



Introduction

Group
Overview

Market

Financials

Capex

Outlook

Annexes



Q3 2023 Business and Financial Performance

November 16, 2023

Speaker

Group
Overview

Market

Financials

Capex

Outlook

Annexes



KRZYSZTOF ZOŁA

Board Member, CFO

Key Macro Trends

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes



Increased geopolitical risk
military spending



De-globalisation
onshoring, reshoring,



Protectionism
reindustrialisation of the EU



Supply chain shortening
friendshoring



Long-term 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

Introduction

Group
Overview

Market

Financials

Capex

Outlook

Annexes

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;**

finalized and well advanced
modernization projects

Product elasticity;

no sectorial dependence,
diversification of clients

Cognor – Modern EU Steelmaker

Introduction

Group
Overview

Market

Financials

Capex

Outlook

Annexes

**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

Q3 2023 Highlights

Introduction

Group
Overview

Market

Financials

Capex

Outlook

Annexes

Weak GPD growth

0.4% Poland and 0.1% EU YoY

Falling billet and finished product prices

compared to both Q3 2022 and Q2 2023

Spreads shrinking for almost all billets and products

compared to both Q3 2022 and Q2 2023

Rebar market in deep crisis

prices and spreads lower QoQ and YoY; no production due to Cracow downtime and very low sales

Low capacity utilisation

Cracow investment downtime; delay in re-commissioning; resultant downtime in Gliwice melting shop; limited additional billet sales to support steel output

Cracow project close to finalization; intensive works in Siemianowice Śląskie;

modernization of 400kT rebar mill and construction of a new 450kT light sections mill (LSM)

Group Overview - Group Structure & Shareholders

Introduction

Group Overview

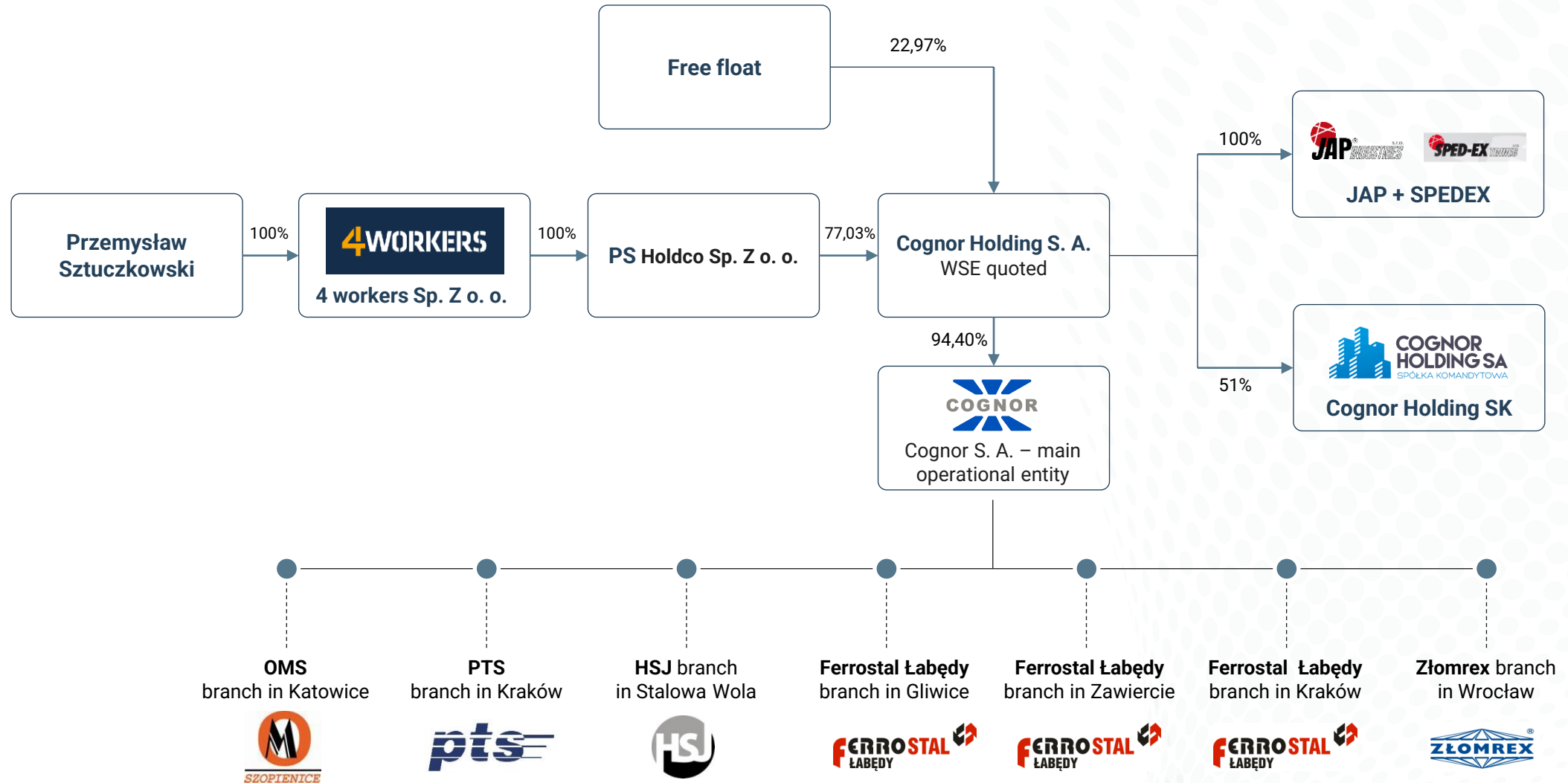
Market

Financials

Capex

Outlook

Annexes



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



Złomrex acquires 64,4% of shares of Centrostal



Acquisition of numerous distribution assets in Poland and abroad

2006

History [2]

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes



Złomrex acquires 64,4% of shares of Centrostal



Acquisition of numerous distribution assets in Poland and abroad

2006

2007



Centrostal changes its name into Cognor, integration of distribution assets

2013

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

2011

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

2016

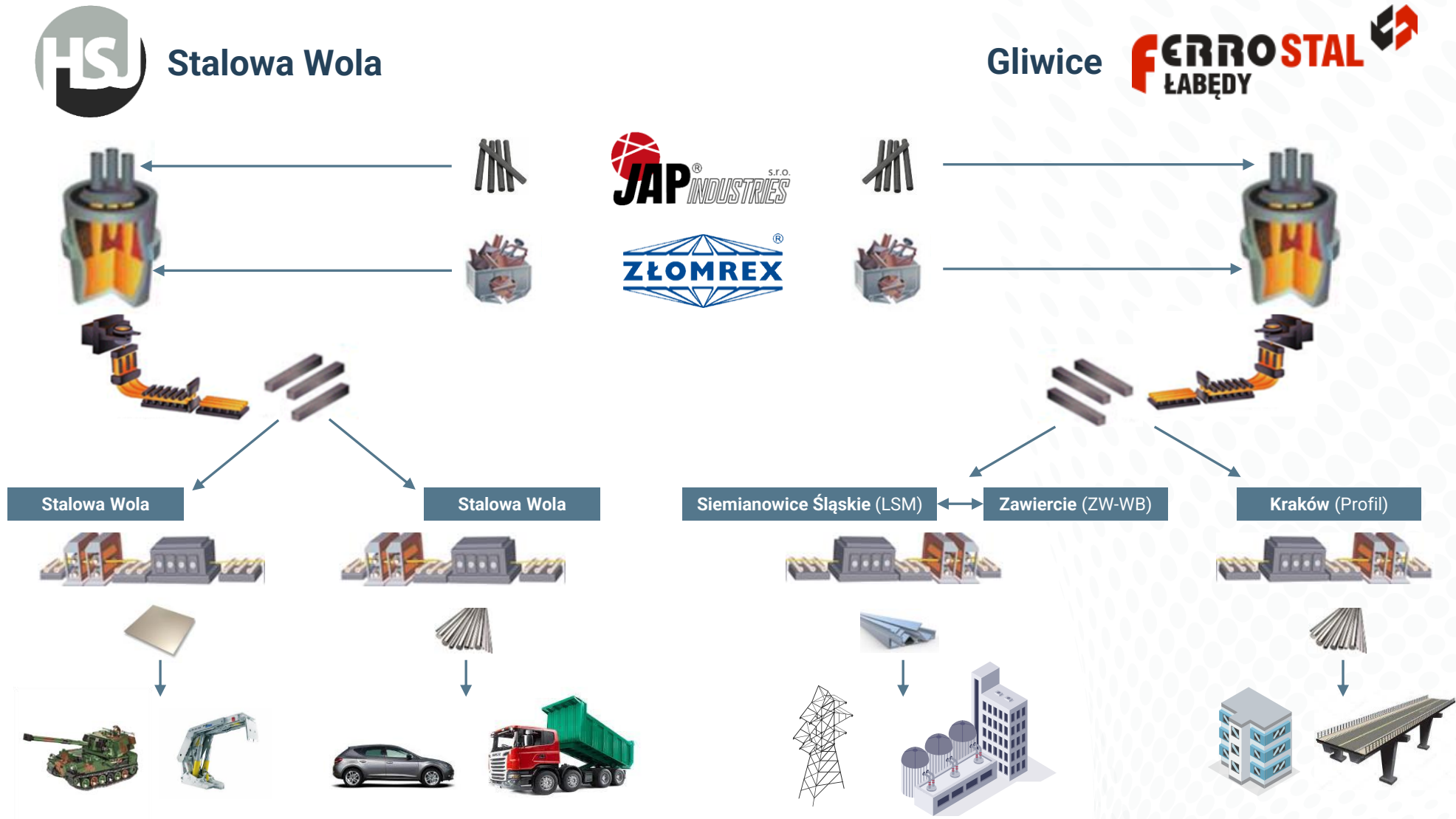
Simplification of group structure and change of name into Cognor Holding

