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# 2023 Business and Financial Performance

April 25, 2024

# Speaker

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**KRZYSZTOF ZOŁA**

Board Member, CFO

# Key Macro Trends

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**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



# 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

**Trackrecord 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

# Cognor – Modern EU Steelmaker

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**Strong presence on Polish scrap market**  
vertical integration  
stabilising raw material supplies

**Low debt**  
strong balance sheet structure

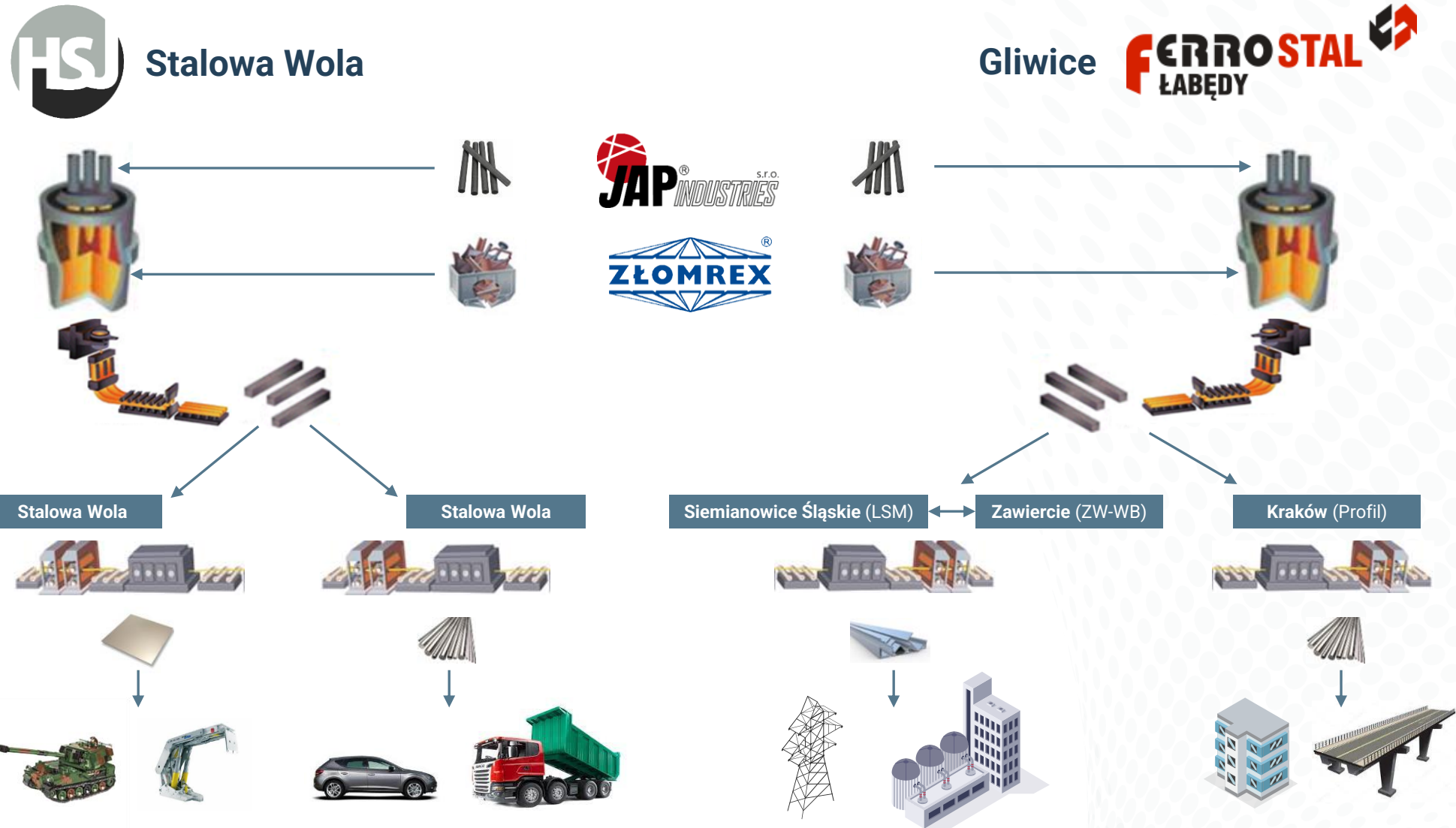
**Rational and consequent CAPEX**  
aimed at volume expansion and cost saving including of energy and feedstock

**Completion of:**  
- EAF modernisation in Gliwice  
- entire line modernisation in Kraków  
- construction works at LSM in Siemianowice Śląskie

**Dividend policy;**  
attractive valuation ratios



# Structure



# Vertically Integrated Business Model

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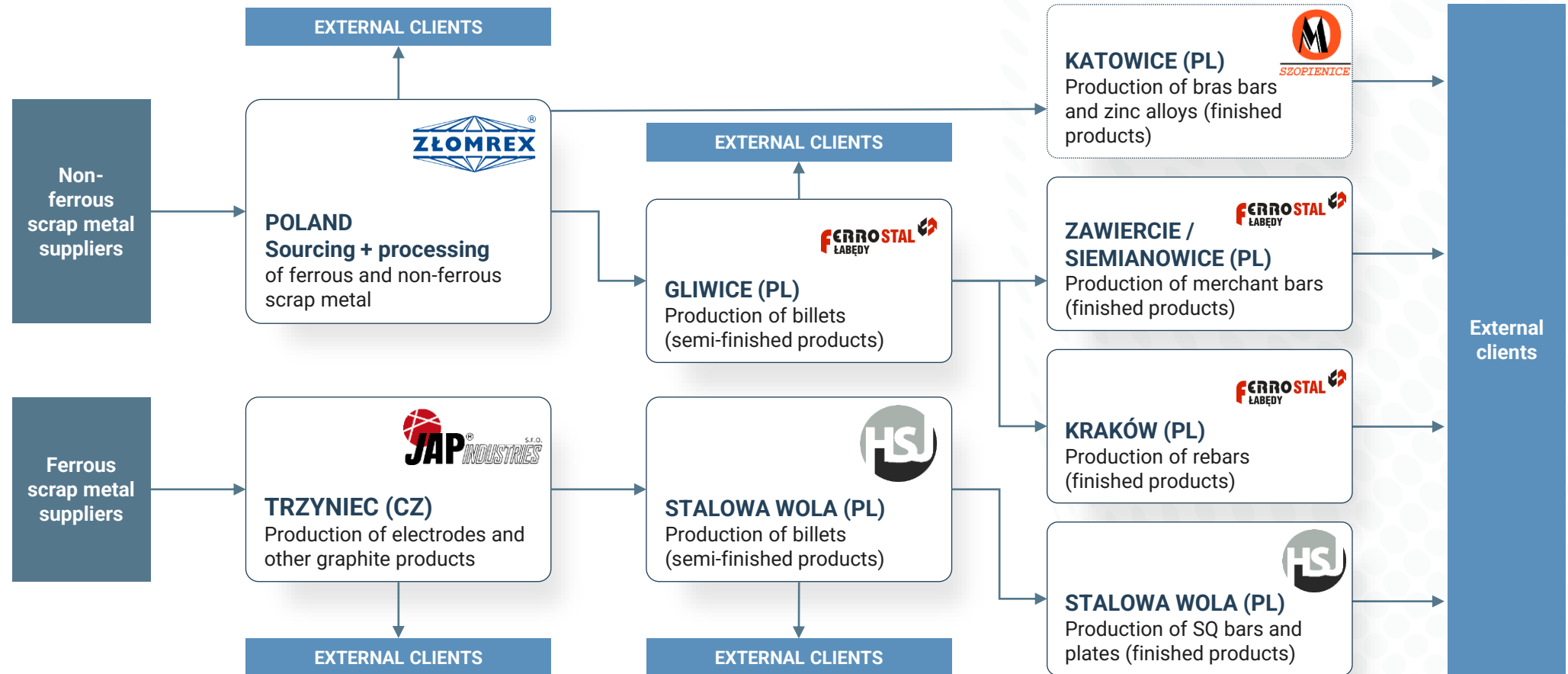
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Cognor is vertically integrated which allows to control the production process starting from scrap metal sourced through our own scrap collecting sites network, production of electrodes, through melting of scrap metal, refining it in order to get the 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

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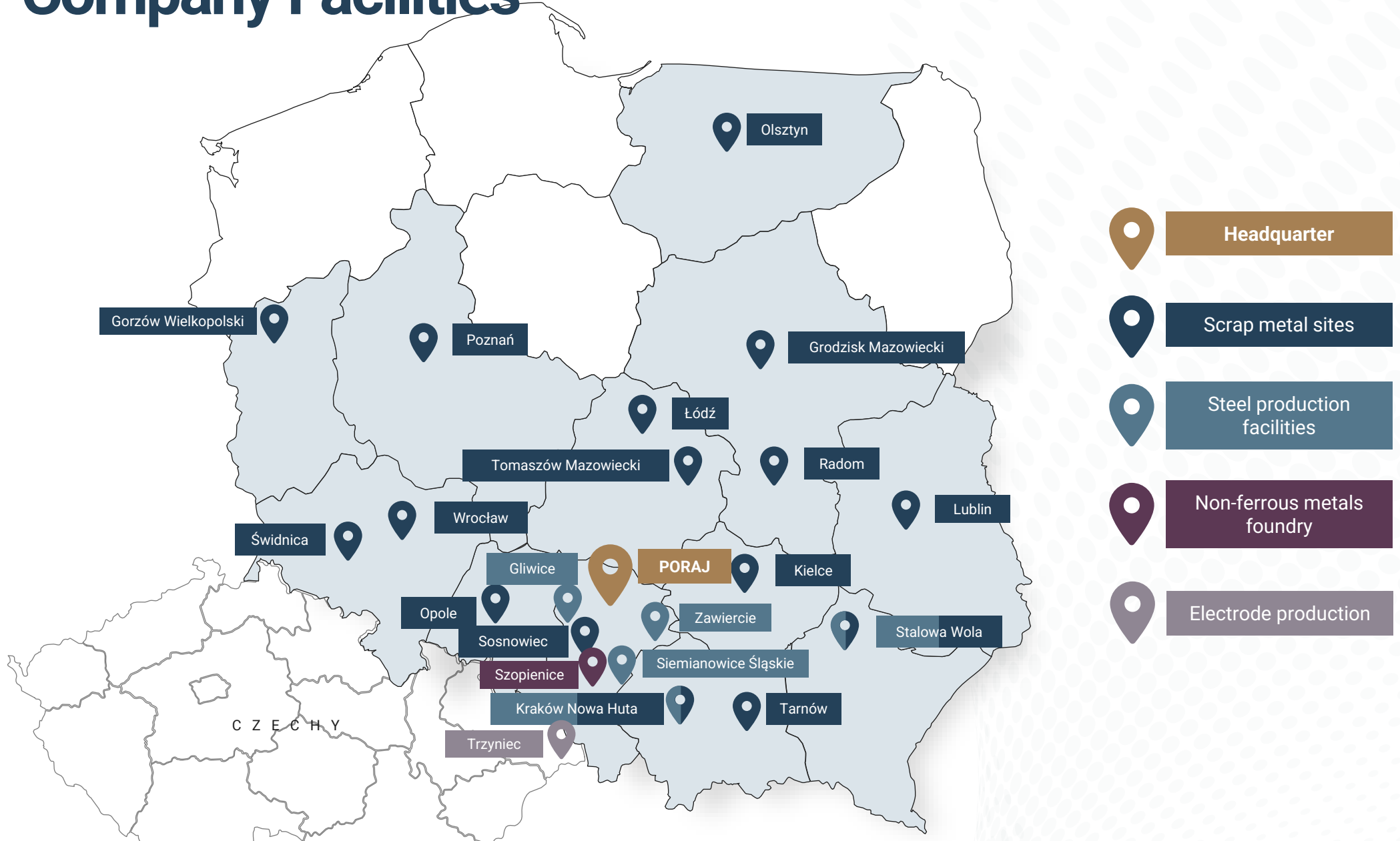
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# Steel Production Facilities

