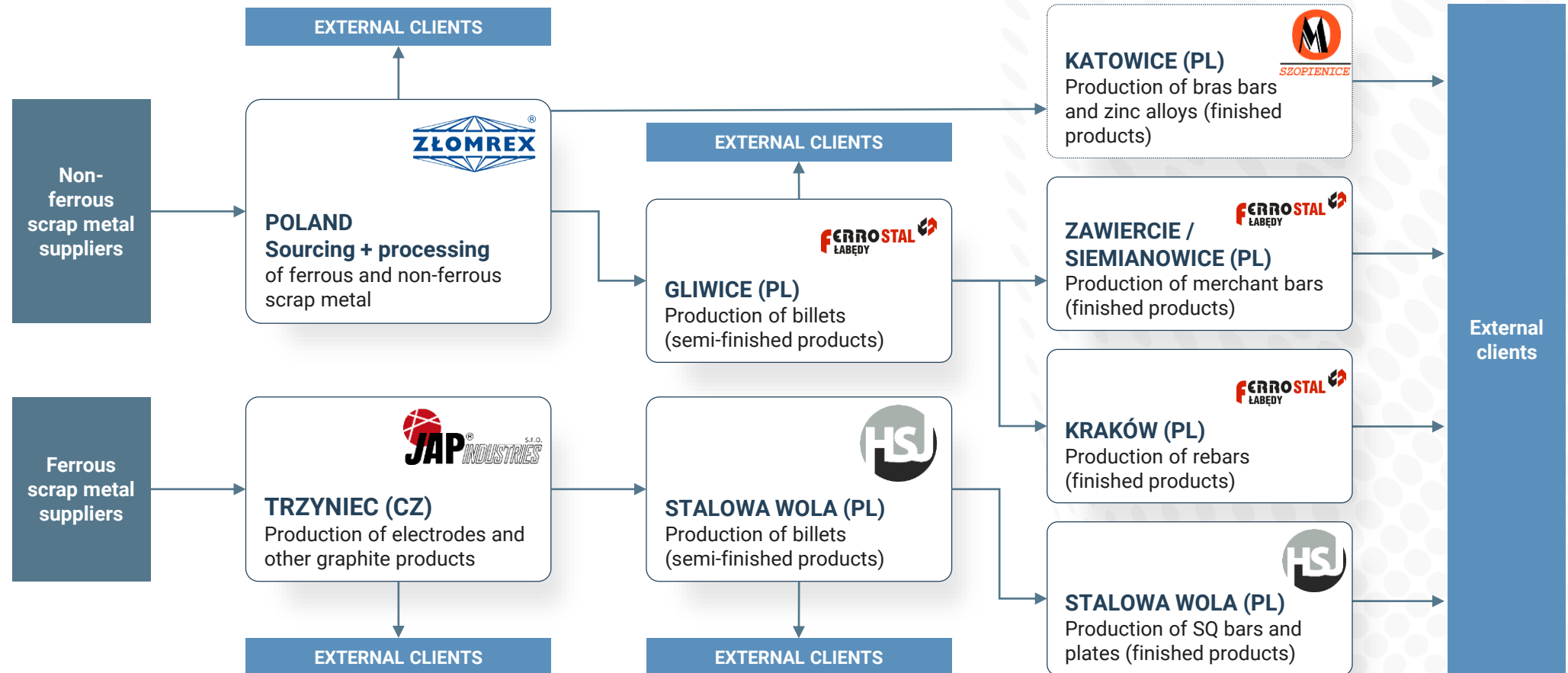
Structure



Stalowa Wola



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

Company Facilities



Steel Production Facilities

Melting shops & rolling mills



		Location	Product portfolio	Production capacities	Technology	Employment
Market		Stalowa Wola	Billets, Bars, Plates	<ul style="list-style-type: none"> Billets: 300k tonnes Plates: 101k tonnes Bars: 178k tonnes 	<ul style="list-style-type: none"> 1 EAF, 1 LF, 1CCM & 1 VD 1 furnace + 1 long products line & 2 flat products lines 	ca 800 people
Financials		Gliwice	Billets	Billets: 300k tonnes +155	<ul style="list-style-type: none"> 1 EAF, 1 LF & 1CCM 	ca 350 people
Capex		Kraków (mid 2023)	Rebars	Bars: 240k tonnes +160	<ul style="list-style-type: none"> 1 furnace 1 long product lines 	ca 250 people
Outlook		Zawiercie	Merchant bars	Bars: 198k tonnes	<ul style="list-style-type: none"> 1 furnace 3 long product lines 	ca 30 + 300 people outsourced
		Siemianowice (2024)	Merchant bars	Bars: 450k tonnes		ca 150 people
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History [1]



1990

Przemysław Sztuczkowski starts up Złomrex which trades in non-ferrous scrap metals

1991

Privatisation of the state owned enterprise

1997

IPO of Centrostal on the Warsaw Stock Exchange

2000

Acquisition of ZW-WB, a rolling mill in Zawiercie



2004

Acquisition of 82,6% of Ferrostal, a melting shop in Gliwice



2005

Acquisition of 100% of HSJ, a melting shop and rolling mills in Stalowa Wola



2006

Złomrex acquires 64,4% of shares of Centrostal



Acquisition of numerous distribution assets in Poland and abroad

History [2]

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2007



Centrostal changes its name into Cognor, integration of distribution assets

2013

Acquisition of 95% of Profil, a rolling mill in Kraków

2022



JAP acquisition

Złomrex acquires 64,4% of shares of Centrostal



Acquisition of numerous distribution assets in Poland and abroad

2006

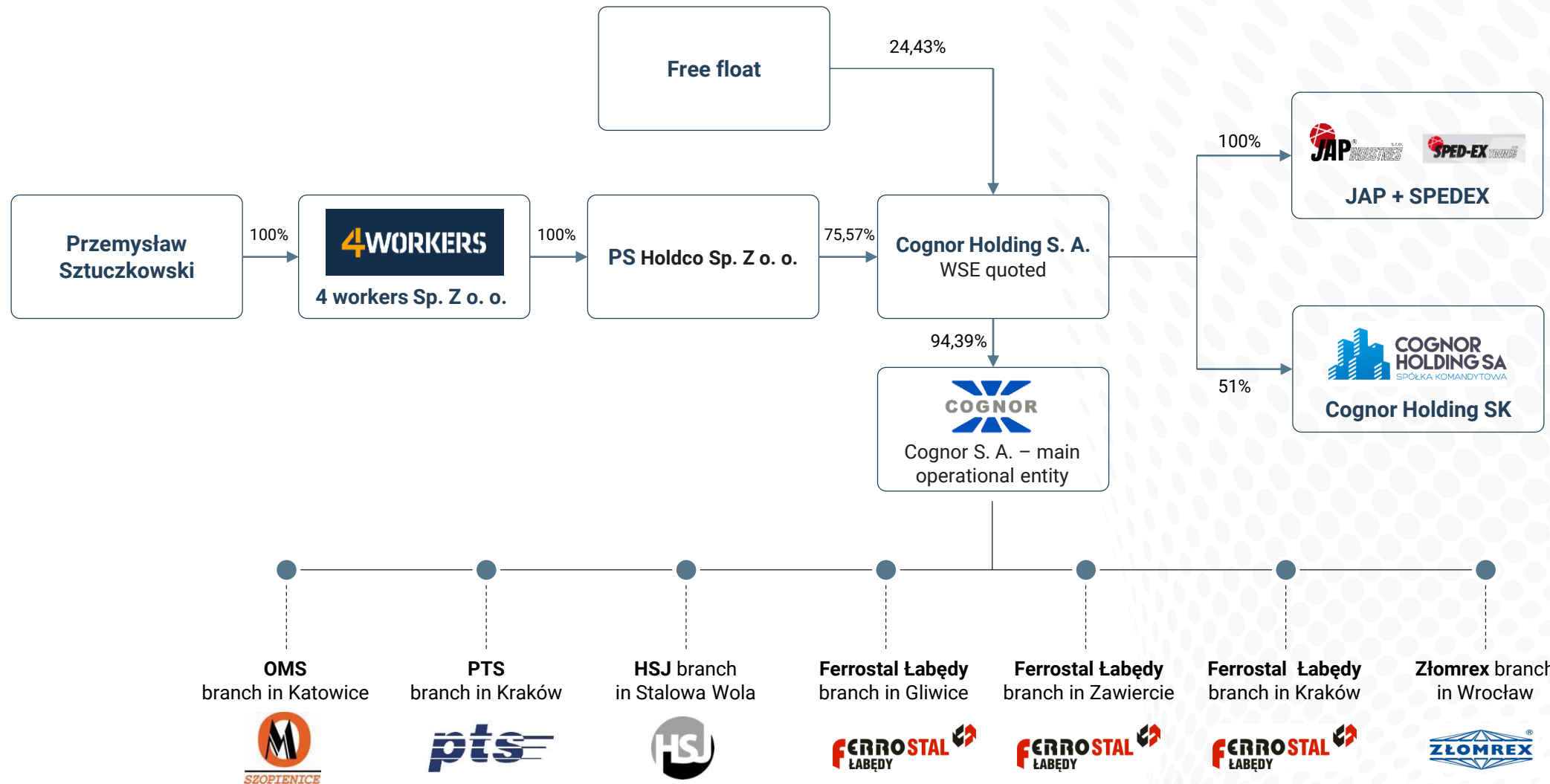
Cognor sells all distribution assets and acquires Zlomrex, its mother company. It becomes the controlling entity of the whole Group which concentrates on steel production