2022



JAP acquisition

Structure



Vertically Integrated Business Model

Introduction

Group Overview

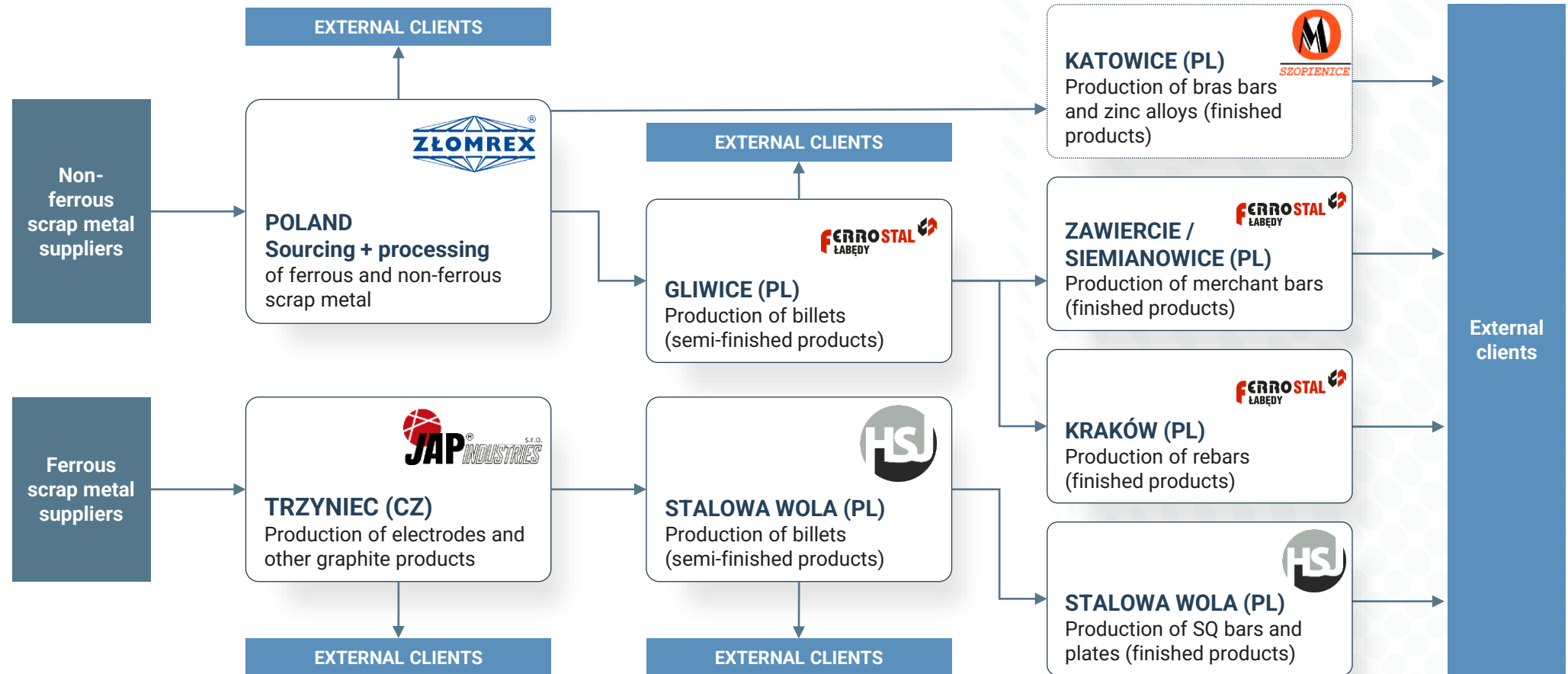
Market

Financials

Capex

Outlook

Annexes



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

2022 Circular Economy & Sustainable Steelmaking

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes

802 115

tonnes of scrap metal sourced



673 579

tonnes of scrap metal used internally

598 817

tonnes of semi-finished products (billets) production

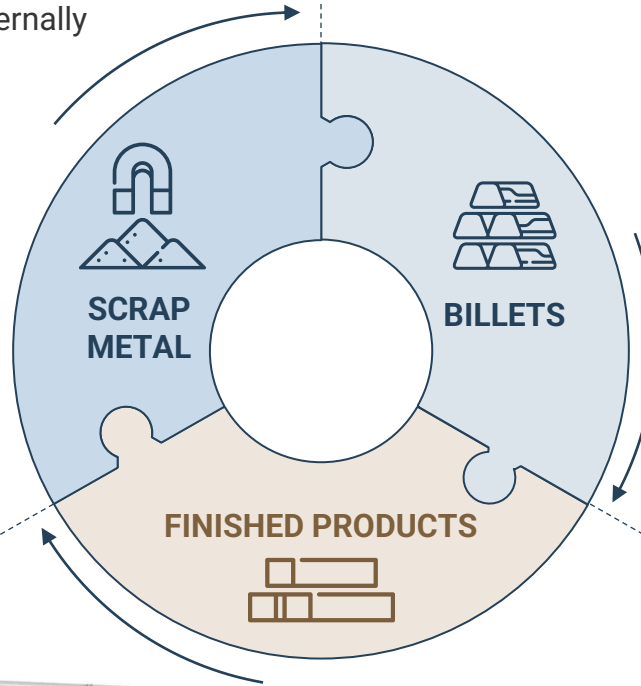
468 502

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

Company Facilities

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes



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 (Q4 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
Annexes						

Segments Performance

Quantities per business segments

Introduction

Group Overview

Market

Financials

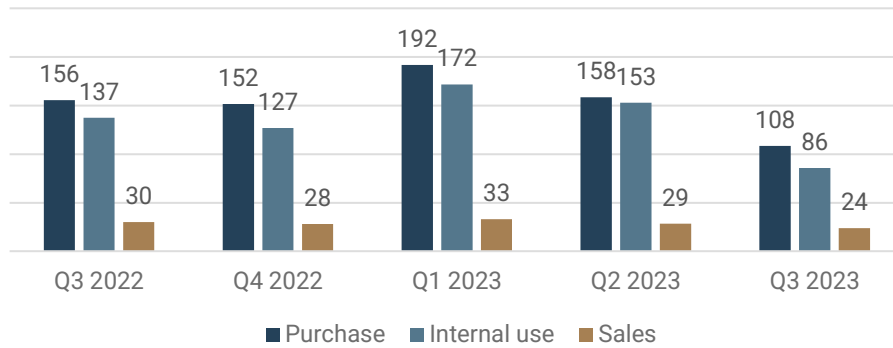
Capex

Outlook

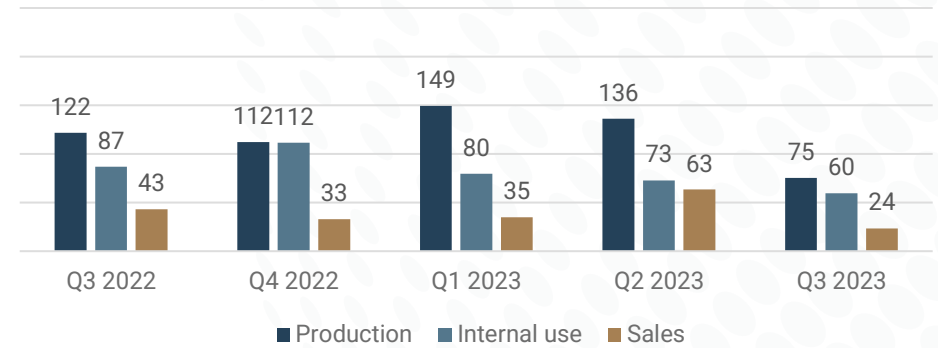
Annexes

15

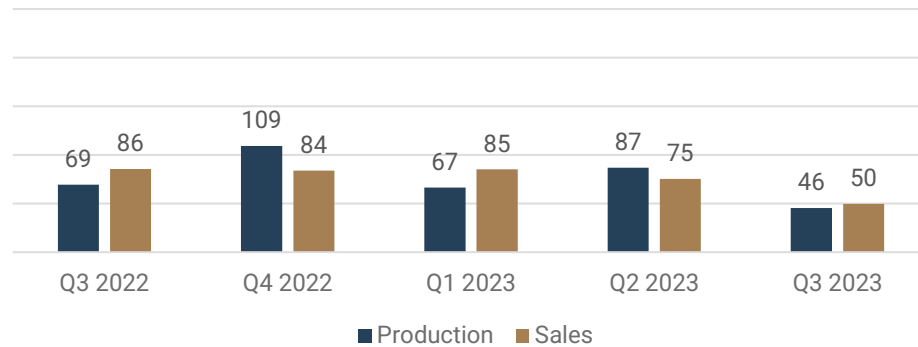
Scrap metal (thousand tonnes)



Billets (thousand tonnes)



Finished products (thousand tonnes)