## Melting shops & rolling mills



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HSJ Melting shop & rolling mills		Location	Product portfolio	Production capacities	Technology	Employment
		Stalowa Wola	Billets, Bars, Plates	<ul style="list-style-type: none"> <li>Billets: 300k tonnes</li> <li>Plates: 101k tonnes</li> <li>Bars: 178k tonnes</li> </ul>	<ul style="list-style-type: none"> <li>1 EAF, 1 LF, 1CCM &amp; 1 VD</li> <li>1 furnace + 1 long products line &amp; 2 flat products lines</li> </ul>	ca 800 people

Financials

Ferrostal Melting shop		Location	Product portfolio	Production capacities	Technology	Employment
		Gliwice	Billets	Billets: 300k tonnes <b>+155</b>	<ul style="list-style-type: none"> <li>1 EAF, 1 LF &amp; 1CCM</li> </ul>	ca 800 people

Capex

PROFIL Melting shop & rolling mills		Location	Product portfolio	Production capacities	Technology	Employment
		Kraków (mid 2023)	Rebars	Bars: 240k tonnes <b>+160</b>	<ul style="list-style-type: none"> <li>1 furnace</li> <li>1 long product lines</li> </ul>	ca 250 people

Outlook

ZW –WB / LSM Rolling mill		Location	Product portfolio	Production capacities	Technology	Employment
		Zawiercie	Merchant bars	Bars: 198k tonnes	<ul style="list-style-type: none"> <li>1 furnace</li> <li>3 long product lines</li> </ul>	ca 30 + 300 people outsourced
		Siemianowice (2024)	Merchant bars	<b>Bars: 450k tonnes</b>		ca 150 people

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**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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**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**

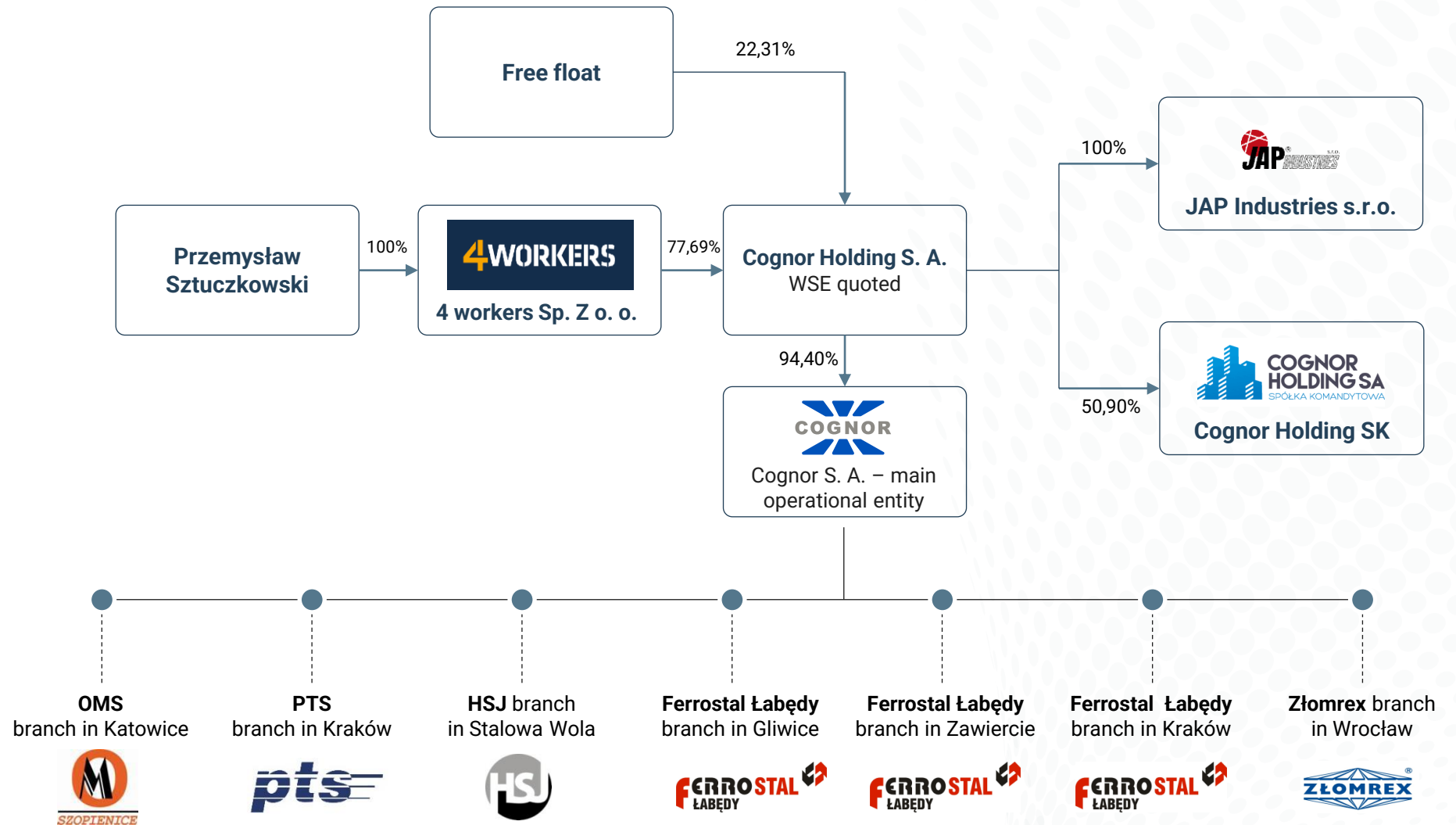
**2023**



**JAP acquisition**



# Group Overview - Group Structure & Shareholders



# Segments Performance

## Quantities per business segments

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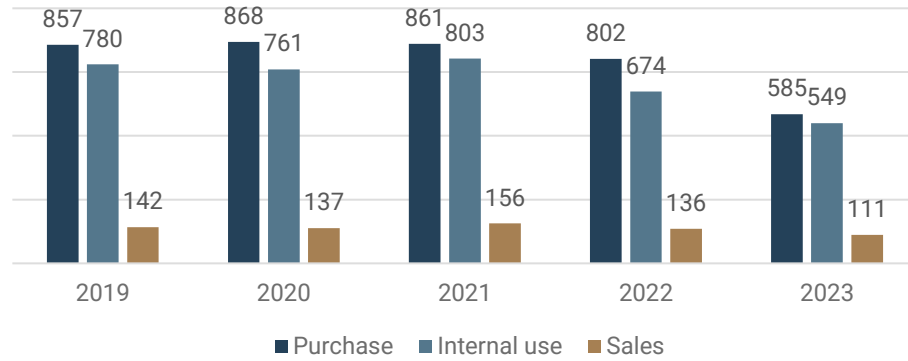
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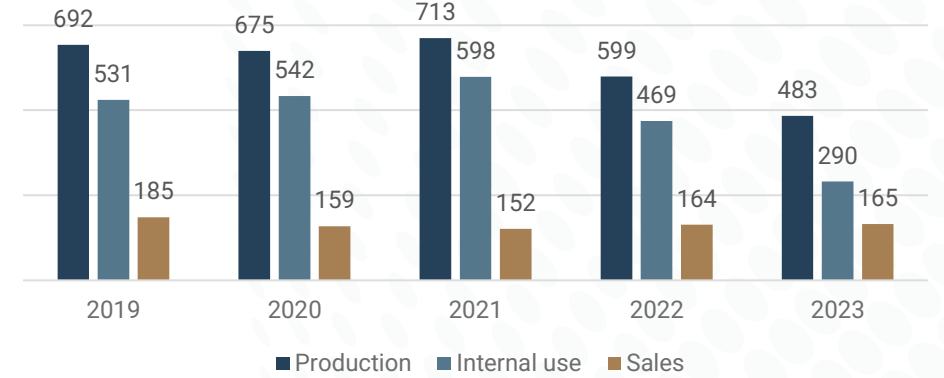
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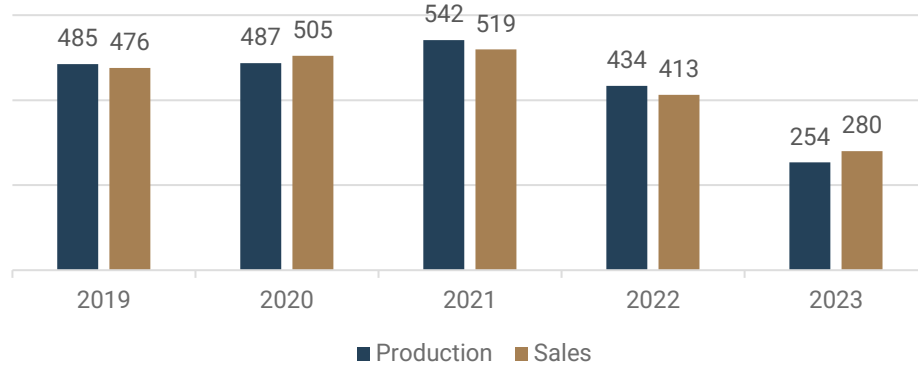
### Scrap metal (thousands of tonnes)