2011

Simplification of group structure and change of name into Cognor Holding

2016

Group Overview - Group Structure & Shareholders



2022 Circular Economy & Sustainable Steelmaking

802 115

tonnes of scrap metal sourced



673 579

tonnes of scrap metal used internally

598 817

tonnes of semi-finished products (billets) production

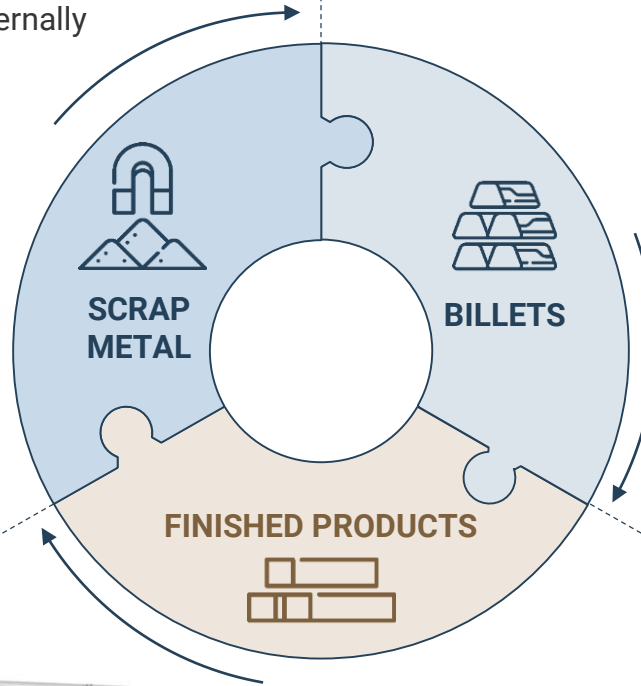
468 502

tonnes of billets processed internally



136 615

tonnes of scrap metal sold to external customers



163 857

tonnes of billets sold to external customers



433 931

tonnes of finished products production

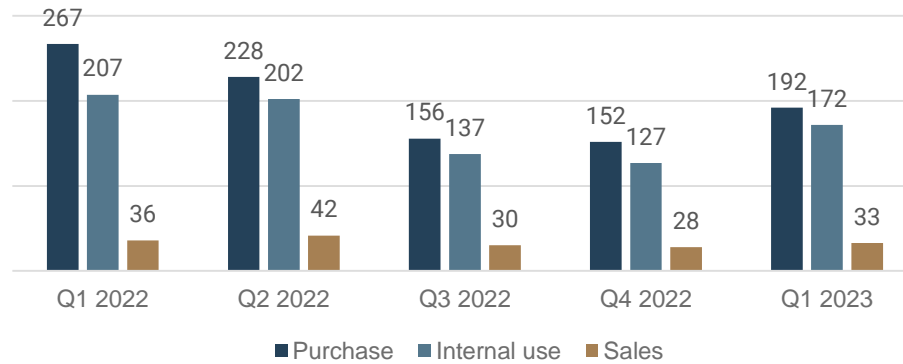
412 975

tonnes of finished products sold to external customers

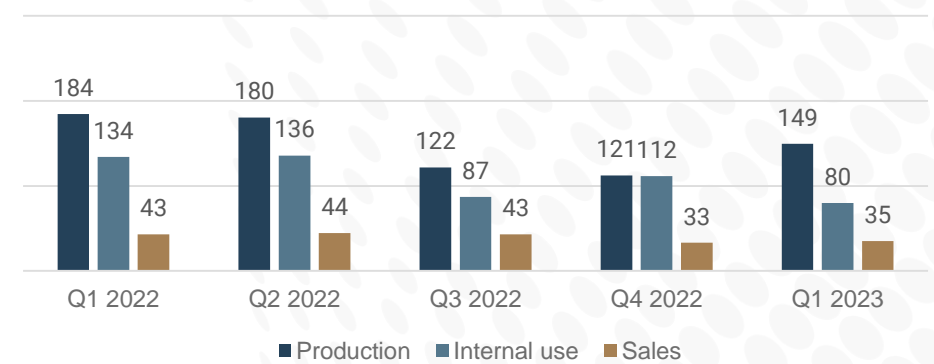
Segments Performance

Quantities per business segments

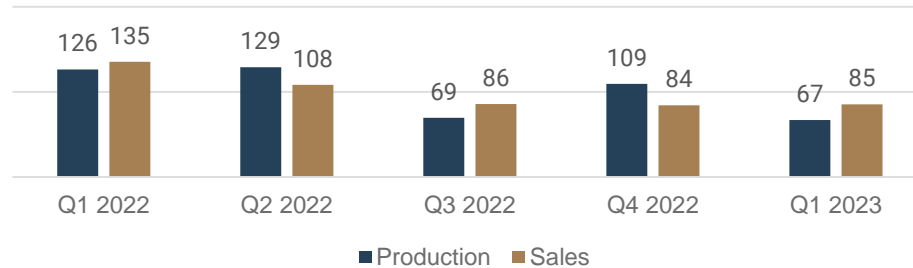
Scrap metal (thousands of tonnes)



Billets (thousands of tonnes)



Finished products (thousands of tonnes)



Market - EAF vs BOF technology

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	Electric Arc Furnace (EAF)	Basic Oxygen Furnace (BOF)
Feedstock applied to produce 1000 kg of crude steel	<p>100,0% Scrap metal (1,150 kg)</p>	<p>Iron ore (1,600 kg) Coking coal (600 kg) Scrap metal (210 kg)</p>
Commentary	<ul style="list-style-type: none"> • Approximately 1/3 of global steel production • Scrap metal is melted by a heat generated by an electric arch 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Flexible, can be switched on and off • Lower CAPEX & maintenance • Lower environmental impact 	<ul style="list-style-type: none"> • Lower electric power consumption • Easier to obtain high steel purity
Cons	<ul style="list-style-type: none"> • High cost sensitivity to scrap and electricity 	<ul style="list-style-type: none"> • High cost sensitivity to iron ore and coking coal • Economical at large scale only; low flexibility • 4x higher CO2 emission (incl. power plant gen.)

EU market protection tools

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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

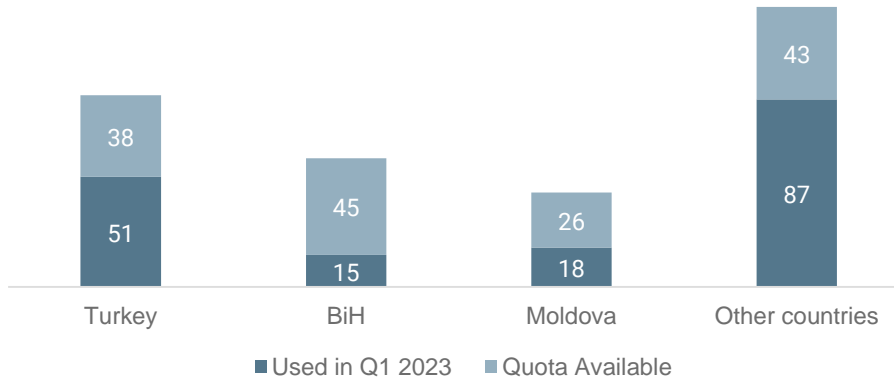
A quota tool introduced in 2018 to last through mid 2024 aimed to limit tax free imports. Below an example of its utilisation in Q1 2023 and Q2 2023 in respect of rebars



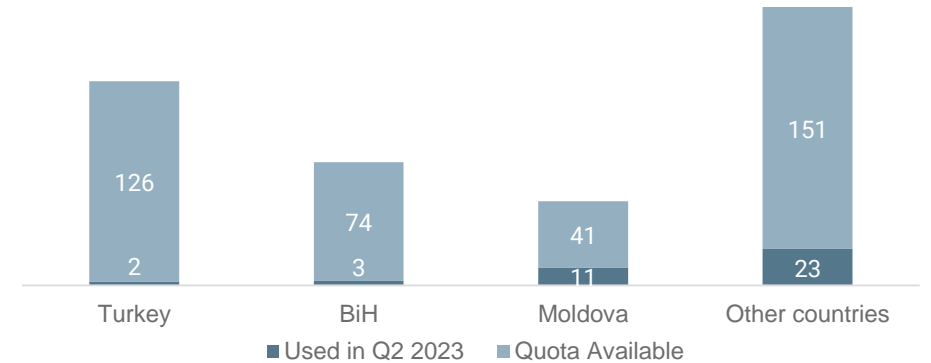
Carbon Tax

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.