World and the EU

Introduction

Group Overview

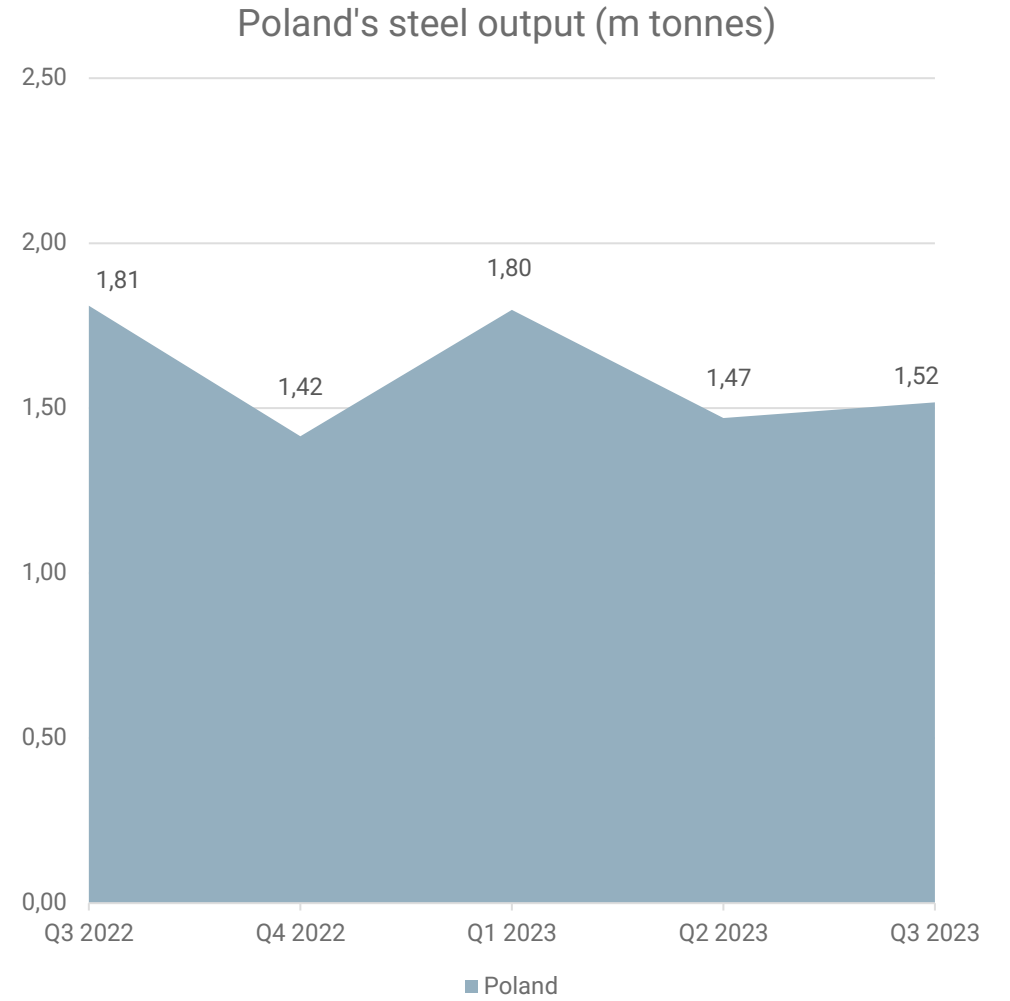
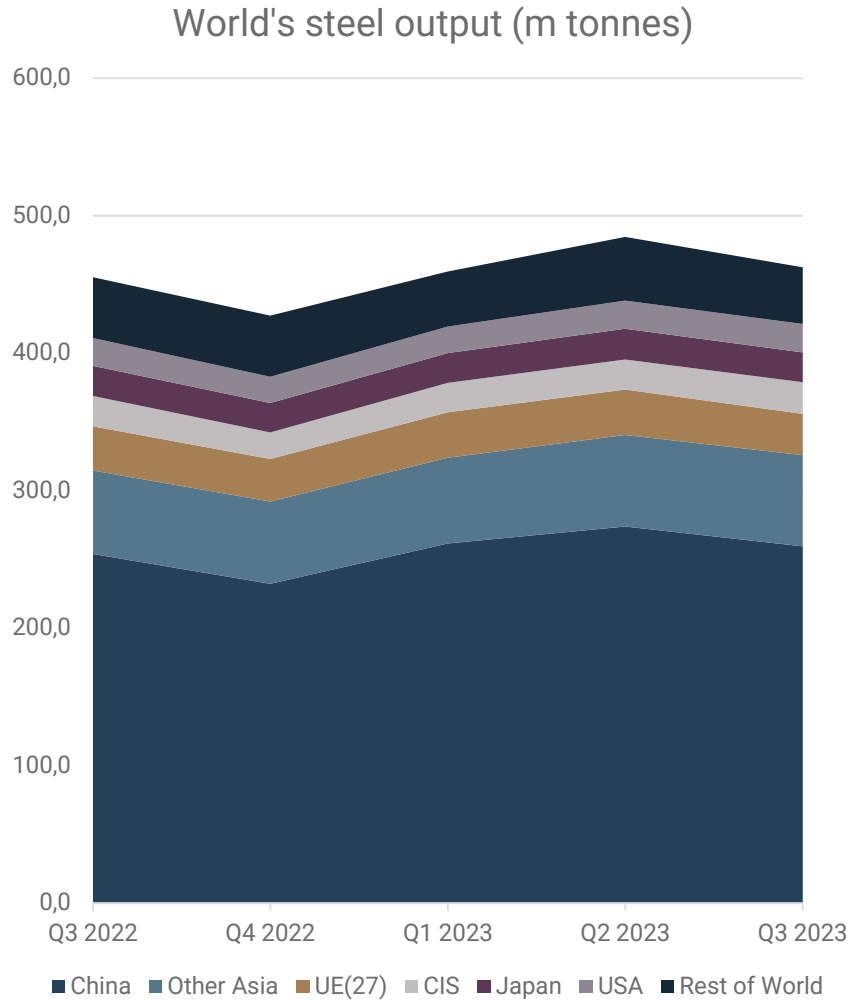
Market

Financials

Capex

Outlook

Annexes



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

Introduction

Group
Overview

Market

Financials

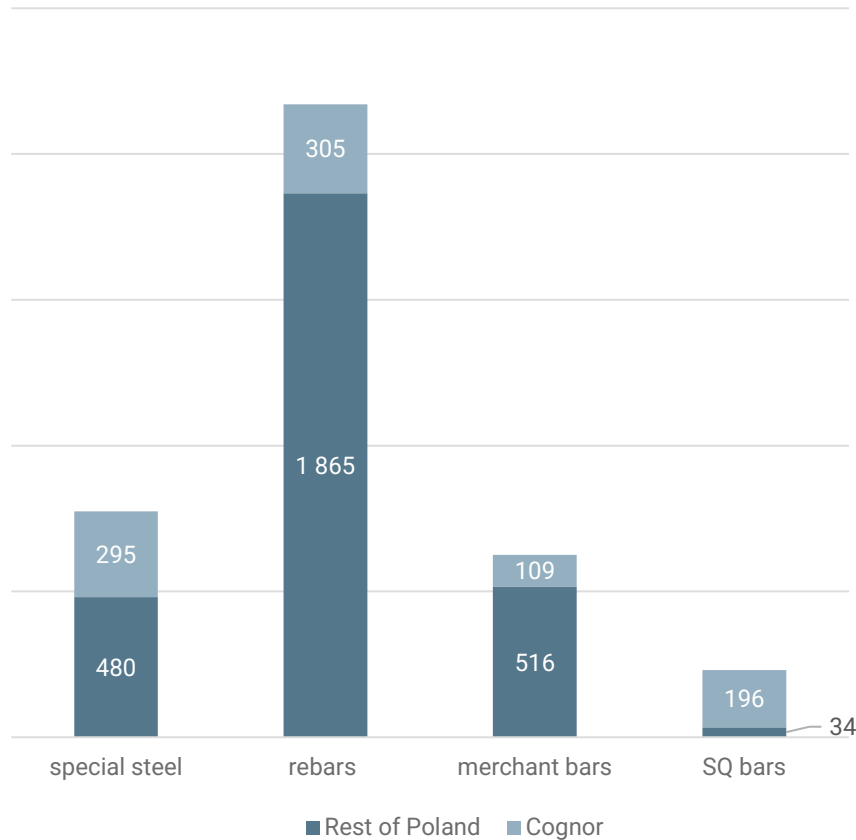
Capex

Outlook

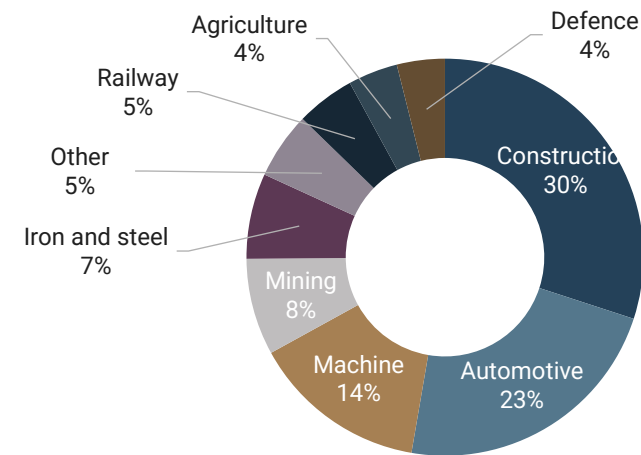
Annexes

17

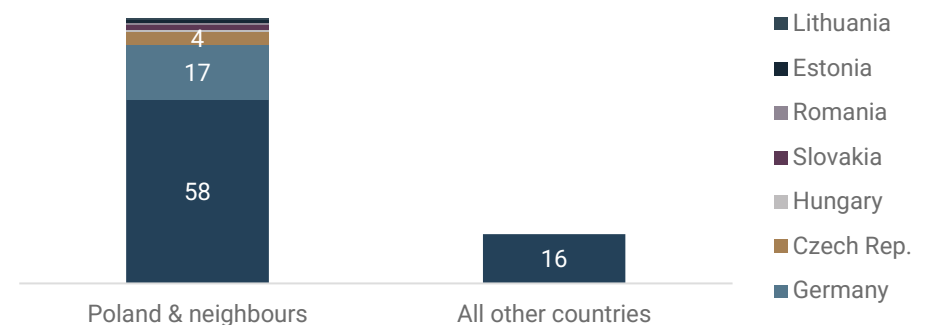
Producer market share (thousands of tonnes)



Revenue split by business segments



Geographical breakdown (%)



Market - EAF vs BOF technology

Introduction

Group Overview

Market

Financials

Capex

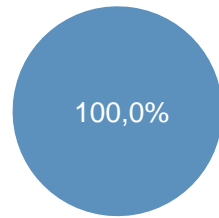
Outlook

Annexes

18

Electric Arc Furnace (EAF)

Feedstock applied to produce 1000 kg of crude steel



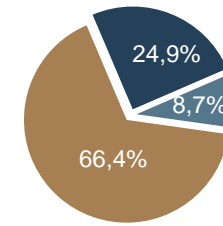
Scrap metal (1,150 kg)



Commentary

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

Basic Oxygen Furnace (BOF)



Iron ore (1,600 kg)

Coking coal (600 kg)

Scrap metal (210 kg)