### Billets (thousands of tonnes)



### Finished products (thousands of tonnes)



# 2023 Circular Economy & Sustainable Steelmaking

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**584 543**

tonnes of scrap metal sourced



**548 775**

tonnes of scrap metal used internally

**483 083**

tonnes of semi-finished products (billets) production

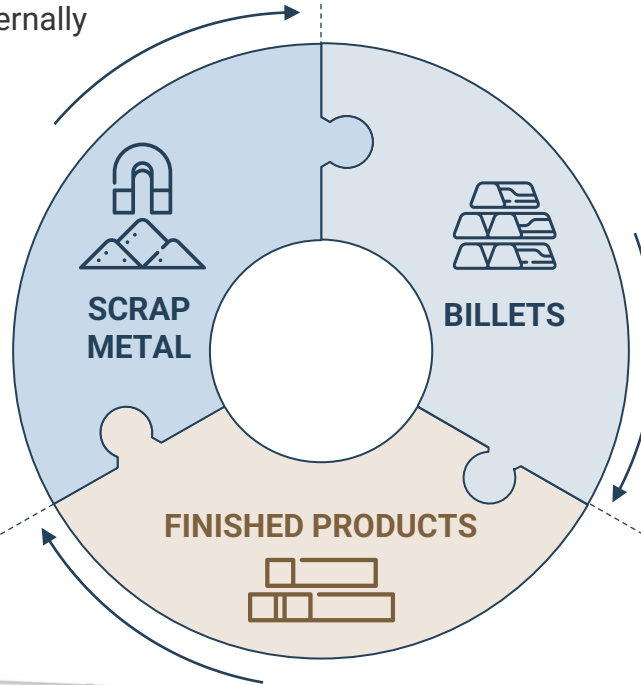
**290 289**

tonnes of billets processed internally



**110 951**

tonnes of scrap metal sold to external customers



**165 159**

tonnes of billets sold to external customers



**253 534**

tonnes of finished products production

**280 042**

tonnes of finished products sold to external customers



# 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 with possible extension up to mid 2026. Aimed to limit tax free imports. Below an example of its utilisation in Q4 2023 and Q1 2024

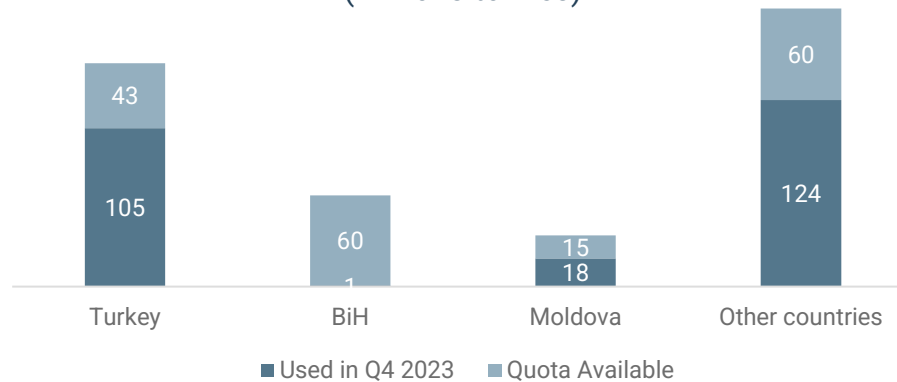


## Carbon Tax

Aimed at preventing carbon leakage. It started 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 Q4 2023

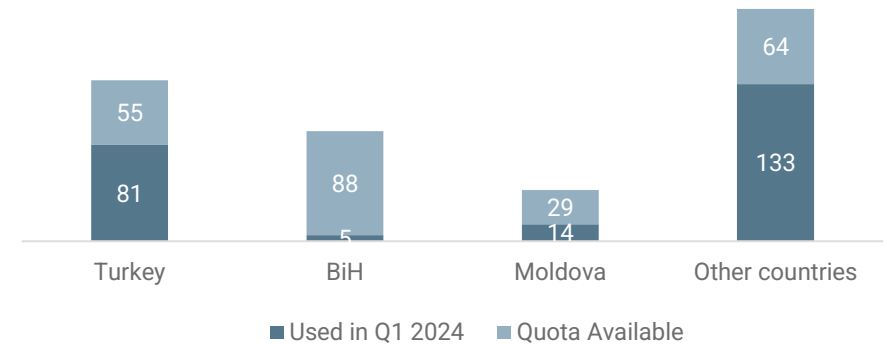
(millions tonnes)



Russia - imports suspended; Ukraine – limits lifted

### Rebars Q1 2024

(millions tonnes)



# Market - EAF vs BOF technology

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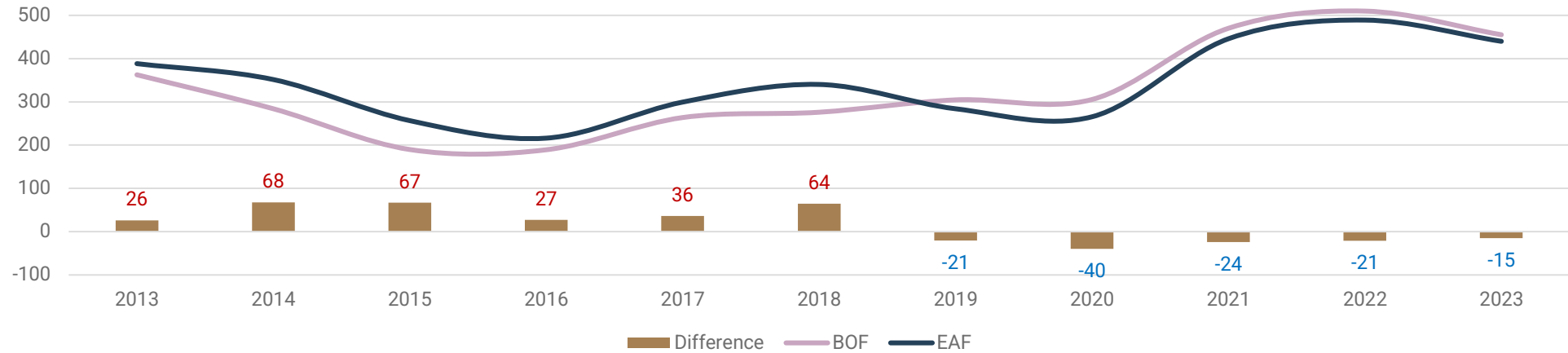
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	Electric Arc Furnace (EAF)	Basic Oxygen Furnace (BOF)
<b>Feedstock applied to produce 1000 kg of crude steel</b>	<p>100,0% Scrap metal (1,150 kg)</p>	<p>Iron ore (1,600 kg) Coking coal (600 kg) Scrap metal (210 kg)</p>
<b>Commentary</b>	<ul style="list-style-type: none"> <li>Approximately 1/3 of global steel production</li> <li>Scrap metal is melted by a heat generated by an electric arch</li> </ul>	<ul style="list-style-type: none"> <li>Approximately 2/3 of global steel production</li> <li>Reduction of iron oxides (iron ore) by burning coke (produced from coking coal) generates huge CO2 emissions</li> <li>Scrap metal input is low and technologically reduced to max 30% of overall feedstock material</li> </ul>
	<b>CASTING</b>	
<b>Pros</b>	<ul style="list-style-type: none"> <li>Flexible, can be switched on and off</li> <li>Lower CAPEX &amp; maintenance</li> <li>Lower environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Lower electric power consumption</li> <li>Easier to obtain high steel purity</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>High cost sensitivity to scrap and electricity</li> </ul>	<ul style="list-style-type: none"> <li>High cost sensitivity to iron ore and coking coal</li> <li>Economical at large scale only; low flexibility</li> <li>4x higher CO2 emission (incl. power plant gen.)</li> </ul>

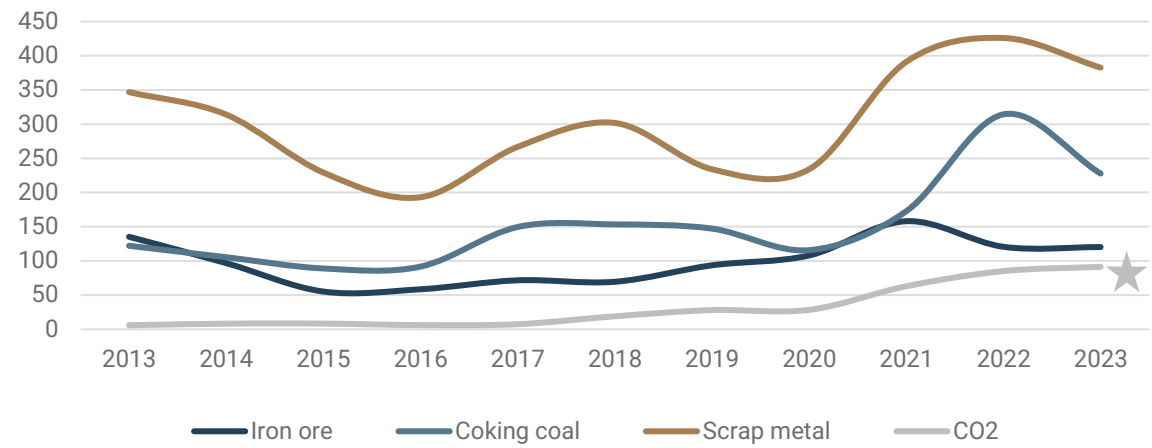
# BOF / EAF Feedstock Cost (USD / tonne)