Rebars Q1 2023
(million tonnes)



Rebars Q2 2023 (as of 12.05.2023)
(million tonnes)



Russia - import suspended, Ukraine no limit

BOF / EAF Feedstock Cost (USD / tonne)

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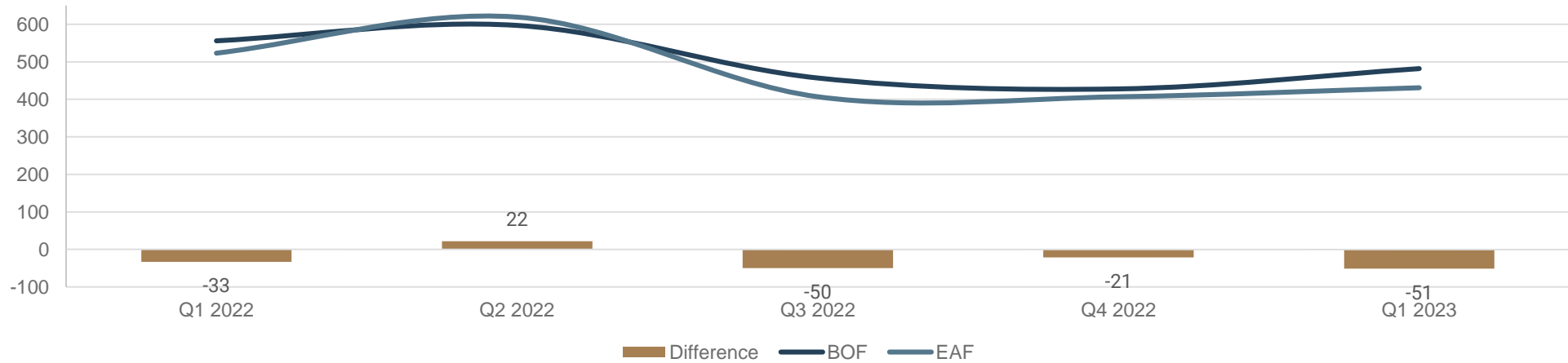
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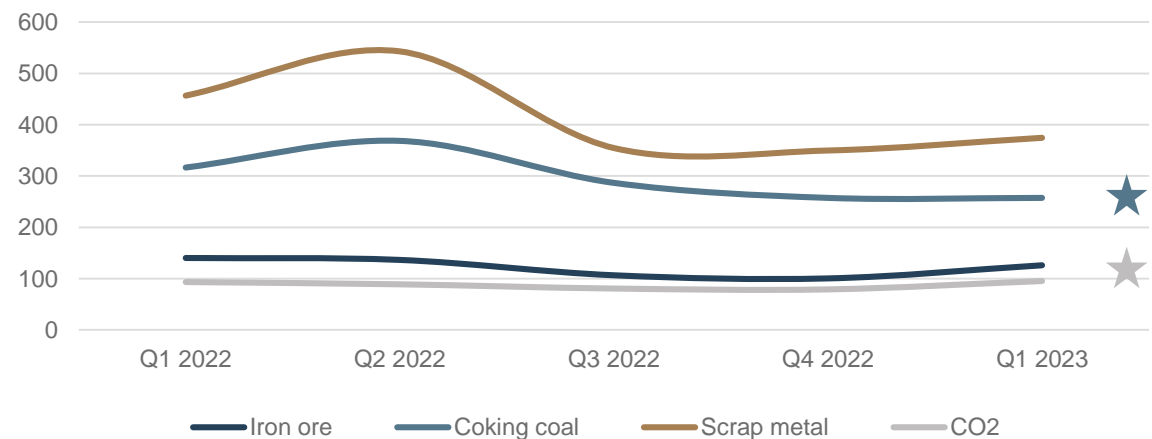
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Feedstock costs EAF vs BOF



Raw material costs (USD / tonne)



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

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

World and the EU

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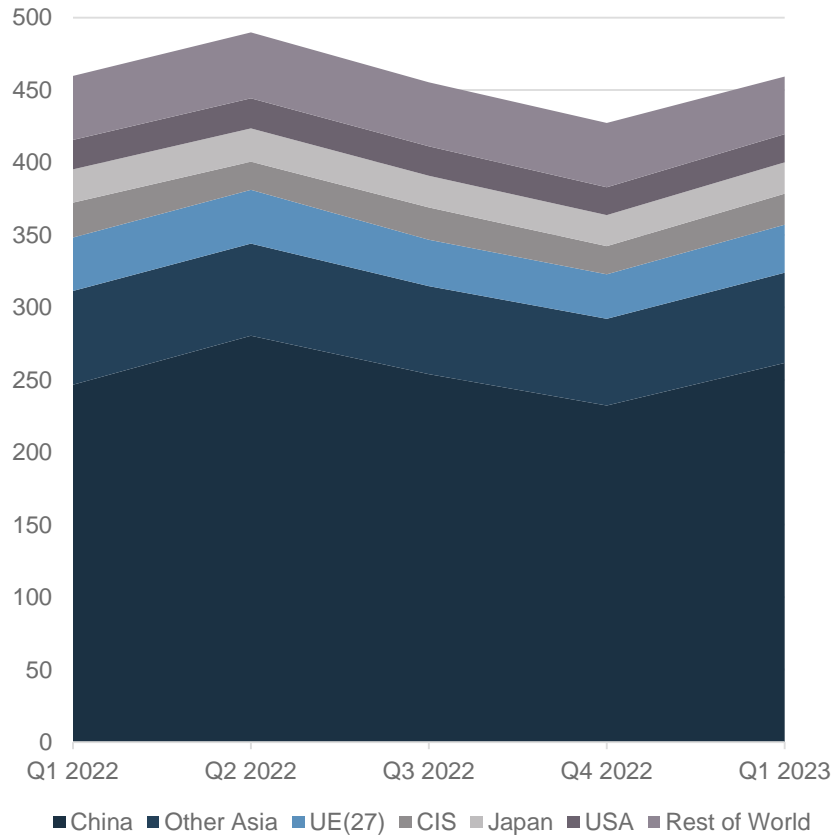
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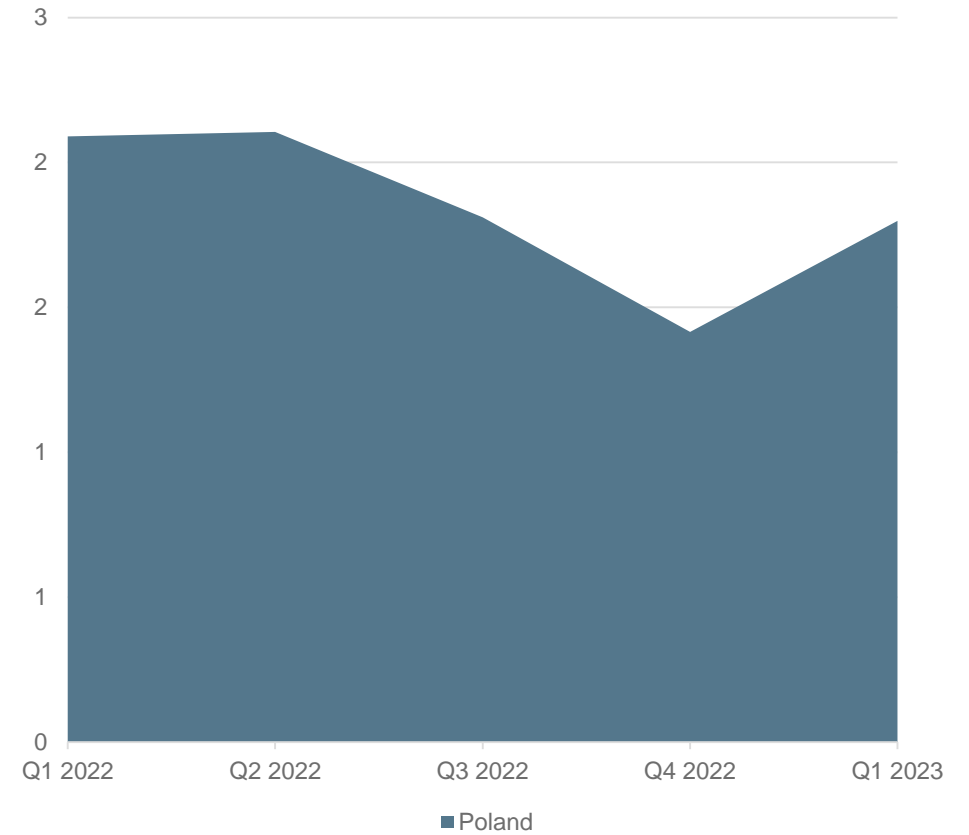
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World's steel output (m tonnes)