- 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

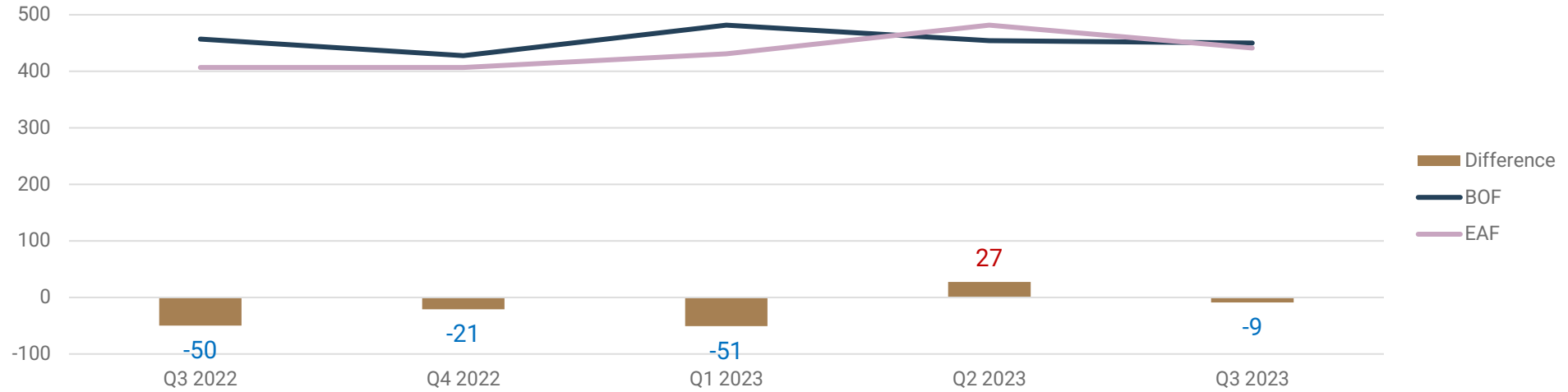
- High cost sensitivity to scrap and electricity

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

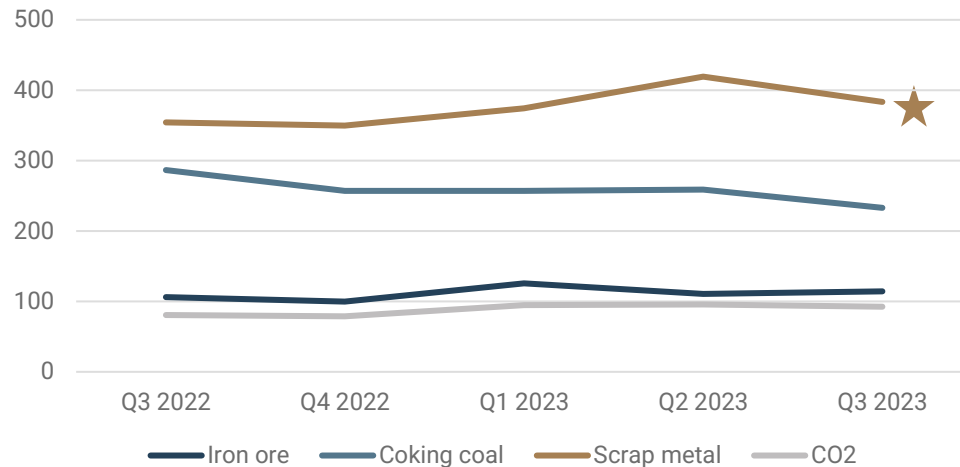
BOF / EAF Feedstock Cost (USD / tonne)

- Introduction
- Group Overview
- Market
- Financials
- Capex
- Outlook
- Annexes

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)

EU market protection tools

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes



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 Q3 and Q4 2023

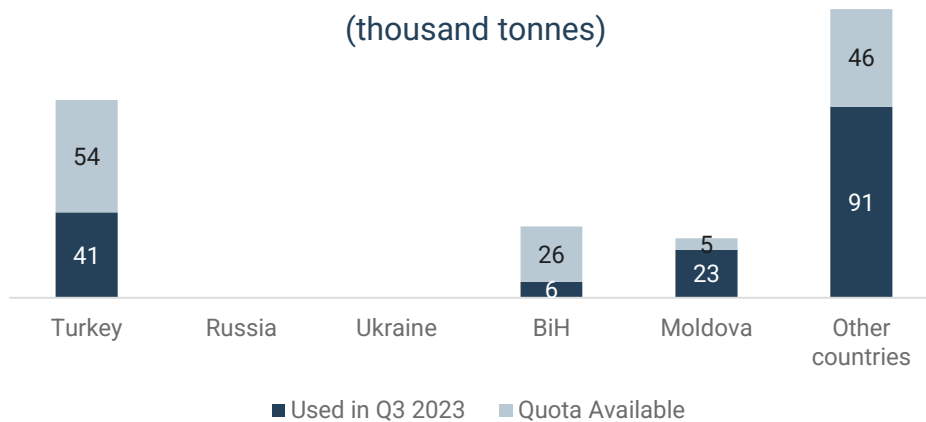


Carbon Tax

Aimed at preventing carbon leakage. It started in 01.10.2023 and will 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.

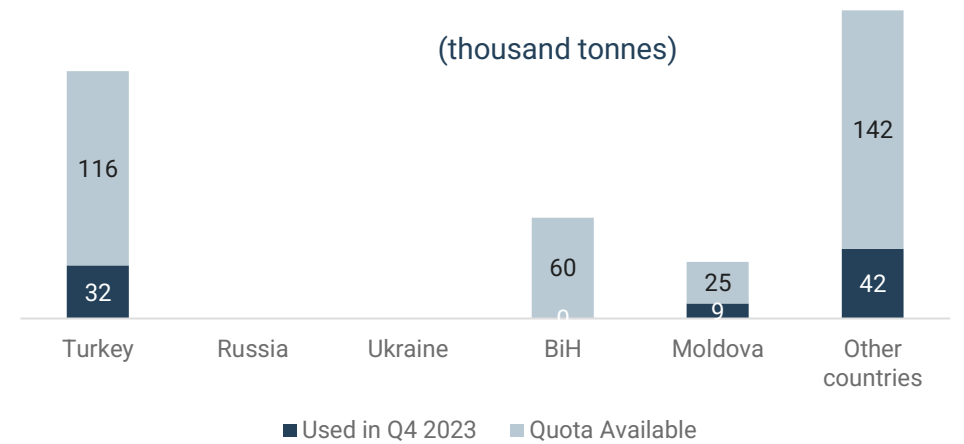
Rebars Q3 2023

(thousand tonnes)



Rebars Q4 2023 as of 14.11.2023

(thousand tonnes)



Russia - import suspended; Ukraine - unlimited

Prices and conversion spreads (PLN / tonne)