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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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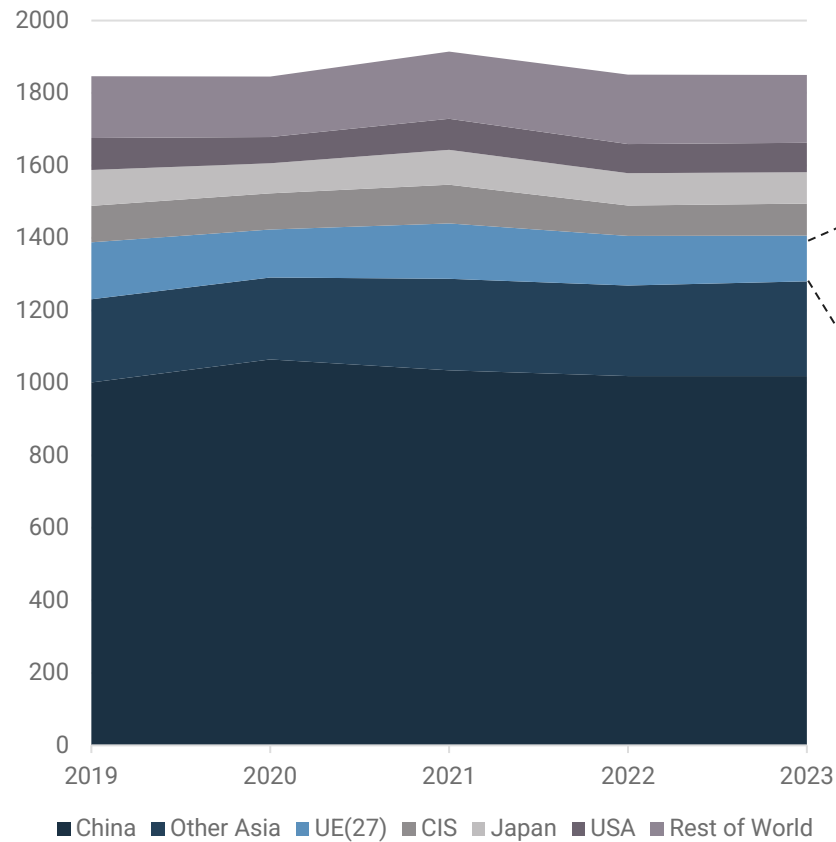
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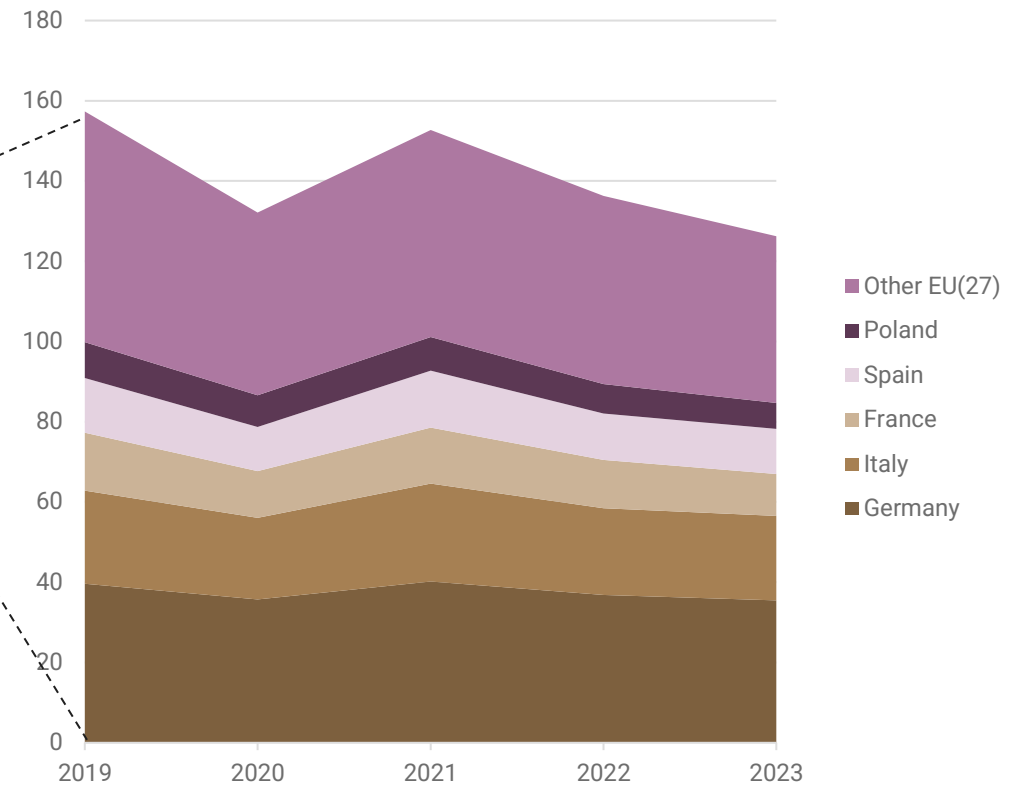
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### World's steel output (m tonnes)



### EU (27) steel output (m tonnes)



# Billets and Finished Products Cognor's Share and Position in 2023

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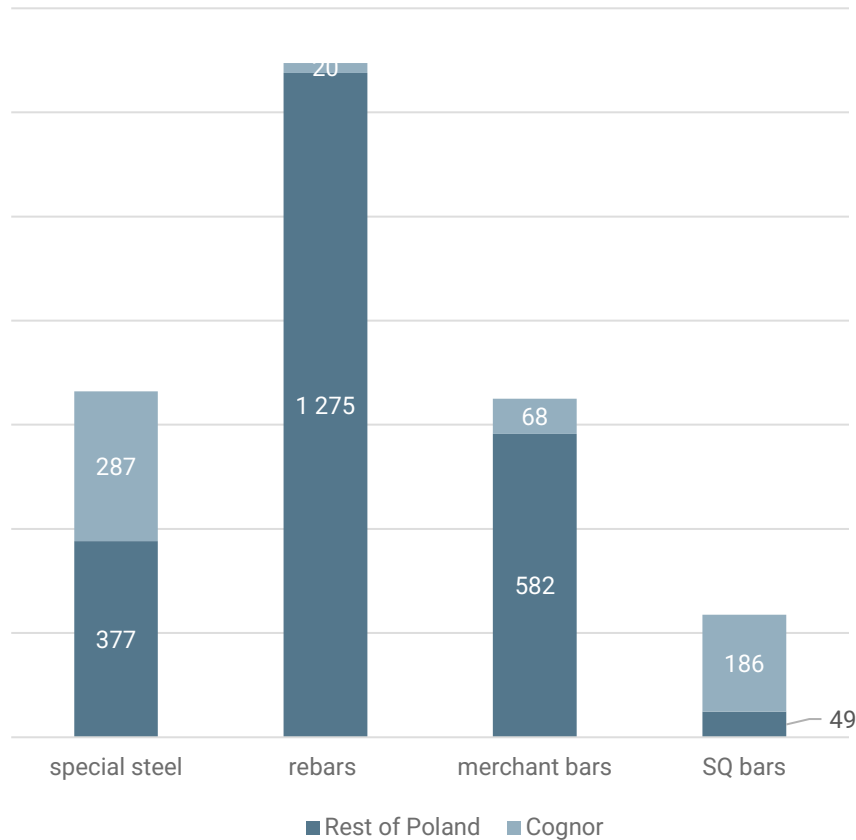
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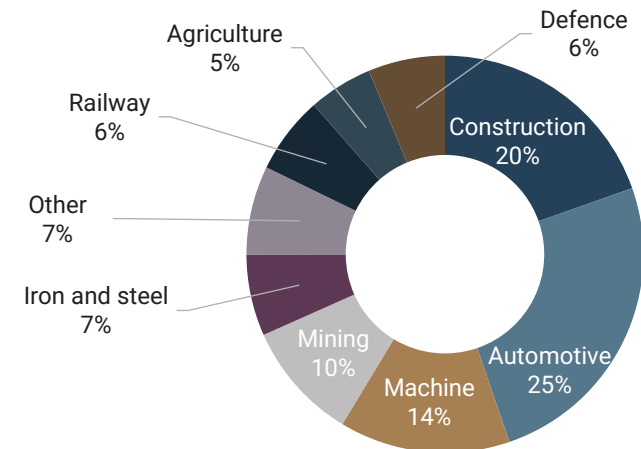
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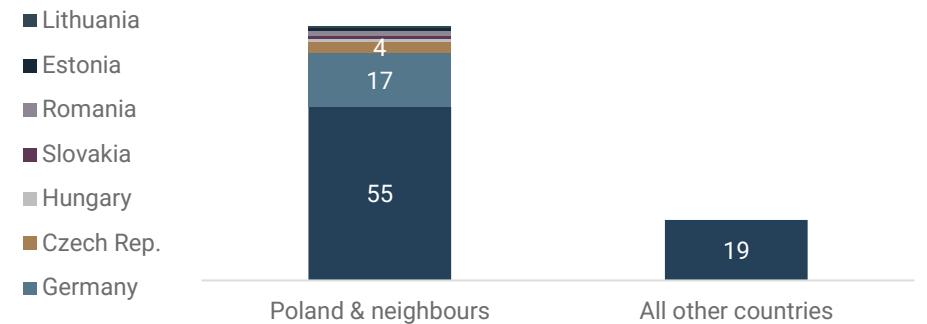
### Producer market share (thousands of tonnes)