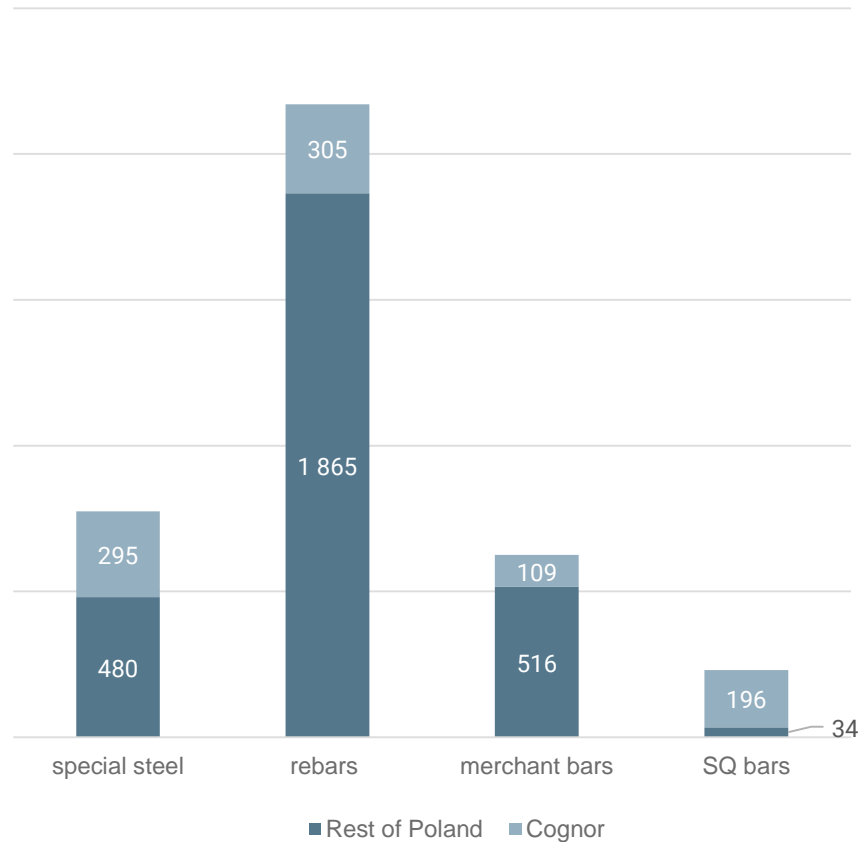


Poland output (m tonnes)

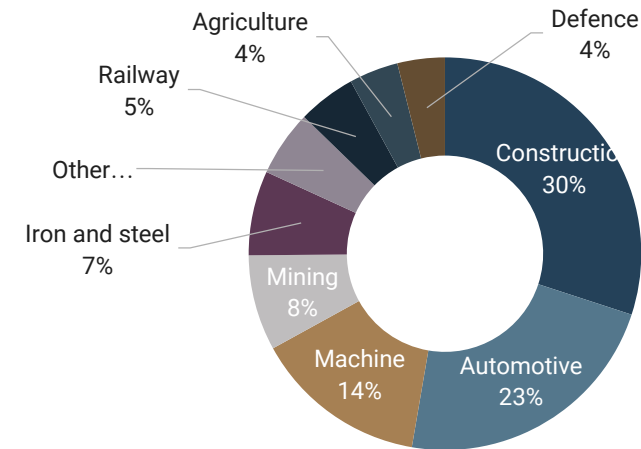


Billets and Finished Products Cognor's Share and Position in 2022

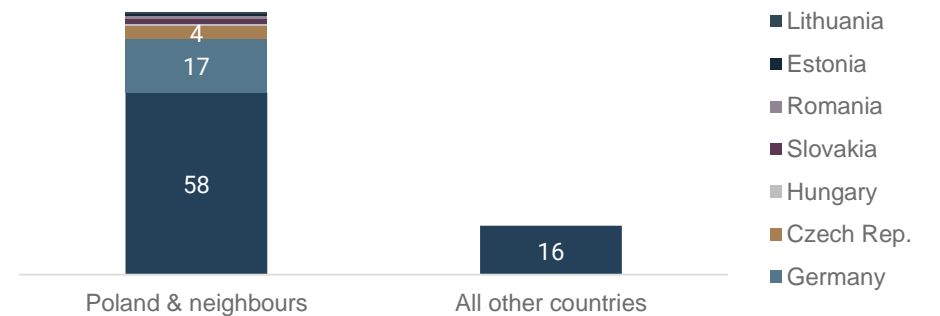
**Producer market share
(thousands of tonnes)**



Revenue split by business segments



Geographical breakdown (%)



Prices and conversion spreads (PLN / tonne)

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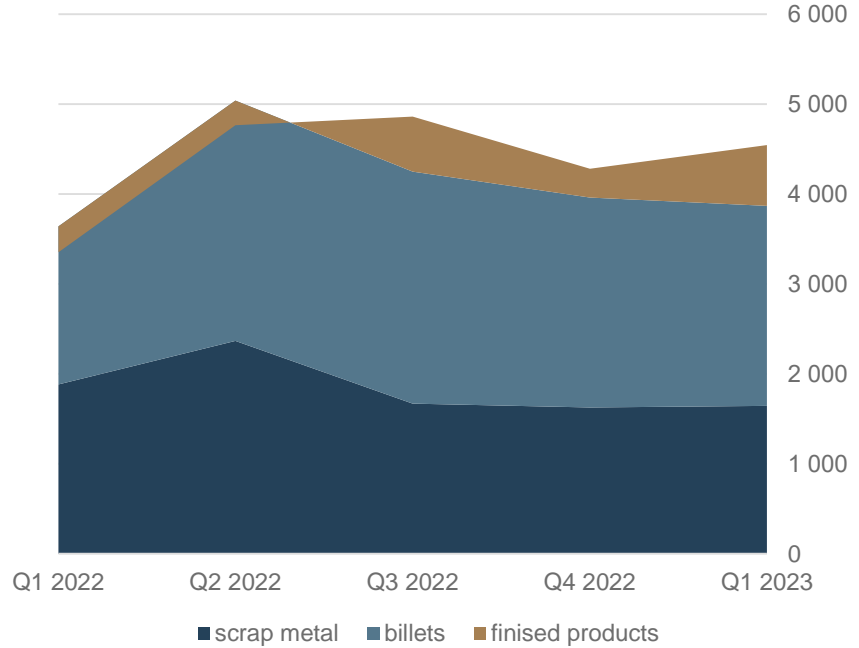
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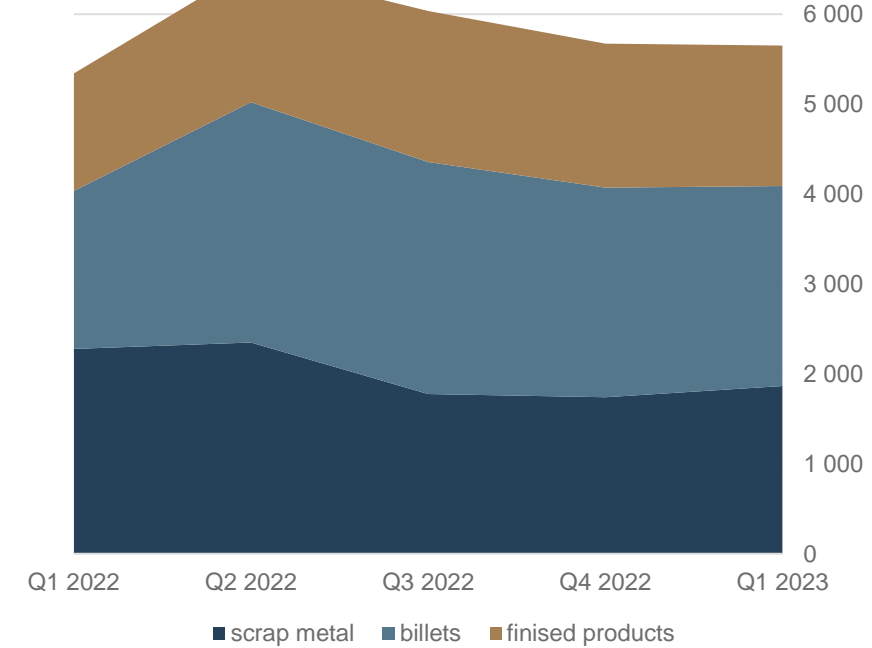
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Ferrostal



HSJ



EBIT Generation Breakdown (PLN thousands)