Introduction

Group Overview

Market

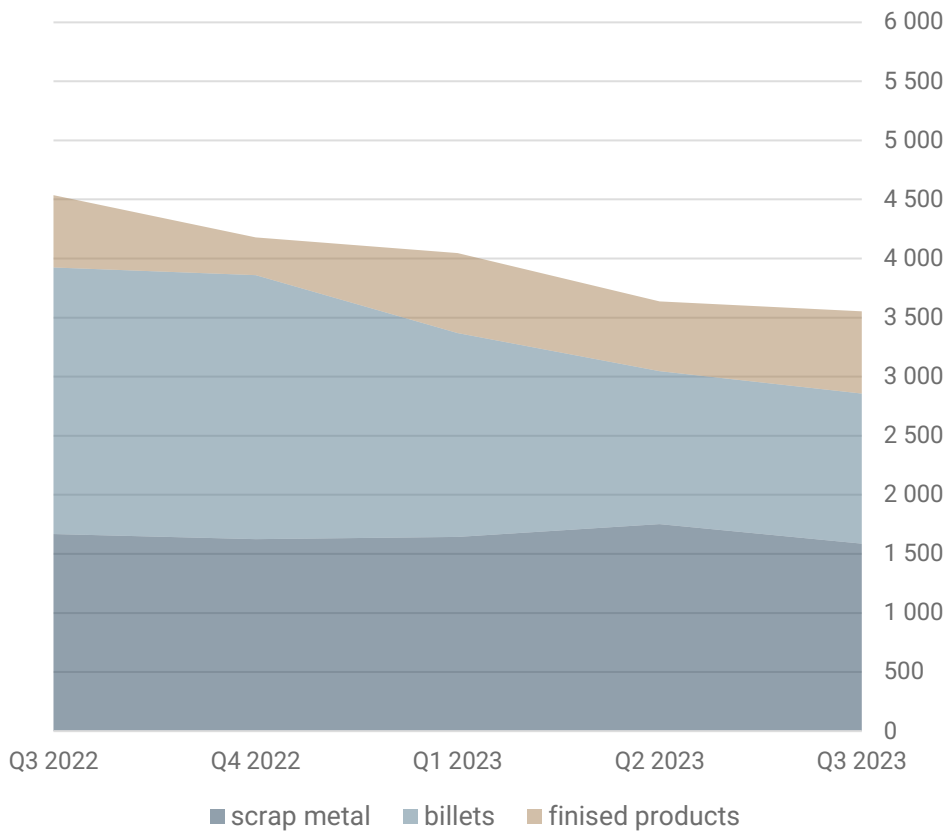
Financials

Capex

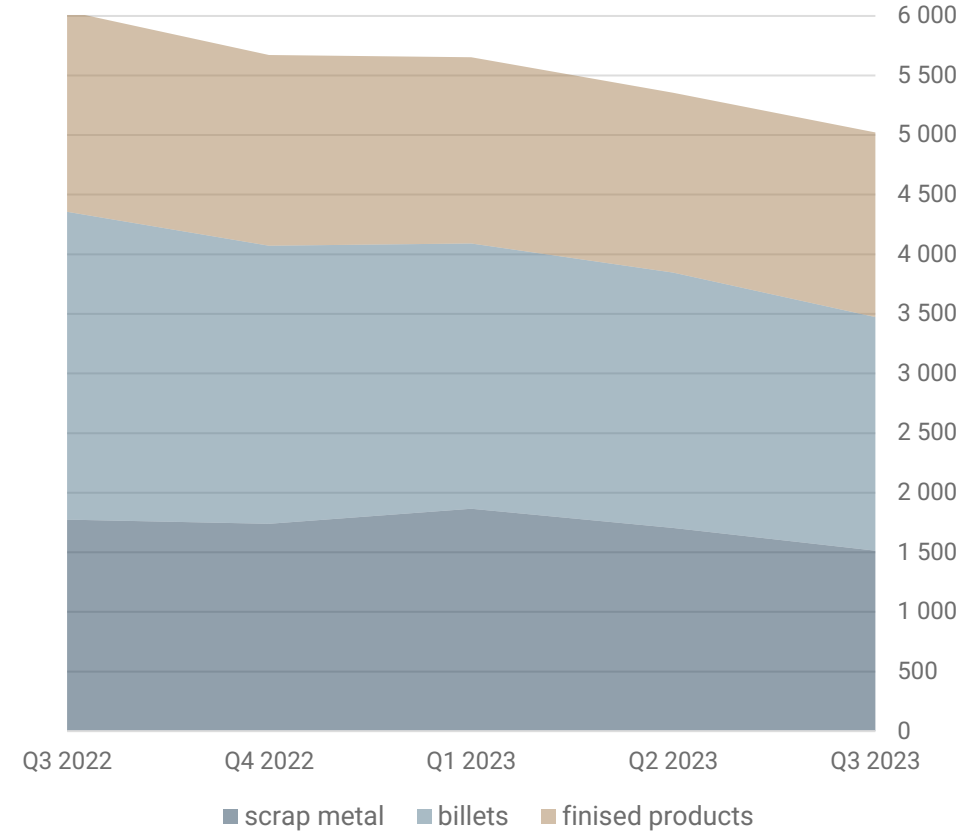
Outlook

Annexes

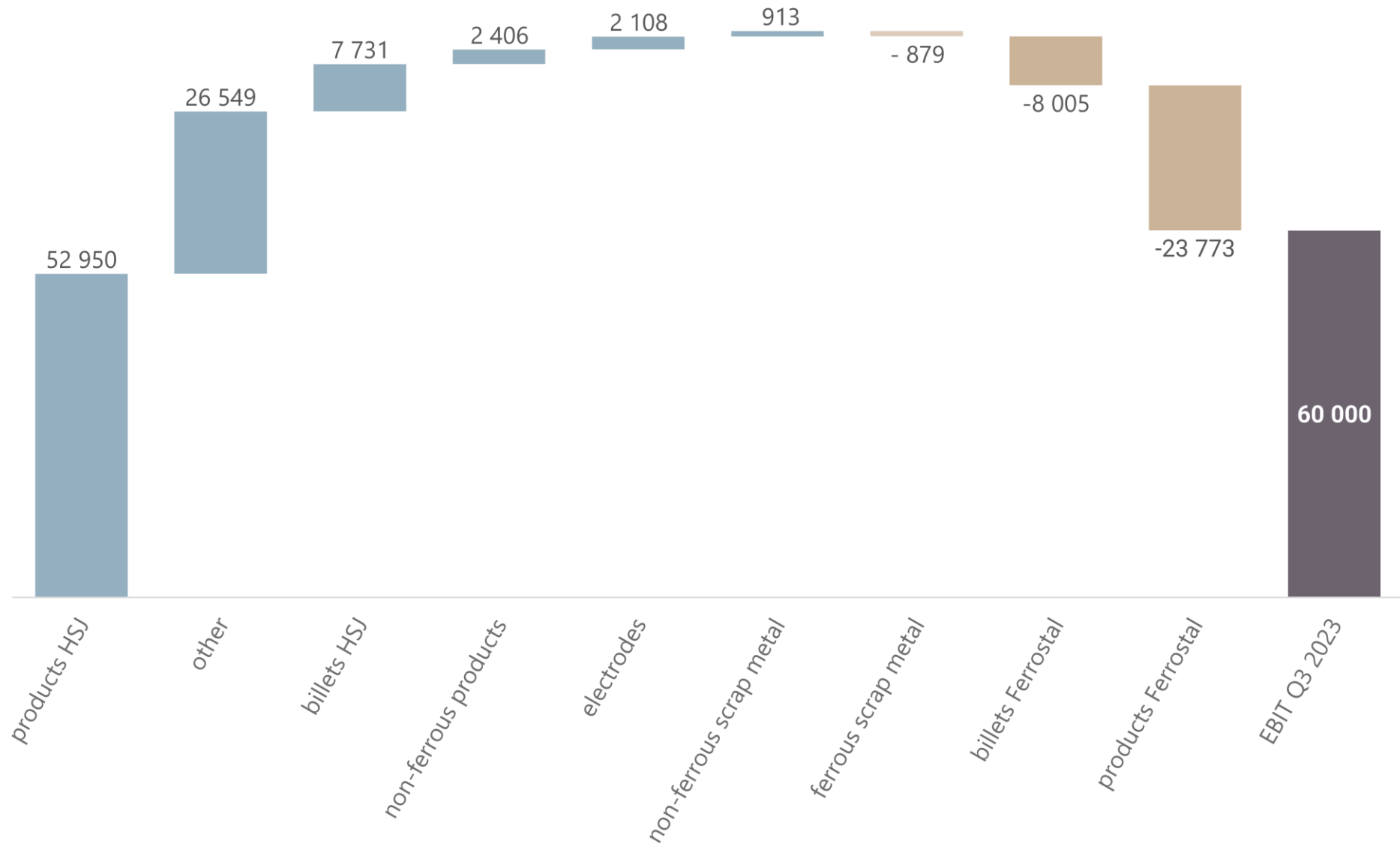
Ferrostal



HSJ



EBIT by segments (PLN thousand)



Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes

EBIT Bridge (PLN thousand)

Introduction

Group Overview

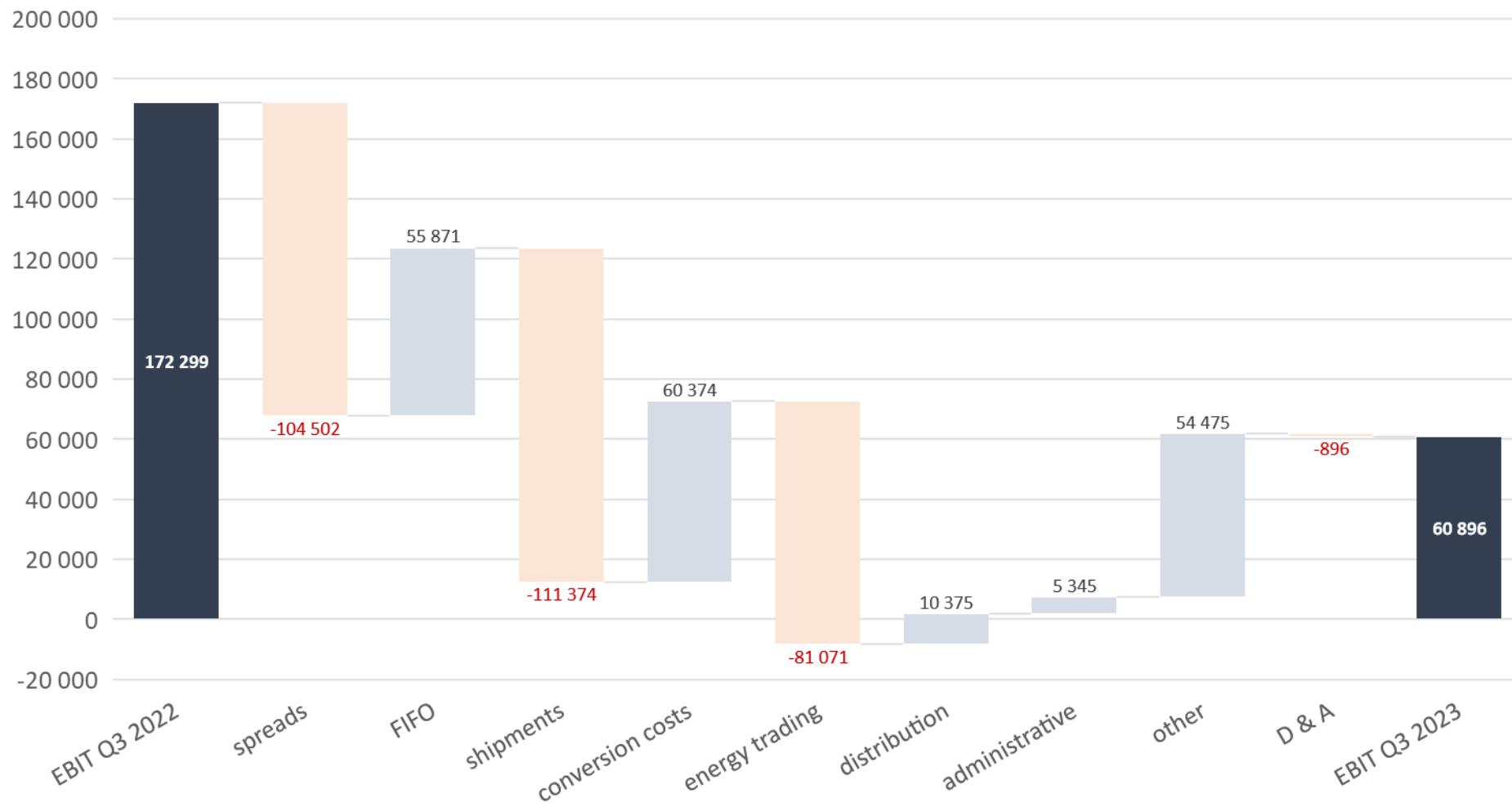
Market

Financials

Capex

Outlook

Annexes





Q3 2023 P&L Waterfall (PLN thousand)