### Revenue split by business segments



### Geographical breakdown (%)



# Prices and conversion premiums (PLN / tonne)

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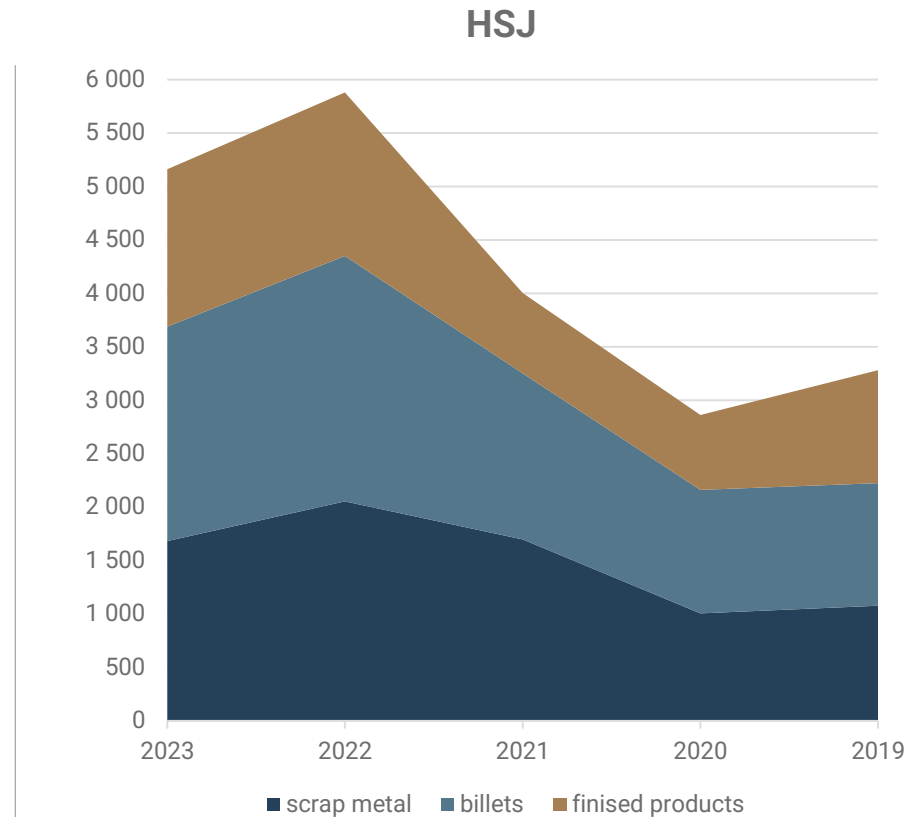
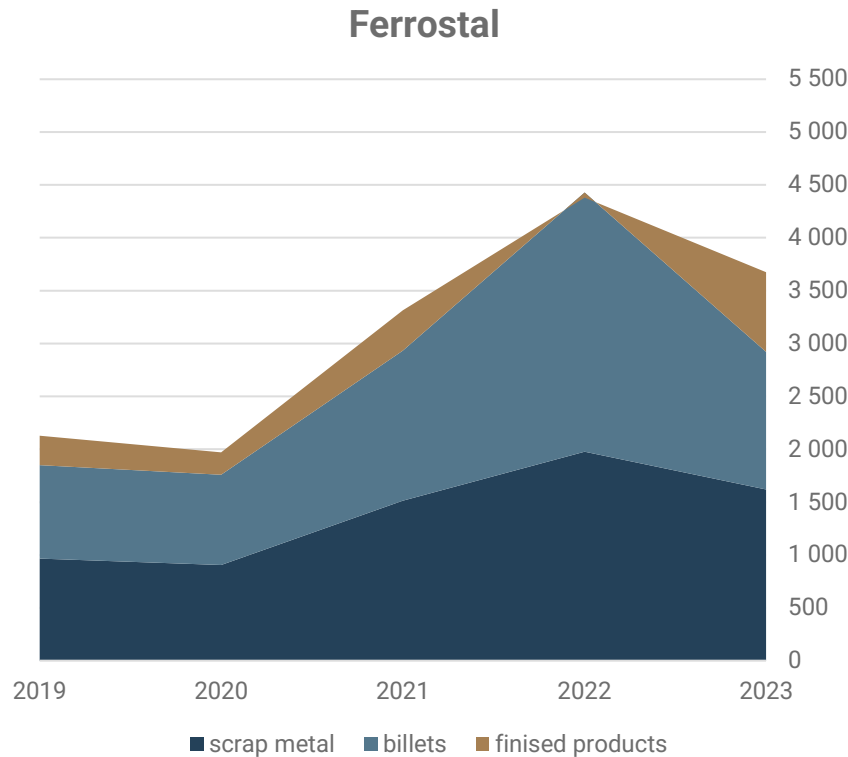
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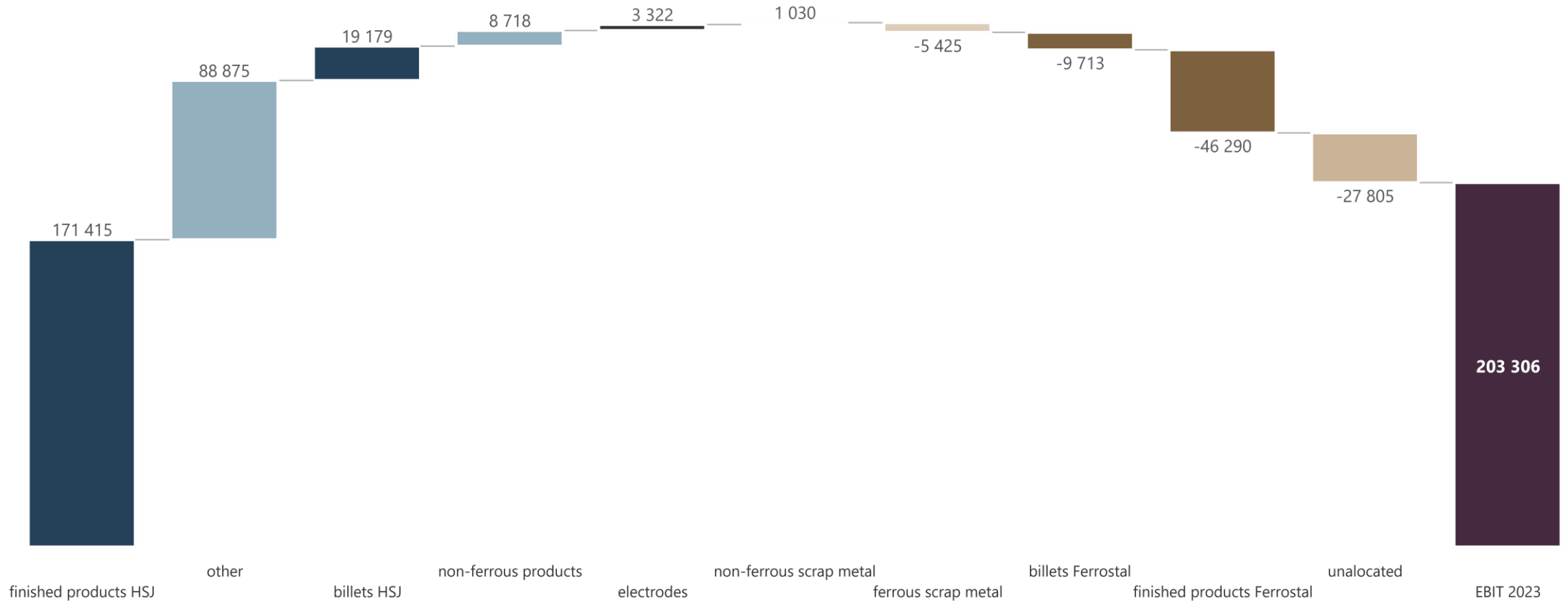
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# EBIT Generation Breakdown (PLN thousands)

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# EBIT Bridge (PLN thousands)

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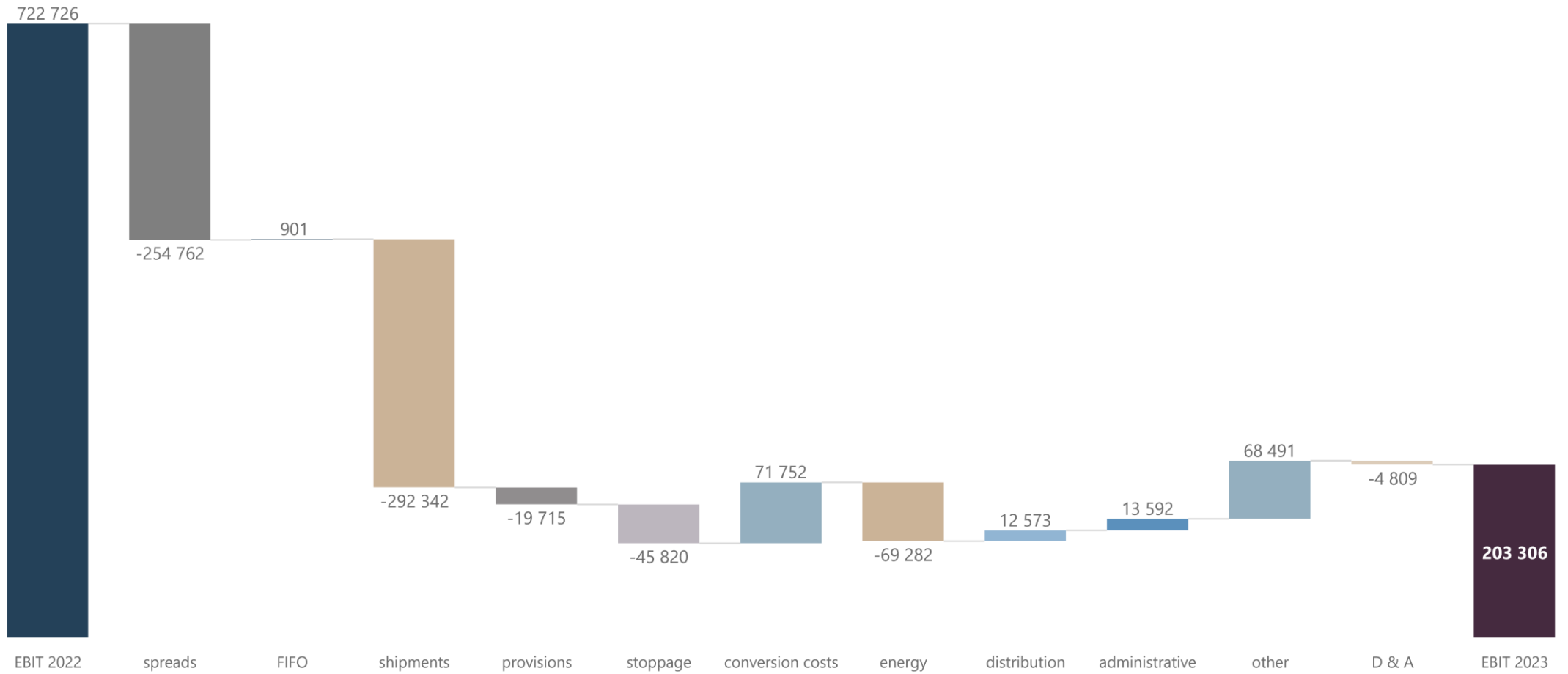
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# 2023 P&L Waterfall (PLN thousands)