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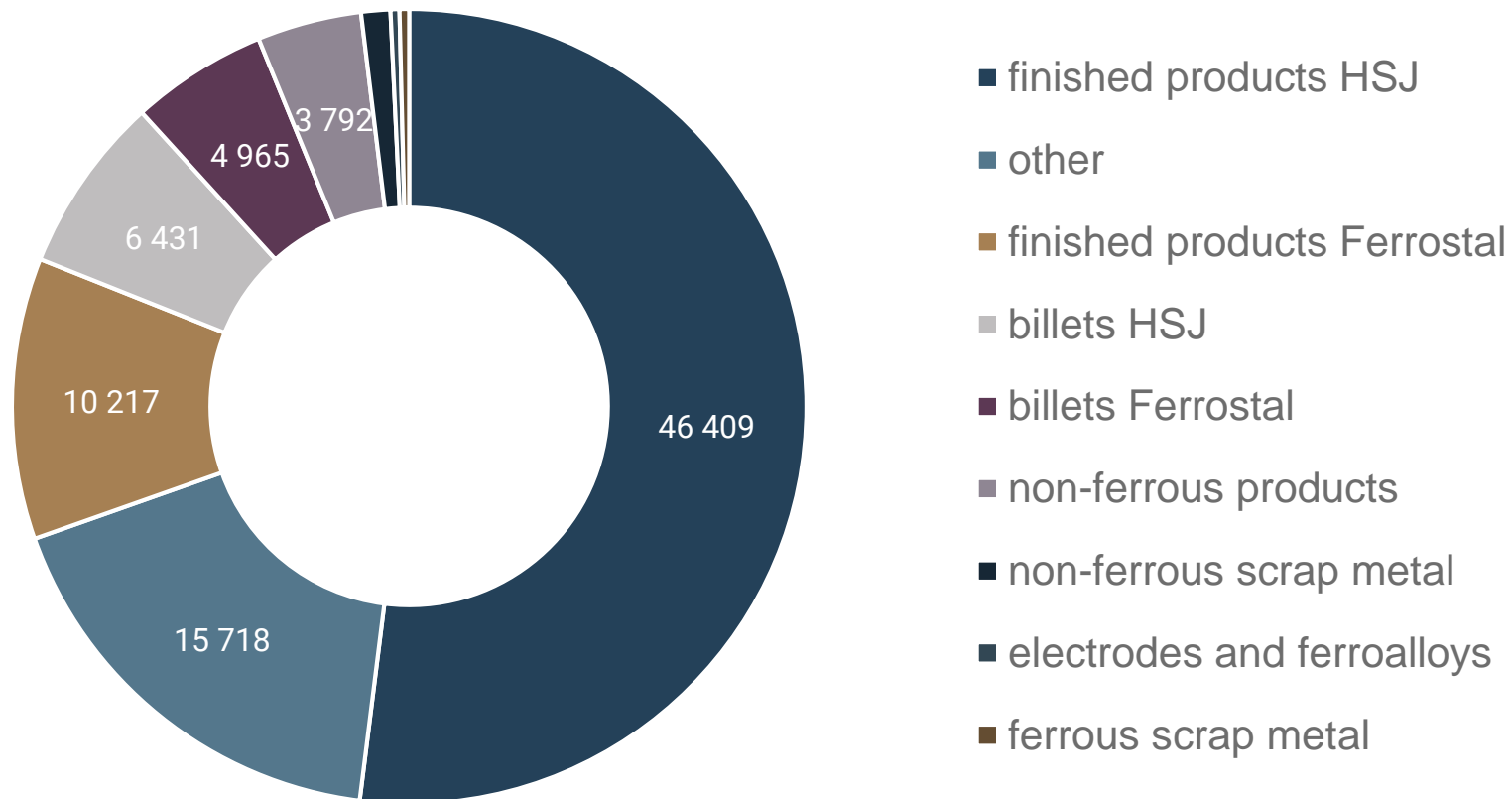
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EBIT Bridge (PLN thousands)

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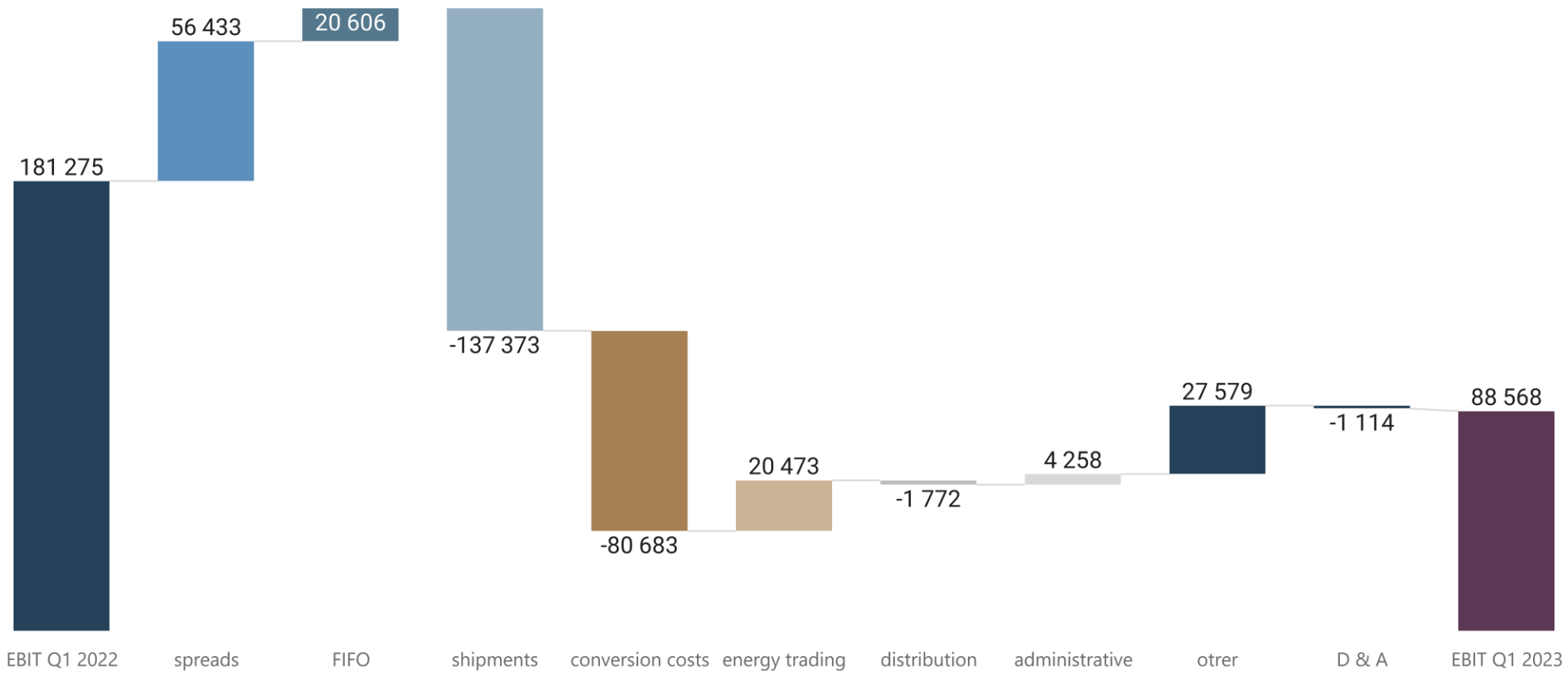
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Q1 2023 P&L Waterfall (PLN thousands)

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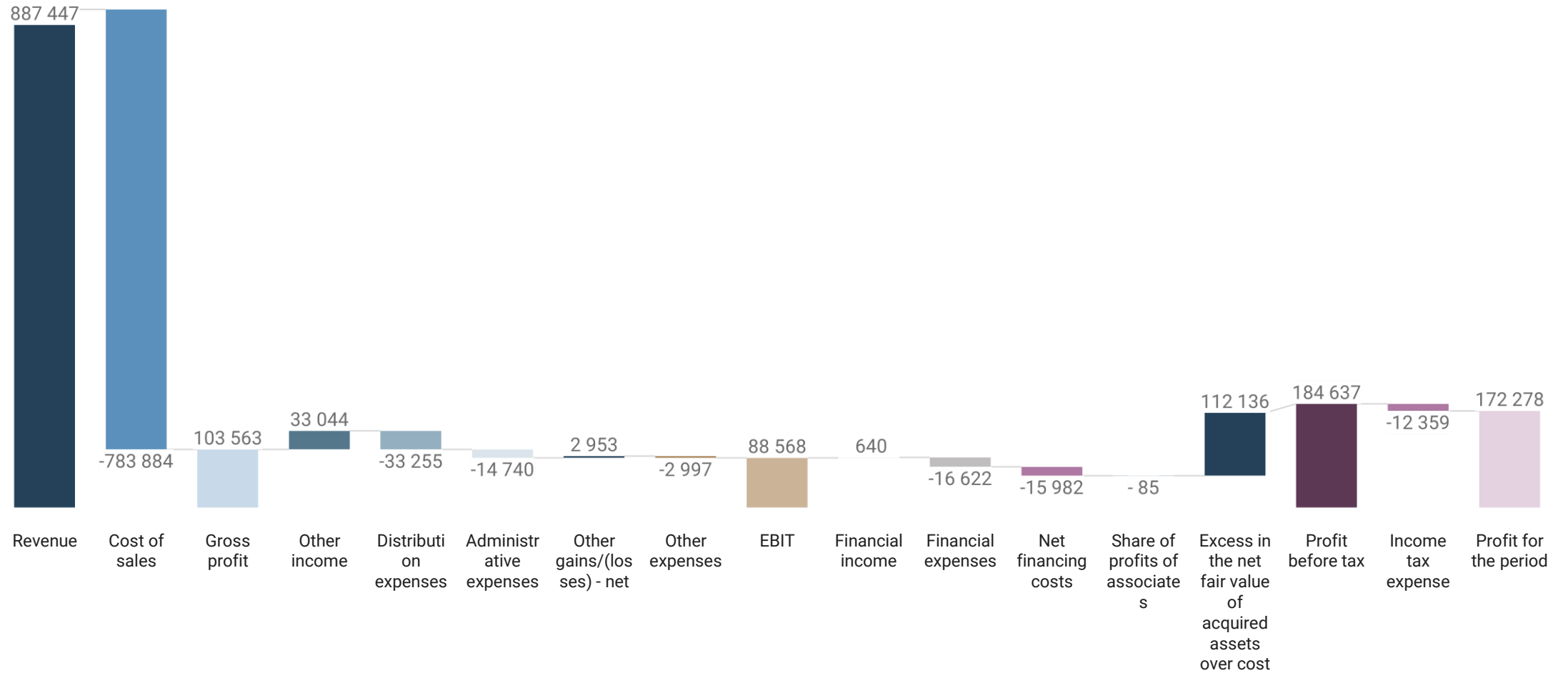
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Balance Sheet (PLN thousands)