Introduction

Group Overview

Market

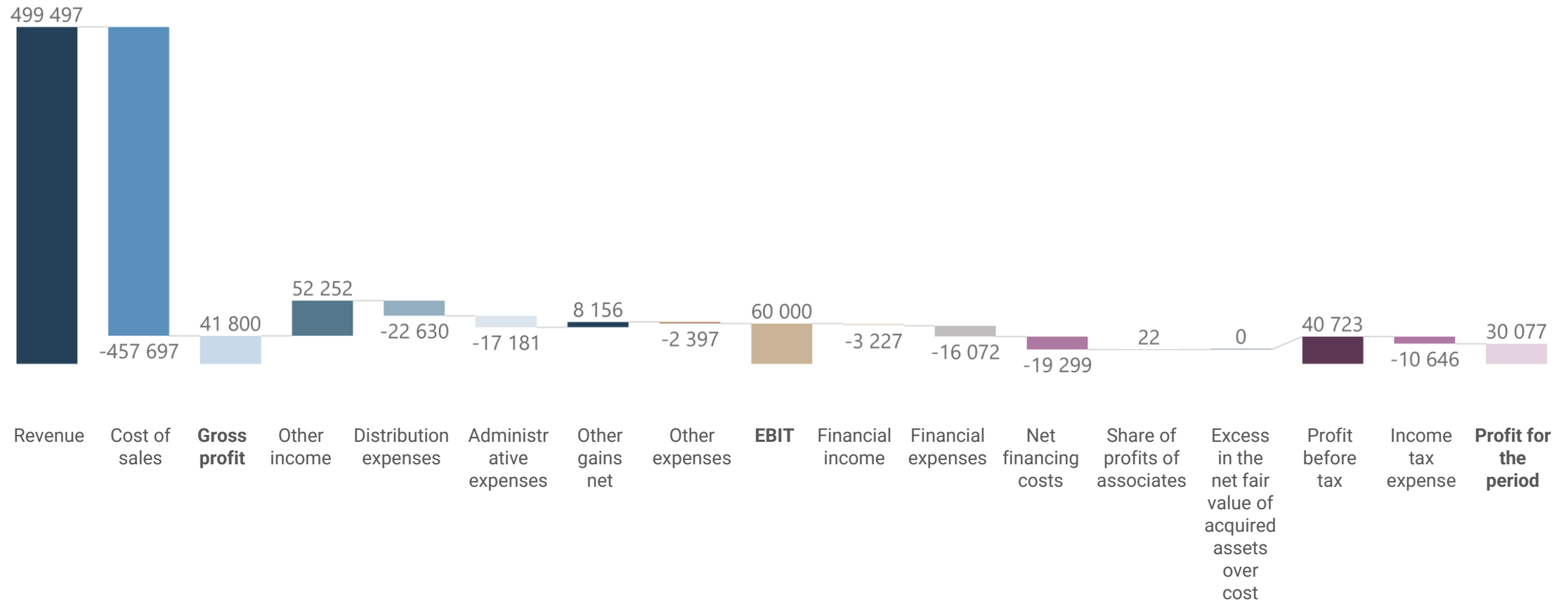
Financials

Capex

Outlook

Annexes

24



Balance Sheet

Introduction

Group Overview

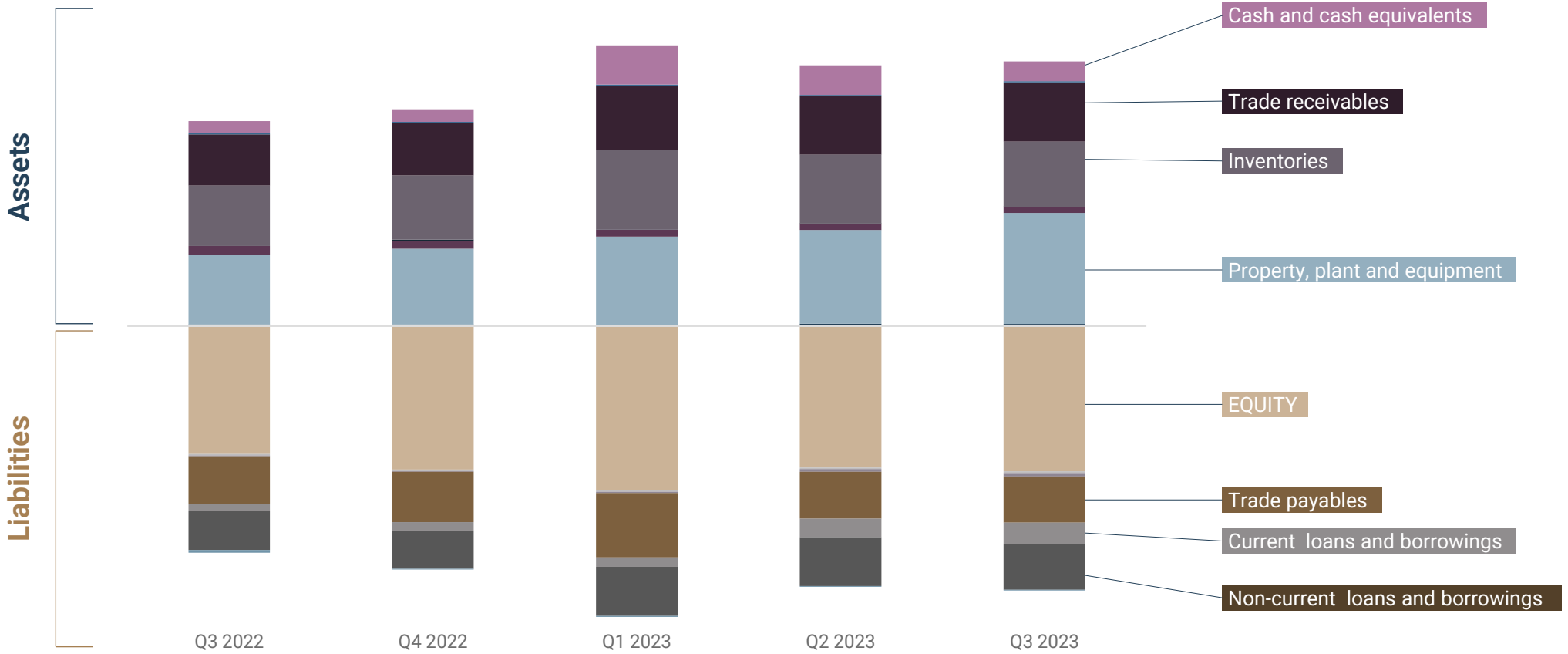
Market

Financials

Capex

Outlook

Annexes



Balance Sheet (PLN million)