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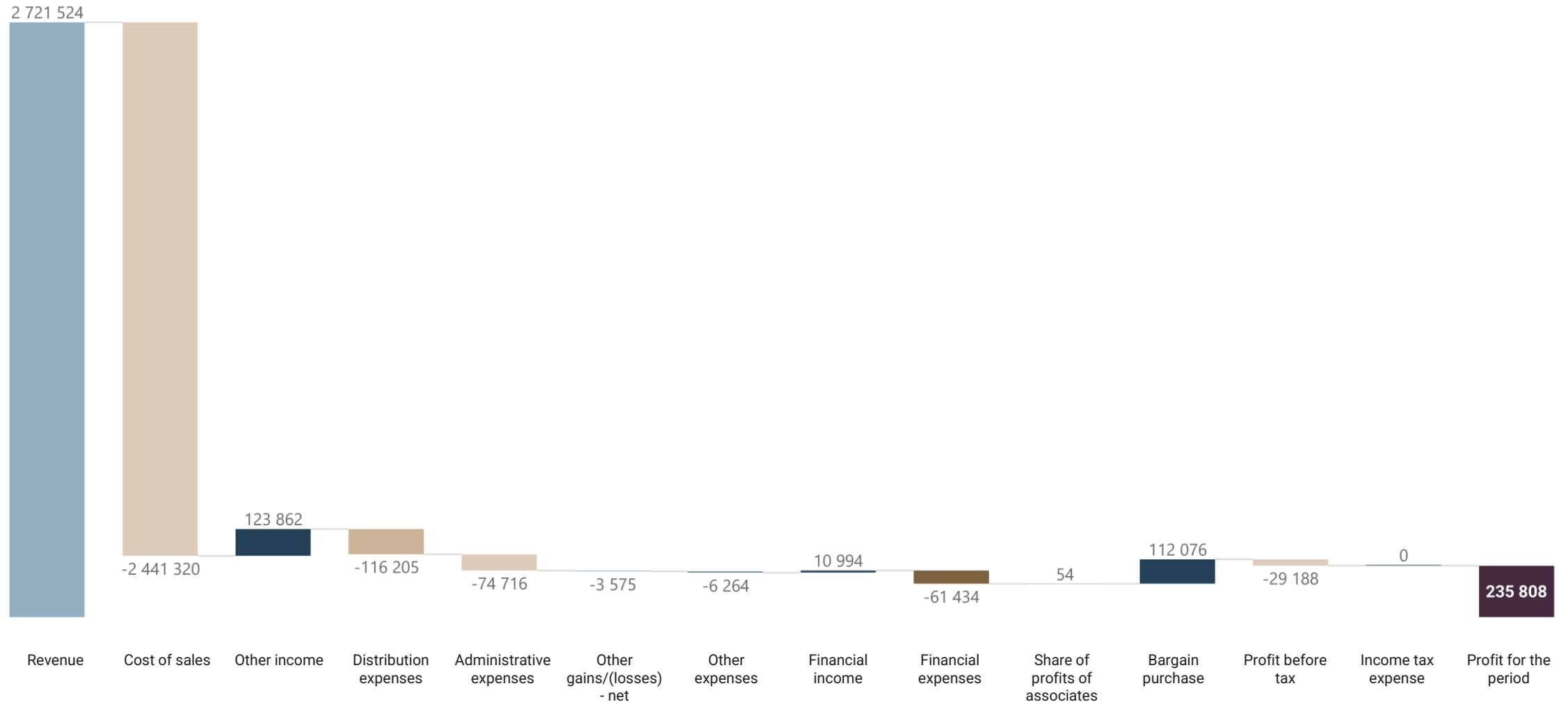
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# Balance Sheet (PLN thousands)

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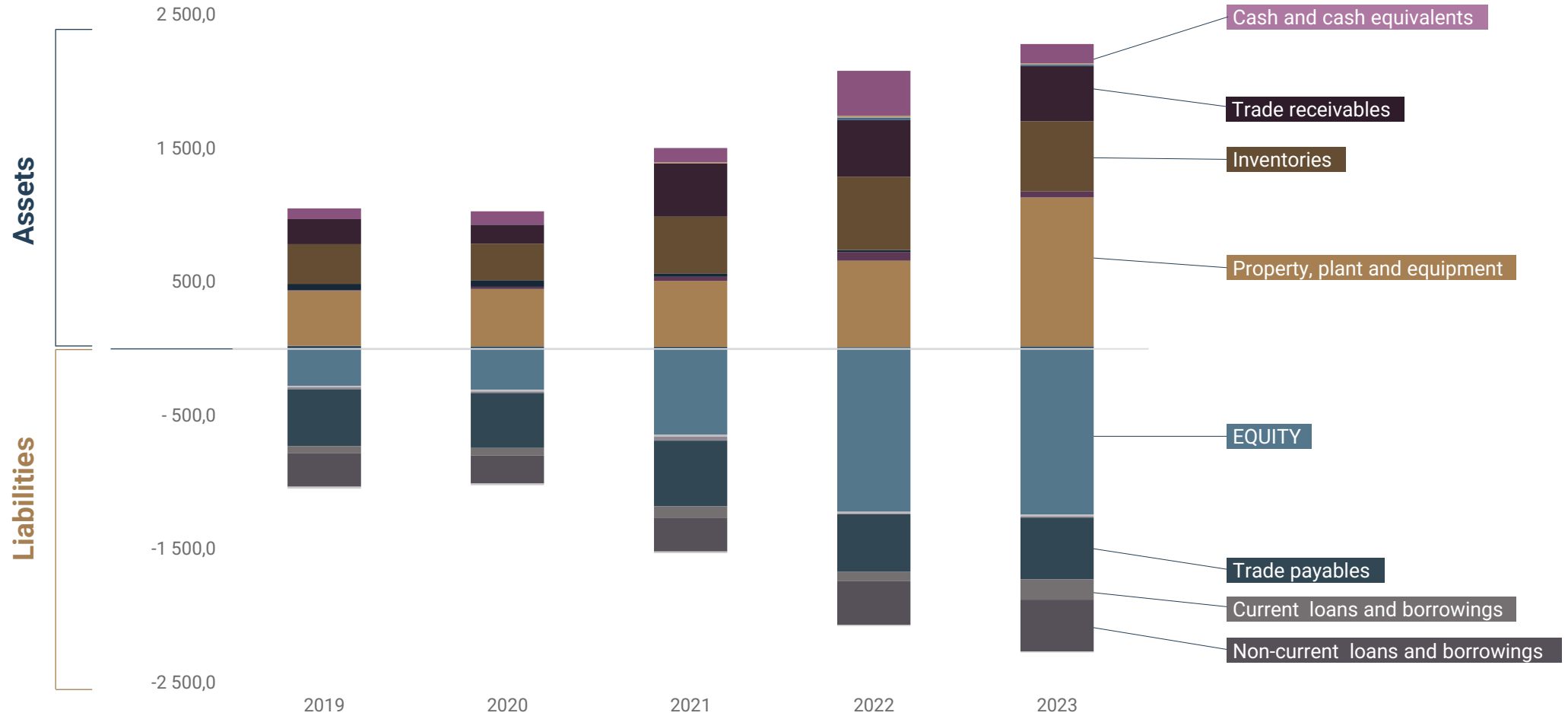
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# Balance Sheet

## Working Capital (PLN thousands)

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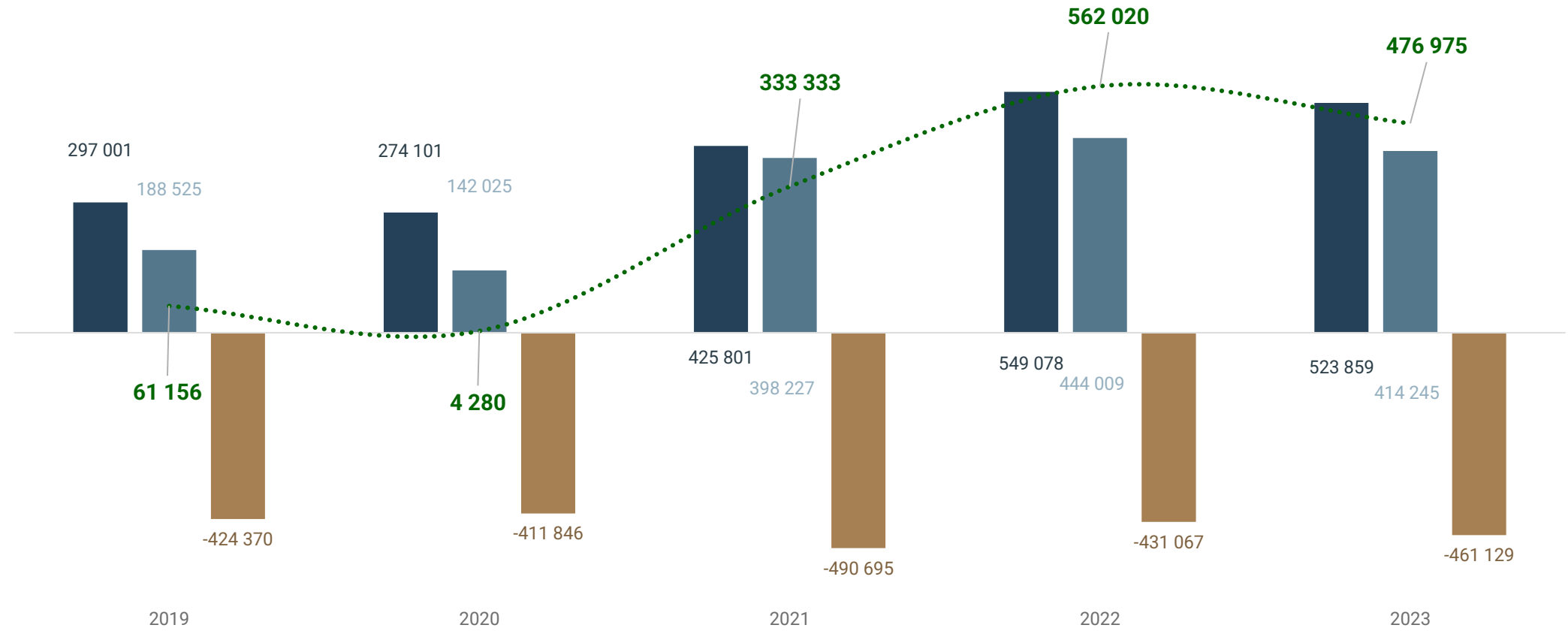
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inventories
  receivables
  trade liabilities
  working capital