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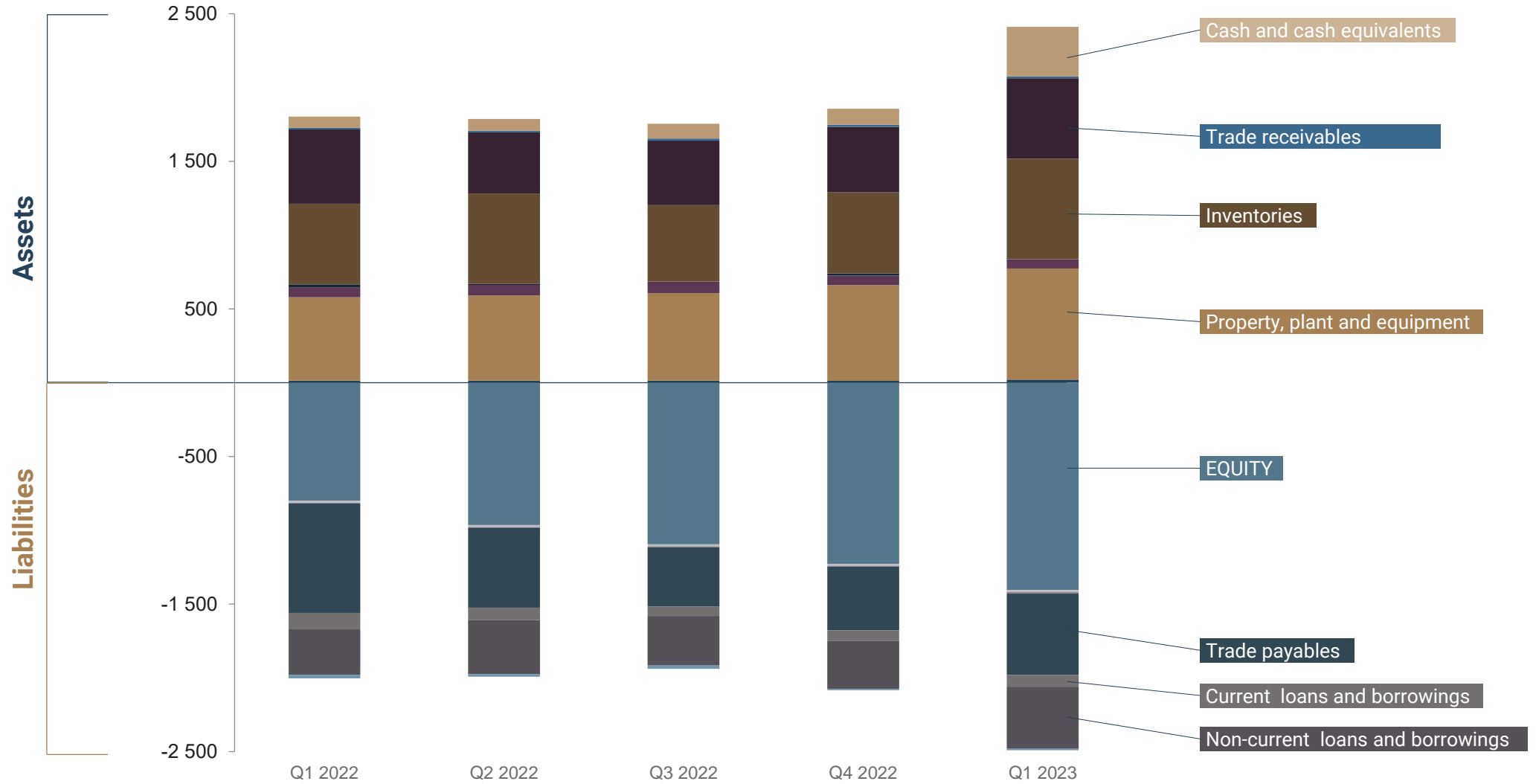
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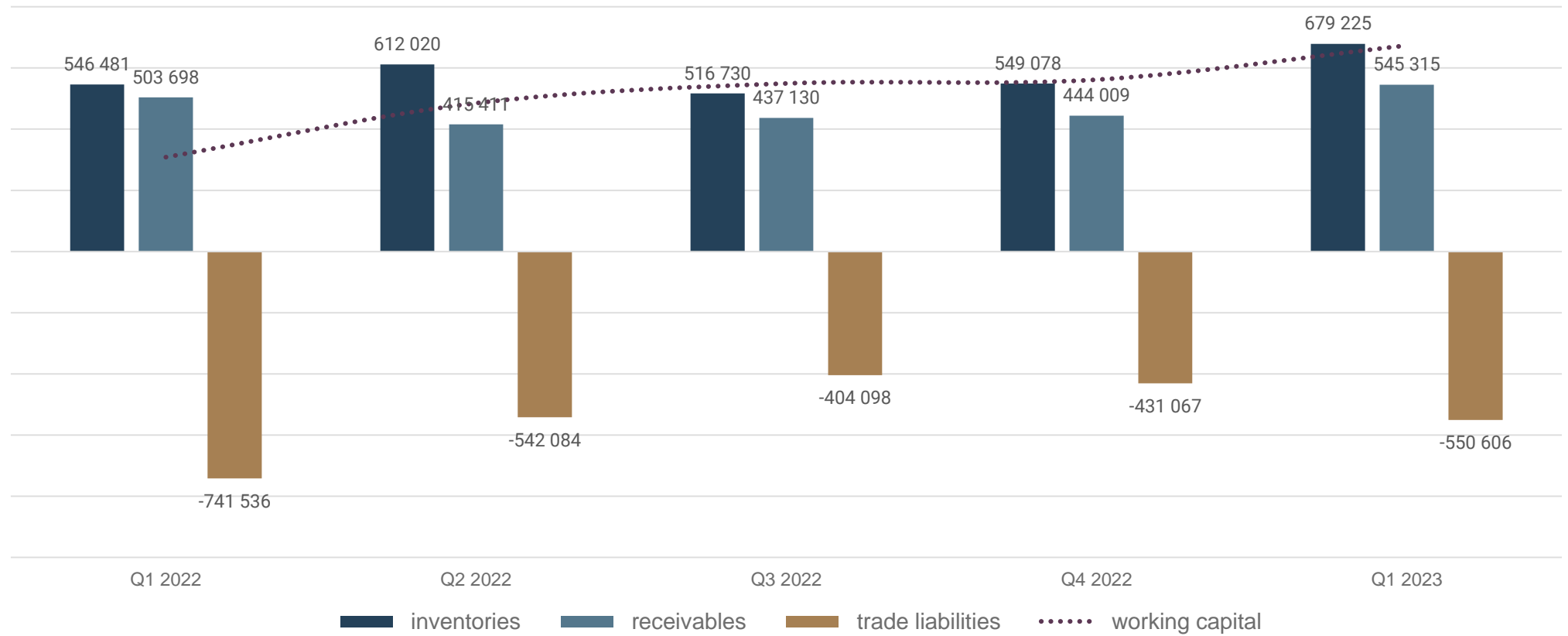
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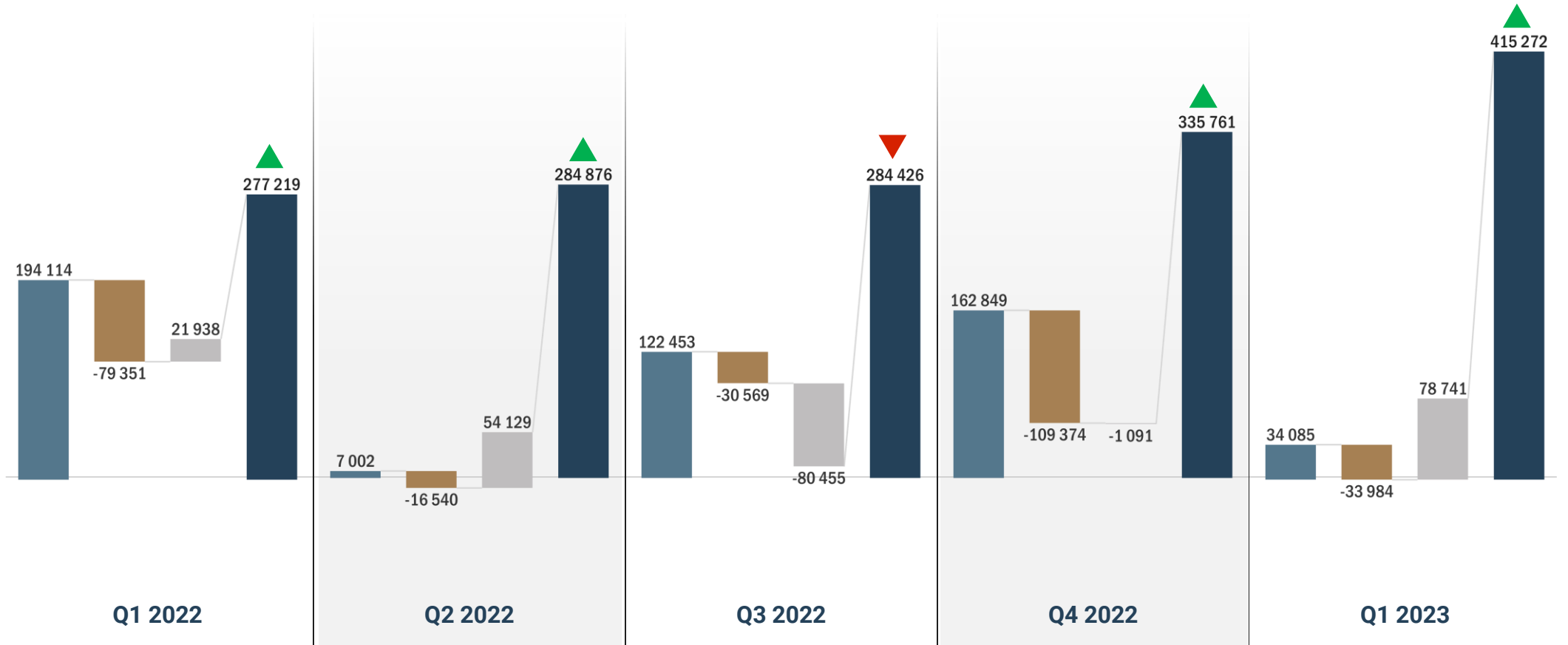