Introduction

Group Overview

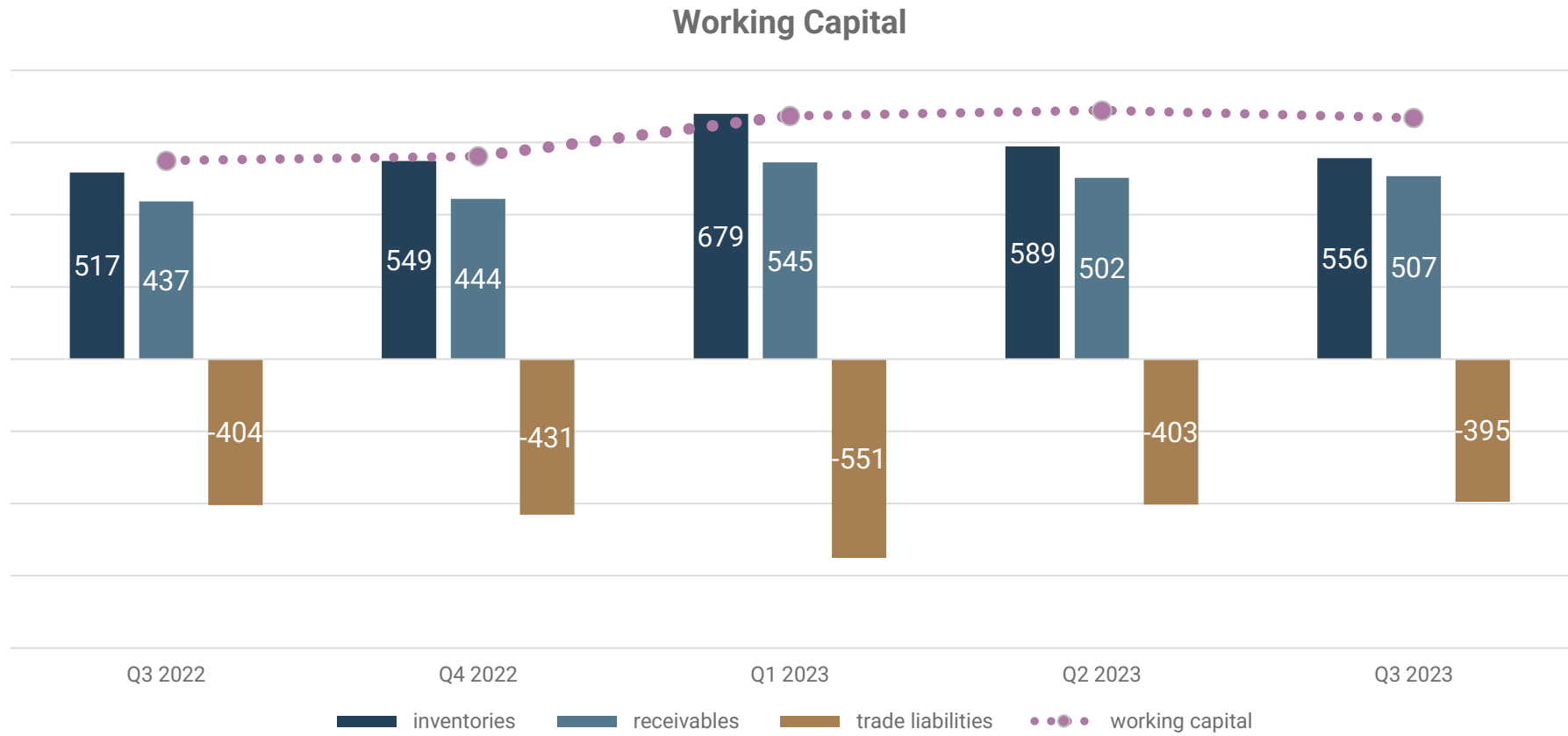
Market

Financials

Capex

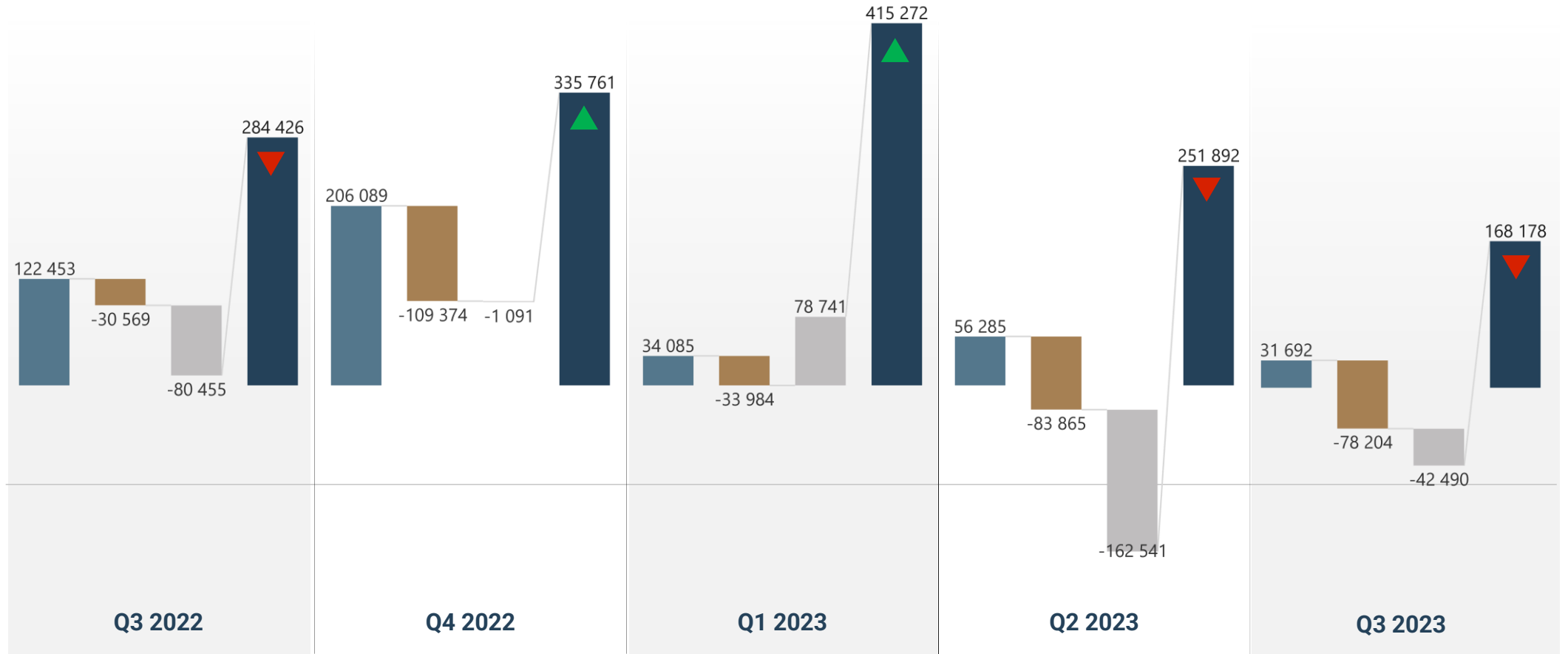
Outlook

Annexes



Cash Flows (PLN thousand)

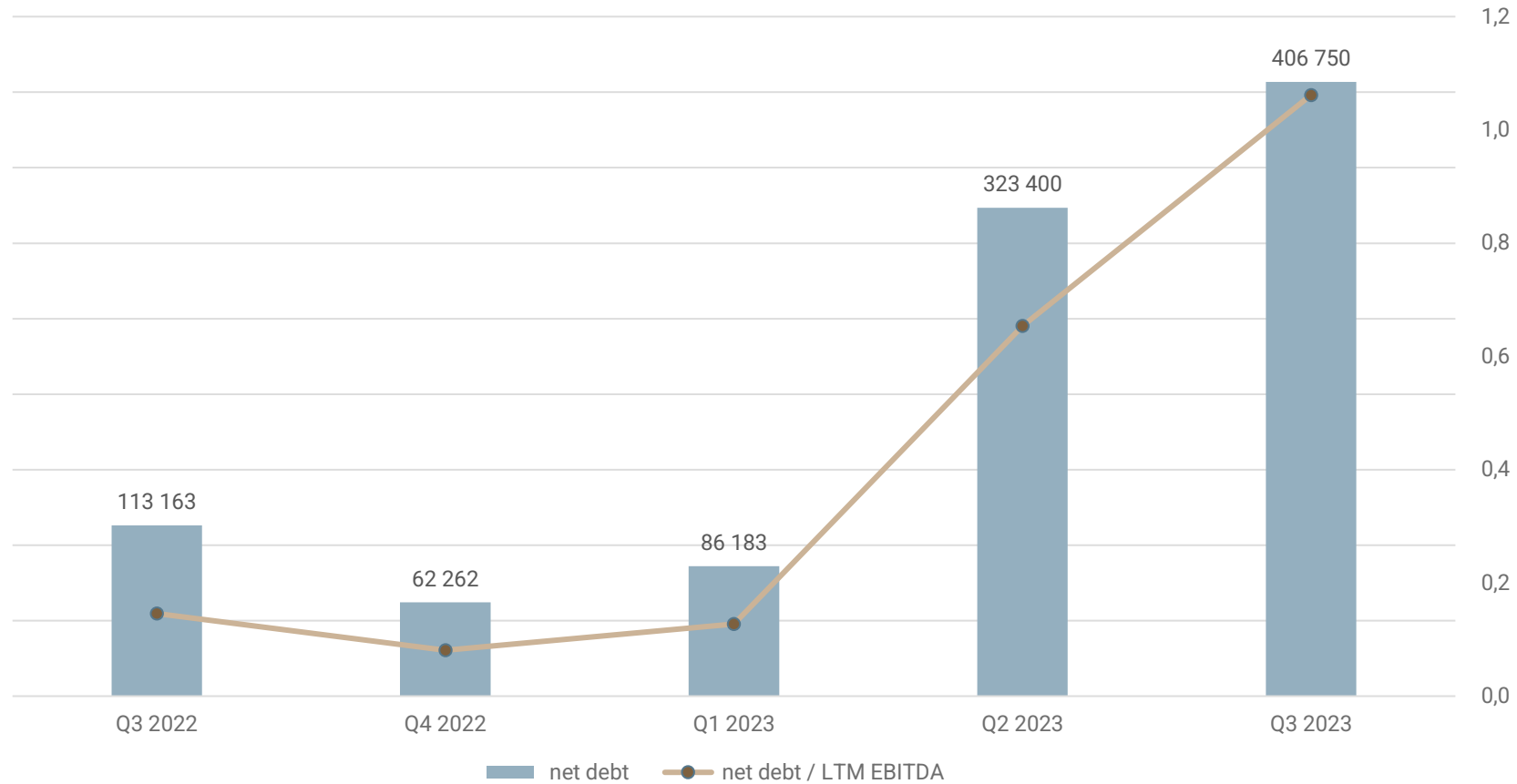
■ Operational
 ■ CAPEX
 ■ Financial
 ■ Cash balance
 ▲ Increase
 ▼ Decrease



Net Debt (PLN thousand) & Leverage

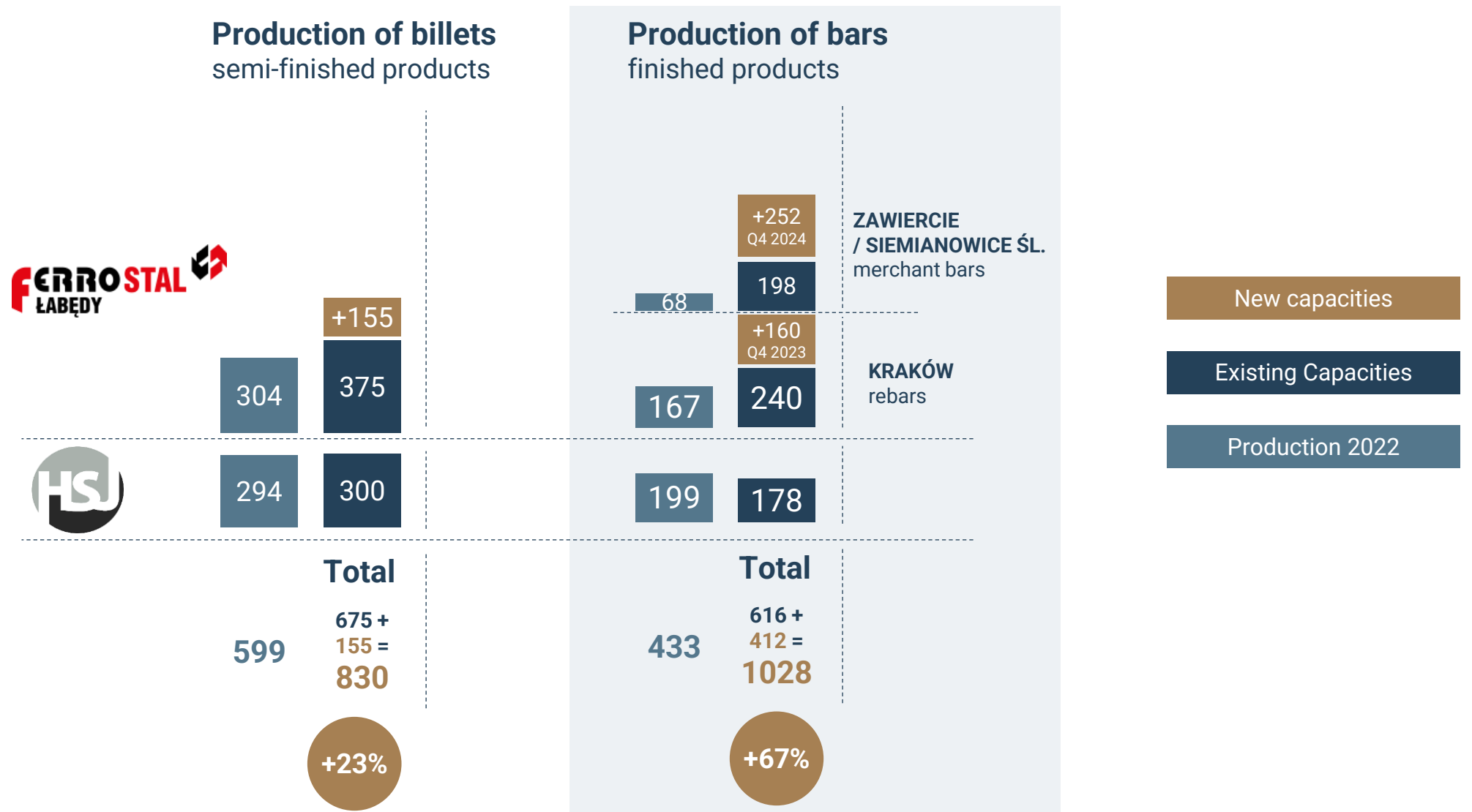
- Introduction
- Group Overview
- Market
- Financials**
- Capex
- Outlook
- Annexes