# Cash Flows (PLN thousands)

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

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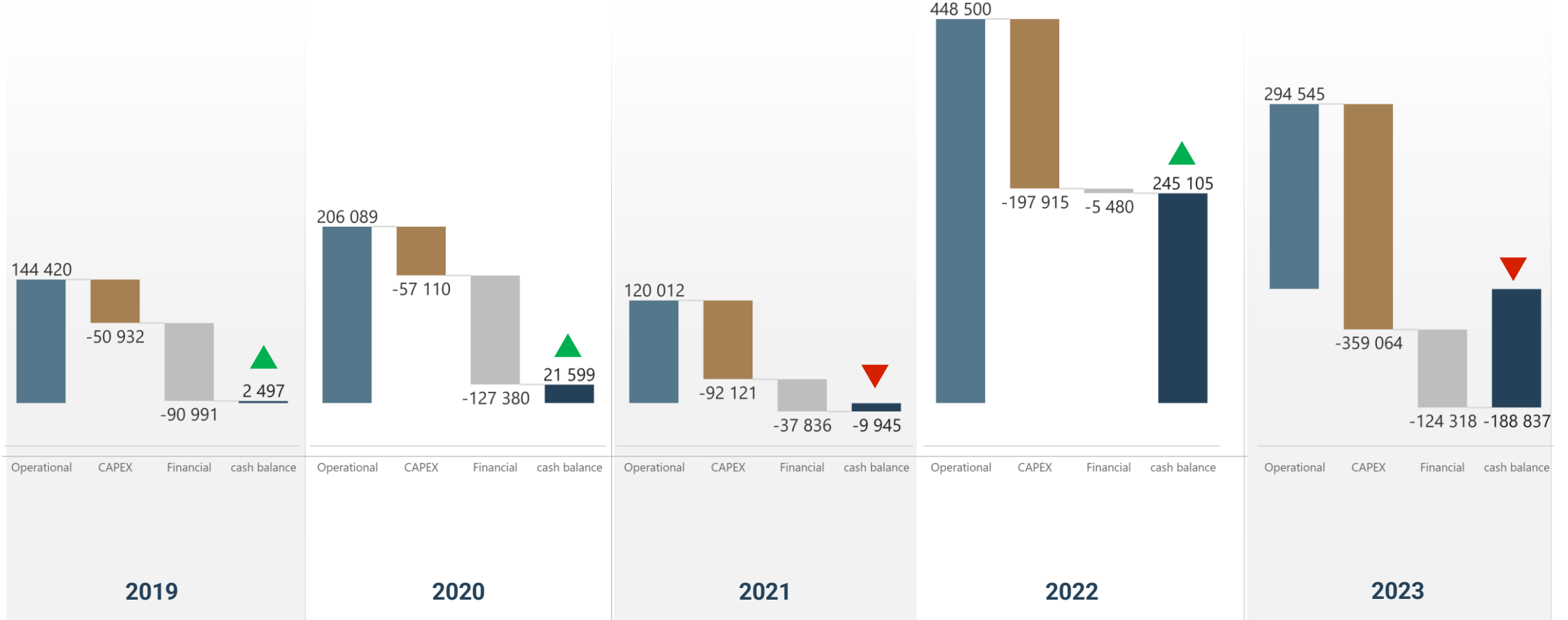
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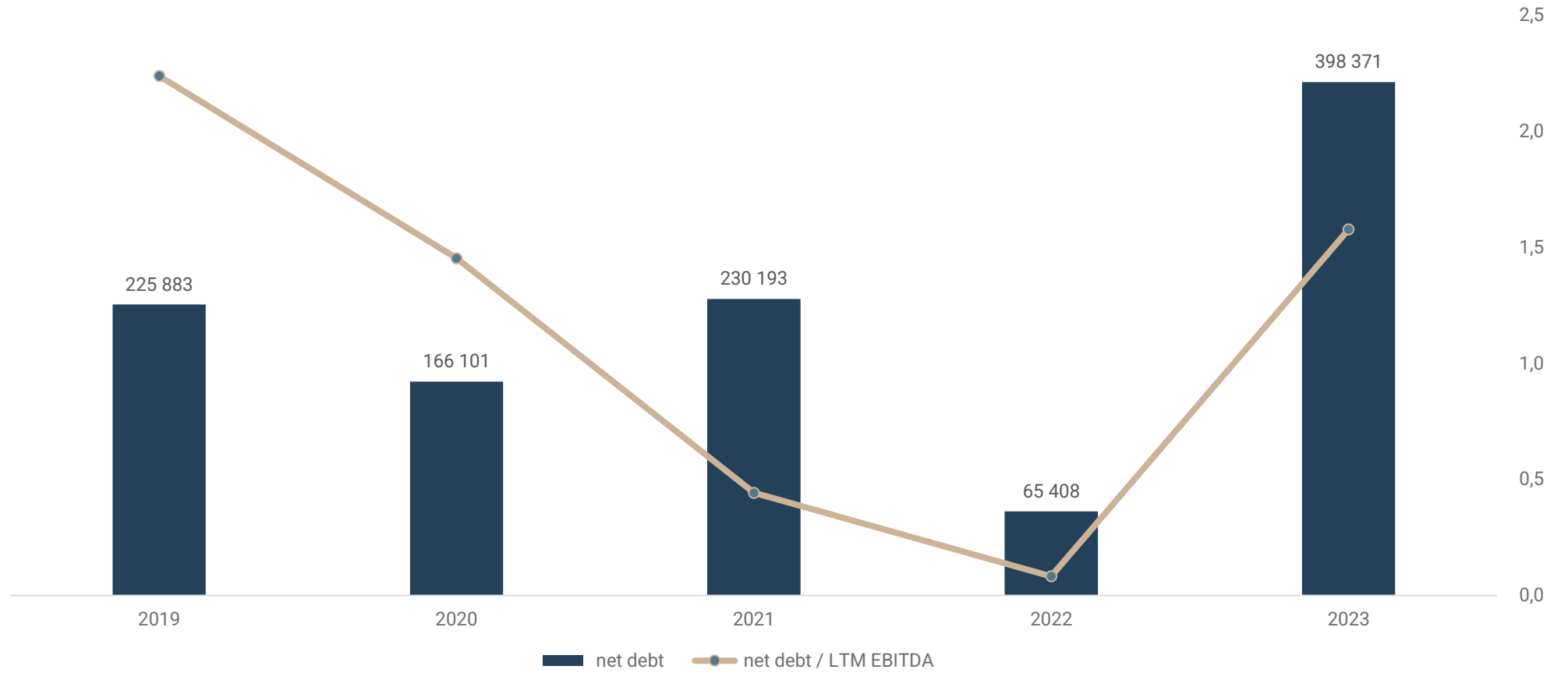
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# Net Debt (PLN thousands) & Leverage

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# Cognor in new scale (thousand tonnes)

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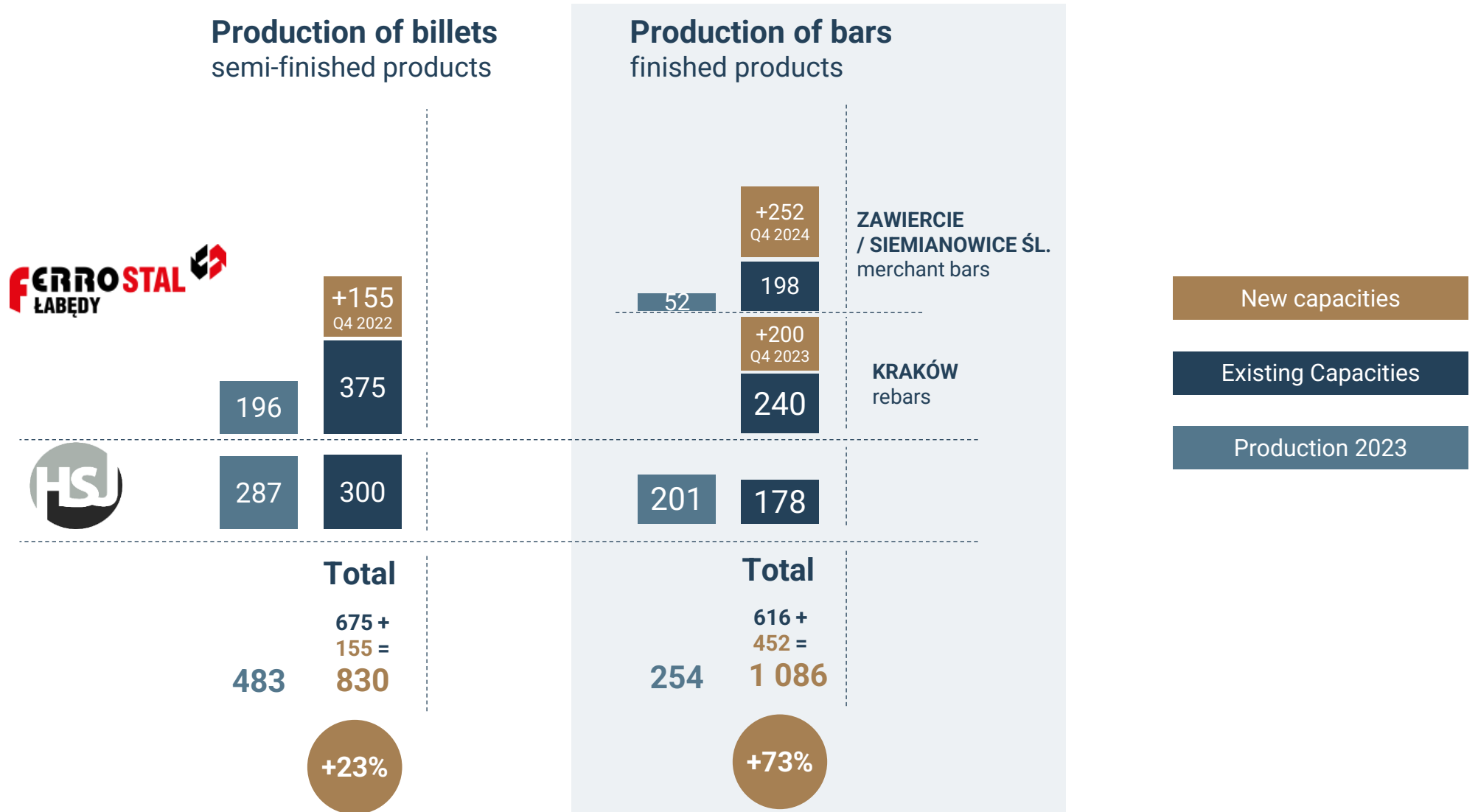
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# Capex- Costs, Financing and Effects