Balance Sheet Working Capital (PLN thousands)



Cash Flows (PLN thousands)

■ Operational
 ■ CAPEX
 ■ Financial
 ■ Cash balance
 ▲ Increase
 ▼ Decrease



Net Debt (PLN thousands) & Leverage

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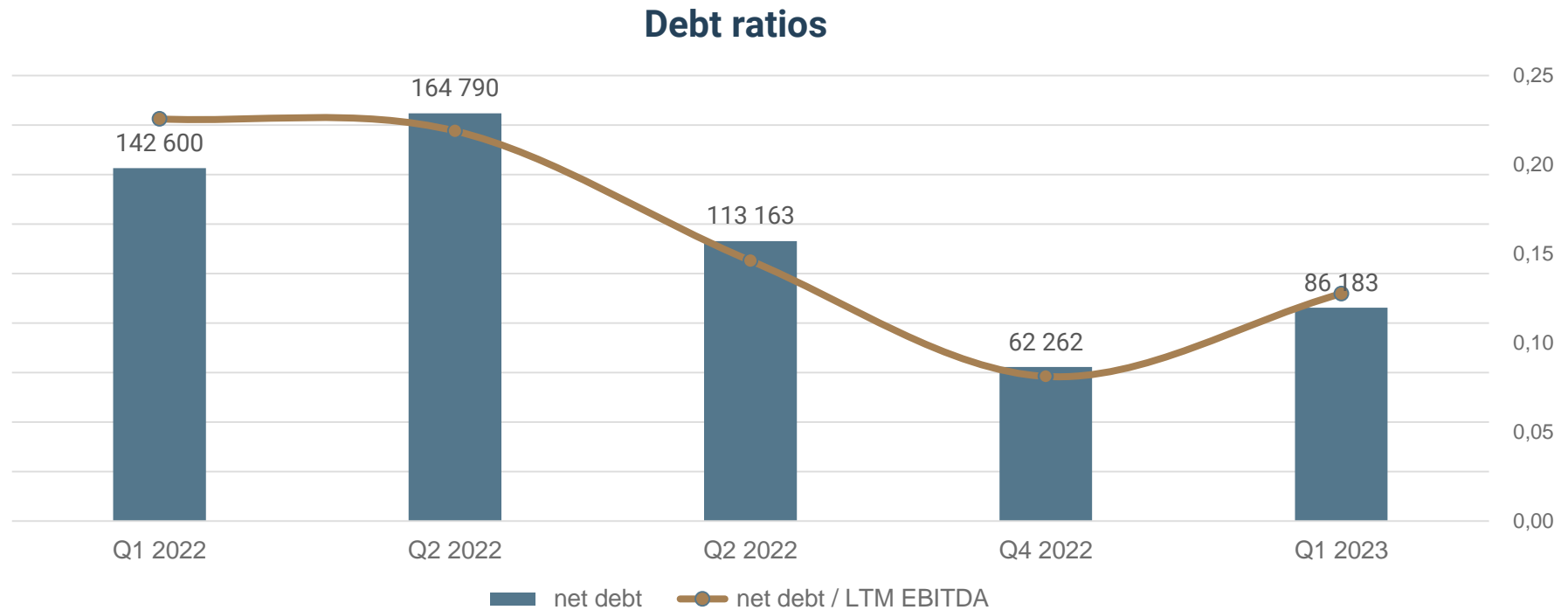
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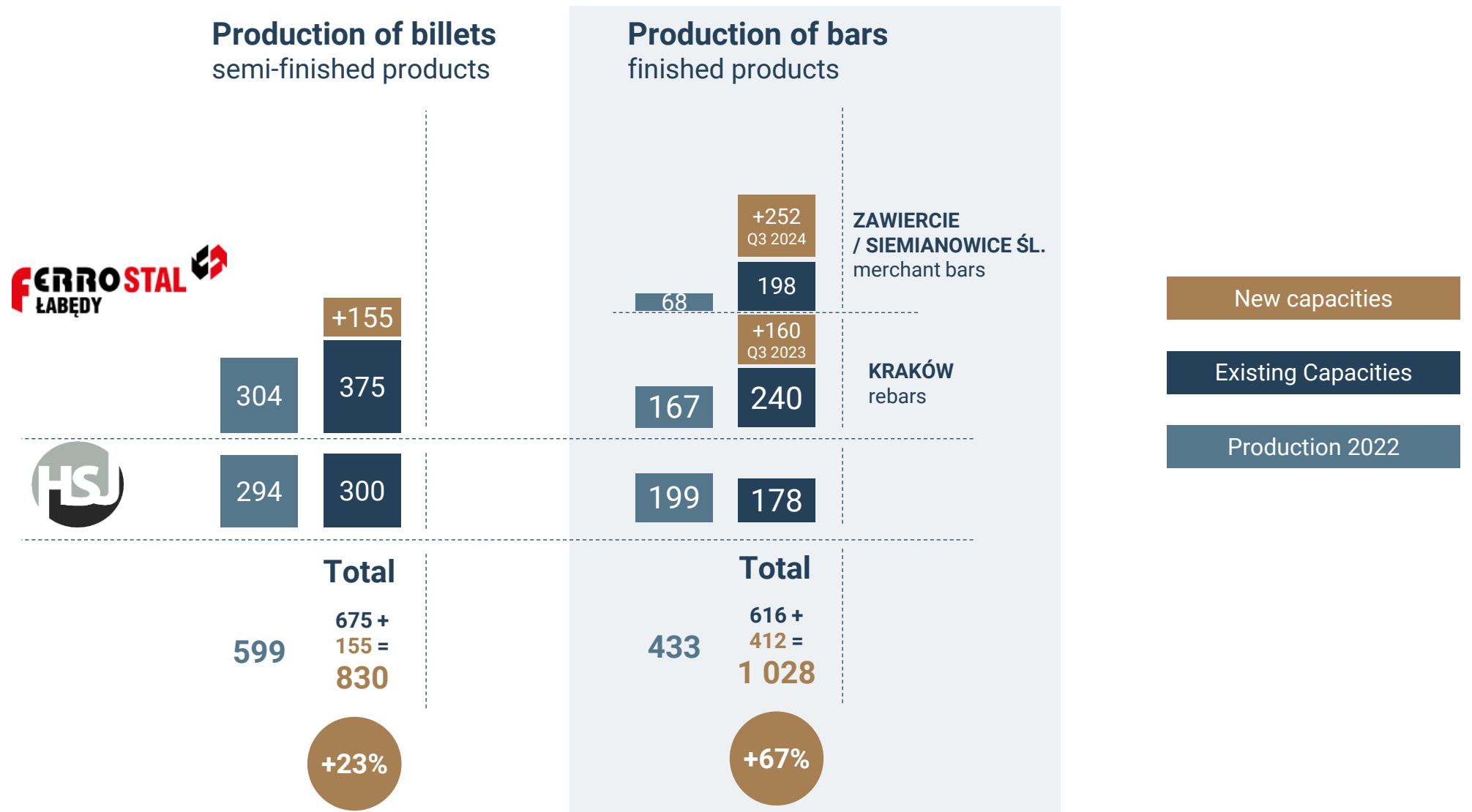
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Cognor in new scale (thousand tonnes)

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Capex- Costs, Financing and Effects