Debt ratios



Cognor in new scale (thousand tonnes)

- Introduction
- Group Overview
- Market
- Financials
- Capex**
- Outlook
- Annexes
- 29



Capex- Costs, Financing and Effects

Introduction

Group
Overview

Market

Financials

Capex

Outlook

Annexes

30

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 (Q4 2023; Q4 2024 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
(Q4 2024)

Cost – approximately PLN 800 million, of which approximately 200 million advanced in 2022, approximately 400 million to be spent in 2023 and approximately 200 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 – Q4 2023

Introduction

Group
Overview

Macro trends
(slide 3) unchanged

Prices of
scrap, billets and finished
products expected to stabilize
QoQ

Spreads
stable QoQ

Market

Financials

Capex

Rebar
market in crisis. Little chance
for meaningful rebound

**Rising capacity
utilisation**
Cracow mill to recommence
production in December 2023

EBITDA
headline similar to adjusted
Q3 2023; no significant
adjustment items expected

Outlook

Annexes

Dividends and Share Quoting

Introduction

Group Overview

Market

Financials

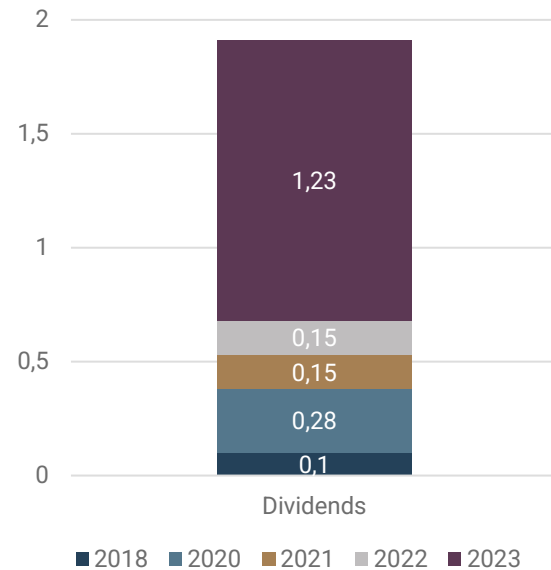
Capex

Outlook

Annexes

Dividend policy 25% of consolidated net profit

Q3 2023	
LTM net profit	360 924
Equity	1 243 398
Number of shares	171 420 663
30.09.2023	
Share price (PLN)	7,09
P / E	3,36
P / BV	0,98



Trading of Cognor shares on Warsaw Stock Exchange



P&L (PLN thousands)

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes

33

STATEMENT OF PROFIT OR LOSS	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
'000 PLN					
Sales revenue	749 424	923 175	887 447	764 601	499 497
Cost of sales	-525 130	-752 424	-783 884	-676 436	-457 697
Gross profit	224 294	170 751	103 563	88 165	41 800
Other income	9 506	27 155	33 044	20 364	52 252
Distribution expenses	-33 005	-31 264	-33 255	-33 555	-22 630
Administrative expenses	-22 526	-20 659	-14 740	-23 673	-17 871
Other gains/(losses) – net	10 470	-11 503	2 953	-9 129	8 156
Other expenses	-16 440	10 689	-2 997	-698	-2 397
EBIT	172 299	145 169	88 568	41 474	60 000
Financial income	8 403	-6 753	640	12 680	-3 227
Financial expenses	-14 810	-7 711	-16 622	-24 946	-16 072
Net financing costs	-6 407	-14 464	-15 982	-12 266	-19 299
Share of profits of associates	0	116	-85	85	22
Excess in fair value of acquired assets over cost	0	0	112 136	-60	0
Profit before tax	165 892	130 821	184 637	29 229	40 723
Income tax expense	-35 549	2 673	-12 359	-4 153	-10 646
Profit/loss from discontinued operations	0	0	0	0	0
Profit for the period	130 343	133 494	172 278	25 075	30 077
Depreciation and amortization	-11 001	-11 179	-12 241	-12 566	-11 897
EBITDA	183 300	156 348	100 809	54 040	71 897

Revenues down by 250m & 33%

- shipments down by 39%
- lower prices
- energy & CO2 sales: 70m

Gross profit down by 182m & 81%

- contraction of spreads: 105m
- lower shipments: 111m
- energy sale profit: 81m
- inventory write-off: 11m
- production costs: 60m
- FIFO result: 56m

EBIT down by 112m & 65%

- energy subsidy (no in Q3 2022): 42m
- CO2 subsidy: 2m
- decrease of distribution and administrative costs: 16m

Financial income down by 12m

Financial costs up by 1m & 9%

Net result down by 100m & 77%

adjusted net result 21m (v. 130m in Q3 2022)

EBITDA down by 111m & 60%

adjusted EBITDA 54m (v. 187m in Q3 2022)

- Energy subsidy: 36
- CO2 gain: 15m
- operational FX: 8m
- Cracow stoppage time cost: (-)24m
- inventory provisions: (-)11m

Assets (PLN thousand)

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes

ASSETS	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
	'000 PLN				
A. TOTAL NON-CURRENT ASSETS	685 776	740 355	837 426	876 842	1 020 901
I. Intangible assets	14 558	12 851	20 427	19 448	19 094
II. Property, plant and equipment	592 286	647 439	753 343	803 431	949 323
III. Other receivables	13 658	13 971	14 308	14 643	15 076
IV. Investment property and other investments	1 238	1 204	1 118	1 198	1 120
V. Financial instruments assets	64 036	50 551	46 018	37 679	34 839
VI. Prepaid perpetual usufruct of land	0	0	0	0	0
VII. Deferred tax assets	0	14 339	2 212	443	1 449
B. TOTAL CURRENT ASSETS	1 252 873	1 342 661	1 652 219	1 353 599	1 242 436
I. Inventories	516 730	549 078	679 225	589 003	556 255
II. Receivables	437 130	444 009	545 315	502 484	507 220
1. Trade and other receivables	437 017	427 760	529 048	483 961	487 305
2. Current income tax receivable	38	16 172	16 187	18 510	19 900
3. Other investments	75	77	80	13	15
III. Financial instruments assets	7 610	6 842	5 441	3 260	3 828
IV. Cash and cash equivalents	284 426	335 761	415 272	251 892	167 178
V. Prepayments	0	0	0	0	0
VI. Assets classified as held for sale	6 977	6 971	6 966	6 966	6 955
Total	1 938 649	2 083 016	2 489 645	2 230 441	2 263 337

Fixed assets up by 335m & 49%

- CAPEX: 406m (inc. PLN 39m of JAP)

- D&A: 48m

- financial instruments valuation: 29m

Current assets down by 10m & 1%

- cash down by 116m

- receivables up by 70m

trade receivables sold: 105m
(in Q3 2022: 230m)

- inventories up by 40m

Equity and Liabilities (PLN thousand)

Introduction

Group Overview

Market

Financials

Capex

Outlook

Annexes

EQUITY AND LIABILITIES	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
'000 PLN					
A. EQUITY	1 094 938	1 228 431	1 405 164	1 211 444	1 243 398
I. Issued share capital	257 131	257 131	257 131	257 131	257 131
II. Reserves and retained earnings	772 227	898 965	1 072 209	876 991	907 253
III. Minority interest	65 580	72 335	75 824	77 322	79 014
B. LIABILITIES	843 711	854 585	1 084 481	1 018 997	1 019 939
I. Non-current liabilities	353 779	346 112	444 399	451 353	434 222
1. Employee benefits obligation	13 104	11 878	12 272	13 076	12 994
2. Interest-bearing loans and borrowings	334 483	327 536	420 619	416 754	390 714
3. Other	6 192	6 698	11 508	21 705	30 514
II. Current liabilities	488 409	506 928	638 604	565 963	584 196
1. Interest-bearing loans and borrowings	62 011	70 441	80 828	130 538	150 997
2. Bank overdraft	1 095	46	8	28 000	33 217
3. Trade and other payables	404 098	431 067	550 606	402 618	395 129
4. Deferred government grants	4 575	1 398	1 398	1 537	1 557
5. Liability under financial instruments	0	0	0	0	0
6. Employee benefits obligation	2 143	1 863	1 713	1 826	1 929
7. Current income tax payable	13 187	783	2 721	114	67
8. Provisions for payables	1 300	1 330	1 330	1 330	1 300
III. Liabilities of disposal group	1 523	1 545	1 478	1 499	1 521
Total	1 938 649	2 083 016	2 489 645	2 230 441	2 263 337

Equity up by PLN

- LTM net result 361m
- dividend 209m

148m & 14%

Liabilities up by PLN

Gross debt up by PLN
Net debt up by PLN

176m & 21%

177m & 45%
294m & 259%

Cash Flows (PLN thousand) & Metrics

Introduction

CASH FLOW	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
'000 PLN					
A. OPERATING ACTIVITIES	122 453	162 849	34 085	56 285	31 692
B. INVESTING ACTIVITIES	-30 569	-109 374	-33 984	-83 865	-78 204
C. FINANCING ACTIVITIES	-80 455	-1 091	78 741	-162 541	-42 490
Net increase in cash	44 591	11 429	52 384	78 842	-89 002

Group Overview

- working capital outflow: 36m
- CAPEX outflow 78m
- debt incurrence: 25m
- debt repayment: 50m
- interest service: 17m

Market

Financials

MAIN METRICS	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Liquidity ratio	2.56	2.64	2.58	2.39	2.12
Quick ratio	1.50	1.56	1.52	1.35	1.17
Inventories turnover days	89	72	78	78	109
Receivables turnover days	52	43	54	57	88
EBITDA margin	24.5%	20.9%	11.4%	7.1%	14.4%
Net profit margin	17.4%	16.6%	19.4%	3.3%	6.0%
Equity '000 PLN	1 094 938	1 228 431	1 405 164	1 211 444	1 243 398
Net debt '000 PLN	113 163	62 262	86 183	323 400	406 750
Net debt / LTM EBITDA	0.1	0.1	0.1	0.7	1.1

liquidity worsened by remains very good

- Inventory ratio up by 20 days and poor
- Receivable ratio up by 36 days and poor

Profitability ratios fair

Outlook

Net leverage up to 1.1 but still very low (good)

Annexes



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