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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

Kraków

entire mill modernisation plus spooling line (Q3 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 160 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

Siemianowice Śląskie

most modern LSM mill in Europe
(Q3 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

Outlook – Q2 2023

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Macro trends

(slide 3) unchanged

Prices of

scrap, billets and finished
products expected to fall
QoQ

Spreads for

narrowing for both billets
and products QoQ

Rebar

market to remain weak

Low capacity utilisation

due to weak construction
industry demand and
continuation of Cracow
investment project
resulting in stoppage time

EBITDA

weaker reported and
similar adjusted with
risk to the downside

P&L (PLN thousands)

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STATEMENT OF PROFIT OR LOSS	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
	'000 PLN				
Sales revenue	962 036	1 032 055	749 424	923 175	887 447
Cost of sales	-735 701	-759 155	-525 130	-752 424	-783 884
Gross profit	226 335	272 900	224 294	170 751	103 563
Other income	8 040	10 051	9 506	27 155	33 044
Distribution expenses	-31 483	-33 026	-33 005	-31 264	-33 255
Administrative expenses	-18 998	-26 125	-22 526	-20 659	-14 740
Other gains/(losses) – net	-627	1 318	10 470	-11 503	2 953
Other expenses	-1 992	-1 135	-16 440	10 689	-2 997
EBIT	181 275	223 983	172 299	145 169	88 568
Financial income	21 045	26 487	8 403	-6 753	640
Financial expenses	-8 946	-11 959	-14 810	-7 711	-16 622
Net financing costs	12 099	14 528	-6 407	-14 464	-15 982
Share of profits of associates	-44	150	0	116	-85
Excess in fair value of acquired assets over cost	0	0	0	0	112 136
Profit before tax	193 330	238 661	165 892	130 821	184 637
Income tax expense	-36 550	-48 905	-35 549	2 673	-12 359
Profit/loss from discontinued operations	0	0	0	0	0
Profit for the period	156 780	189 756	130 343	133 494	172 278
Depreciation and amortization	-11 127	-10 944	-11 001	-11 179	-12 241
EBITDA	192 402	234 927	183 300	156 348	100 809

Revenues down by 75m & 8%
 - shipments down by 28%
 - energy sales: 151m

Gross profit down by 123m & 54%
 - lower shipments: 137m
 - increase of production costs: 81m
 - widening of spreads: 56m
 - energy sale: 20m
 - FIFO gain change: 21m

EBIT down by 93m & 51%
 - nat gas and CO2 subsidies increase: 24m

Financial income down by 25m & 100%
 Financial costs up by 8m & 86%
 - hedge valuation loss at 6m

Net result up by 247m & 68%
 - JAP bargain purchase: 112m
 adjusted net result 32m (v. 141m in Q1 2022)

EBITDA down by 92m & 48%
 adjusted EBITDA 61m (v. 194m in Q1 2022)

Assets (PLN thousands)

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ASSETS	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
	'000 PLN				
A. TOTAL NON-CURRENT ASSETS	666 055	668 823	685 776	740 355	837 426
I. Intangible assets	14 924	14 815	14 558	12 851	20 427
II. Property, plant and equipment	563 782	574 729	592 286	647 439	753 343
III. Other receivables	31 639	12 715	13 658	13 971	14 308
IV. Investment property and other investments	1 089	1 239	1 238	1 204	1 118
V. Financial instruments assets	34 843	58 918	64 036	50 551	46 018
VI. Prepaid perpetual usufruct of land	0	0	0	0	0
VII. Deferred tax assets	19 778	6 407	0	14 339	2 212
B. TOTAL CURRENT ASSETS	1 337 280	1 323 212	1 252 873	1 342 661	1 652 219
I. Inventories	546 481	612 020	516 730	549 078	679 225
II. Receivables	503 698	415 411	437 130	444 009	545 315
1. Trade and other receivables	503 587	415 296	437 017	427 760	529 048
2. Current income tax receivable	38	38	38	16 172	16 187
3. Other investments	73	77	75	77	80
III. Financial instruments assets	2 894	3 922	7 610	6 842	5 441
IV. Cash and cash equivalents	277 219	284 876	284 426	335 761	415 272
V. Prepayments	0	0	0	0	0
VI. Assets classified as held for sale	6 988	6 983	6 977	6 971	6 966
Total	2 003 335	1 992 035	1 938 649	2 083 016	2 489 645

Fixed assets up by 171m & 26%
 - CAPEX 234m
 - financial instruments valuation 11m
 - D&A 45m

Current assets up by 315m & 24%
 - Inventories up by 133m
 - Receivables up by 42m
 trade receivables sold 219m
 in Q1 2021 291m
 - cash up by 128m
 includes PLN 103m under an L/C

Equity and Liabilities

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EQUITY AND LIABILITIES	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
	'000 PLN				
A. EQUITY	800 561	964 602	1 094 938	1 228 431	1 405 164
I. Issued share capital	257 131	257 131	257 131	257 131	257 131
II. Reserves and retained earnings	494 708	649 005	772 227	898 965	1 072 209
III. Minority interest	48 722	58 466	65 580	72 335	75 824
B. LIABILITIES	1 202 774	1 027 433	843 711	854 585	1 084 481
I. Non-current liabilities	326 564	384 065	353 779	346 112	444 399
1. Employee benefits obligation	12 705	13 144	13 104	11 878	12 272
2. Interest-bearing loans and borrowings	308 800	366 104	334 483	327 536	420 619
3. Other	5 059	4 817	6 192	6 698	11 508
II. Current liabilities	874 730	641 866	488 409	506 928	638 604
1. Interest-bearing loans and borrowings	61 111	70 588	62 011	70 441	80 828
2. Bank overdraft	49 908	12 974	1 095	46	8
3. Trade and other payables	741 536	542 084	404 098	431 067	550 606
4. Deferred government grants	4 582	4 468	4 575	1 398	1 398
5. Liability under financial instruments	0	0	0	0	0
6. Employee benefits obligation	2 213	2 364	2 143	1 863	1 713
7. Current income tax payable	14 080	8 088	13 187	783	2 721
8. Provisions for payables	1 300	1 300	1 300	1 330	1 330
III. Liabilities of disposal group	1 480	1 502	1 523	1 545	1 478
Total	2 003 335	1 992 035	1 938 649	2 083 016	2 489 645

Equity up by PLN
- net result 626m
- dividend 26m

605m & 76%

Gross debt up by PLN
Net debt down by PLN

82m & 19%
56m & 40%

Cash Flows & Metrics

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CASH FLOW	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
'000 PLN					
A. OPERATING ACTIVITIES	194 114	7 002	122 453	162 849	34 085
B. INVESTING ACTIVITIES	-79 351	-16 540	-30 569	-109 374	-33 984
C. FINANCING ACTIVITIES	21 938	54 129	-80 455	-1 091	78 741
Net increase in cash	136 701	44 591	11 429	52 384	78 842

Group Overview

working capital inflow 24m

income tax outflow 83m

CAPEX outflow 205m

Market

payment for JAP's shares 27m

debt incurrence 100m

debt repayment 5m

dividend outflow of PLN 26m

interest service 16m

Financials

MAIN METRICS	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Liquidity ratio	1,53	2,06	2,56	2,64	2,58
Quick ratio	0,90	1,11	1,50	1,56	1,52
Inventories turnover days	67	73	89	72	78
Receivables turnover days	47	36	52	43	54
EBITDA margin	20,0%	22,8%	24,5%	20,9%	11,4%
Net profit margin	16,3%	18,4%	17,4%	16,6%	19,4%
Equity '000 PLN	800 561	964 602	1 094 938	1 228 431	1 405 164
Net debt '000 PLN	142 600	164 790	113 163	62 262	86 183
Net debt / LTM EBITDA	0,2	0,2	0,1	0,1	0,1

liquidity metrics excellent

Inventory ratio up by 11 days and poor

Receivable ratio up by 7 days and fair

Profitability ratios very good

Outlook

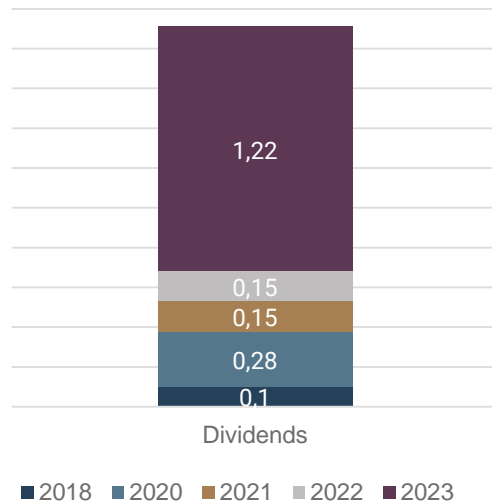
Net leverage down to 0.1 times

Annexes

Dividends and Share Quoting

Dividend policy 25% of consolidated net profit

2022	
Nett profit	610 337
Equity	1 228 431
Number of shares	171 420 663
16.05.2023	
Share price (PLN)	8,71
P / E	2,8
P / BV	1,38



Trading of Cognor shares on Warsaw Stock Exchange





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