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## Gliwice

replacement of EAF and ancillary items  
(Completed)

**Cost** – approximately PLN 80 million by Q4 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; Q2 2025 for spooling line)

**Cost** – approximately PLN 200 million by Q4 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

## Siemianowice Śląskie

most modern LSM mill in Europe  
(Q4 2024)

**Cost** – approximately PLN 800 million, of which approximately 320 million advanced by 2023, approximately 360 million to be spent in 2024 and approximately 120 million in 2025.

**Financing** - PLN 360.4 million and EUR 35.7 million in a 10-year fixed rate bank loan

**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 – 2024

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## Macro trends

(slide 4) unchanged

## Release

of post Covid UE funds for Poland to invigorate infrastructural spending in

## Concrete

### reinforcement

### business (Ferrostal)

rebound expected

## Automotive steel segment (HSJ)

to remain relatively strong

## Prices of scrap metal, steel billets and finished products

to remain broadly stable at Q4 2023 levels with some pickup potential for rebars.

## Kraków mill

re-commissioning

### Siamianowice LSM mill

construction finish

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## Energy

purchased mostly on spot terms with possible forward purchases in case of lower prices

## CO2 subsidy

higher with larger crude steel production output

## Energy subsidy

lower as it is expected to be granted for H1 2024 only

## No energy trade gains

lower stoppage costs

## EBITDA result

unlikely to materially surpass that of 2023

## Net profit

no bargain purchase contribution; PLN 112m in 2023

## No dividend payment in 2024

due to CAPEX funding



# Dividends and Share Quoting

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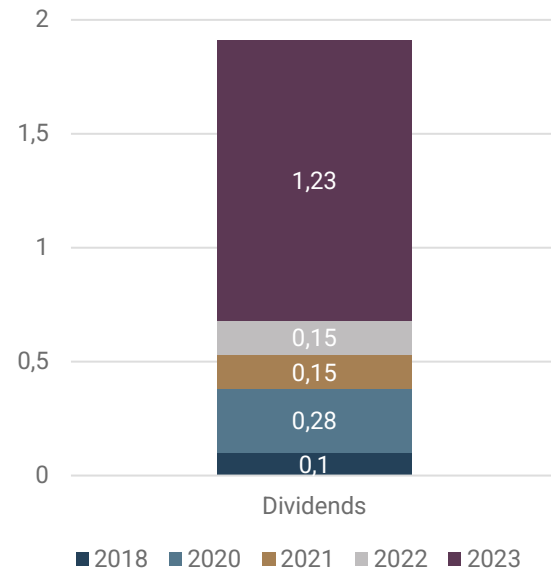
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## Dividend policy 25% of consolidated net profit

2023	
Net profit (000 PLN)	235 808
Equity (000 PLN)	1 241 210
Number of shares	171 420 663
24.04.2024	
Share price (PLN)	8,41
P / E	6,11
P / BV	1,16



## Trading of Cognor shares on Warsaw Stock Exchange



# P&L (PLN thousands)

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	2019	2020	2021	2022	2023
Sales revenue	1 901 604	1 733 221	2 811 151	3 666 690	2 721 504
Cost of sales	-1 730 554	-1 574 324	-2 222 237	-2 772 410	-2 441 32
<b>Gross profit</b>	<b>171 050</b>	<b>158 897</b>	<b>588 914</b>	<b>894 280</b>	<b>280 204</b>
Other income	13 060	41 193	47 900	54 752	123 862
Distribution expenses	-75 261	-81 753	-101 065	-128 778	-116 205
Administrative expenses	-48 140	-46 695	-65 099	-88 308	-74 716
Other gains/(losses) – net	917	1 234	2 481	-342	-3 575
Other expenses	-7 034	-6 349	-5 377	-8 878	-6 264
<b>EBIT</b>	<b>54 592</b>	<b>66 527</b>	<b>467 754</b>	<b>722 726</b>	<b>203 306</b>
Financial income	927	0	24 602	49 182	10 994
Financial expenses	-31 731	-34 317	-39 756	-43 426	-61 434
<b>Net financing costs</b>	<b>-30 804</b>	<b>-34 317</b>	<b>-15 154</b>	<b>5 756</b>	<b>-50 440</b>
Share of profits of associates	-1 455	60	30	222	54
Excess in fair value of acquired assets over cost	0	0	0	0	112 076
<b>Profit before tax</b>	<b>22 333</b>	<b>32 270</b>	<b>452 630</b>	<b>728 704</b>	<b>264 996</b>
Income tax expense	-2 561	1 276	-89 104	-118 331	-29 188
Profit/loss for the period from discontinued operations	0	0	0	0	0
<b>Profit for the period</b>	<b>19 772</b>	<b>33 546</b>	<b>363 526</b>	<b>610 373</b>	<b>235 808</b>
Depreciation and amortization	-46 236	-47 708	-51 828	-44 251	-49 060
<b>EBITDA</b>	<b>100 828</b>	<b>114 235</b>	<b>519 582</b>	<b>766 977</b>	<b>252 366</b>

Revenues down by **945m & 26%**

- shipments down by 21.9%

Gross profit down by **614m & 69%**

- costs &amp; other result: 72m

- FIFO support: 1m

- worsening of spreads: 265m

- lower shipments: 292m

- extra outage cost: 46m

- inventory provisions: 18m

EBIT down by **519m & 72%**

- balance of other gains &amp; losses: 69m

- administration costs: 14m

- distribution costs: 13m

Financial income down by **38m**

- FX regarding debt: 8m

- hedge valuation: 48m

Financial costs up by **18m**

- hedge valuation: 15m

Net result down by **375m & 61%**Adjusted net result **137m** (v. 469m in 2022)EBITDA down by **515m & 67%**Adjusted EBITDA **265m** (v. 640m in 2022)

# Assets (PLN thousands)

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	2019	2020	2021	2022	2023	
<b>A. TOTAL NON-CURRENT ASSETS</b>	<b>487 249</b>	<b>514 518</b>	<b>564 496</b>	<b>740 355</b>	<b>1 181 785</b>	Fixed assets up by <b>441m &amp; 60%</b>
I. Intangible assets	22 296	18 100	15 139	12 851	18 196	- CAPEX 525m incl. 39m JAP
II. Property, plant and equipment	412 199	429 769	493 220	647 439	1 116 662	- D&A 49m
III. Other receivables	4 293	8 938	14 777	13 971	0	- receivables: 14m
IV. Investment property and other	1 255	8 331	1 134	1 204	1 106	- deffered tax: 13m
V. Financial instruments assets	0	0	15 689	50 551	44 062	- IRS valuation: 7m
VI. Prepaid perpetual usufruct of land	0	0	0	0	0	
VII. Deferred tax assets	47 206	49 380	24 537	14 339	1 799	
<b>B. TOTAL CURRENT ASSETS</b>	<b>564 482</b>	<b>516 681</b>	<b>940 676</b>	<b>1 342 661</b>	<b>1 092 193</b>	Current assets down by <b>251m &amp; 19%</b>
I. Inventories	297 001	274 101	425 801	549 078	523 859	Inventories down by <b>25m &amp; 5%</b>
II. Receivables	188 525	142 025	398 227	444 009	414 245	Receivables down by <b>30m &amp; 7%</b>
1. Trade and other receivables	<b>188 342</b>	<b>141 678</b>	<b>398 095</b>	<b>427 760</b>	<b>403 933</b>	Trade receivables sold (net) 171m
2. Current income tax receivable	<b>38</b>	<b>226</b>	<b>38</b>	<b>16 172</b>	<b>10 299</b>	in 2022 (net) 166m
3. Other investments	<b>145</b>	<b>121</b>	<b>94</b>	<b>77</b>	<b>13</b>	
III. Financial instruments assets		0	1 845	6 842	2 817	
IV. Cash and cash equivalents	78 956	100 555	107 810	335 761	144 269	Cash down by <b>192m &amp; 57%</b>
V. Prepayments		0	0	0	0	
VI. Assets classified as held for sale	0	0	6 993	6 971	6 949	
<b>Total</b>	<b>1 051 731</b>	<b>1 031 199</b>	<b>1 505 172</b>	<b>2 083 016</b>	<b>2 273 924</b>	



# Equity and Liabilities (PLN thousands)

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	2019	2020	2021	2022	2023		
	'000 PLN						
<b>A. EQUITY</b>	<b>277 191</b>	<b>307 014</b>	<b>643 869</b>	<b>1 228 431</b>	<b>1 241 210</b>	Equity up by PLN	<b>13m &amp; 1%</b>
I. Issued share capital	185 911	185 911	257 131	257 131	257 131	- net result 236m	
II. Reserves and retained earnings	72 897	101 849	346 754	898 965	904 817	- dividend 209m	
III. Minority interest	18 383	19 254	39 984	72 335	79 262		
<b>B. LIABILITIES</b>	<b>774 540</b>	<b>724 185</b>	<b>861 303</b>	<b>854 585</b>	<b>1 032 714</b>		
I. Non-current liabilities	279 916	244 437	269 631	346 112	412 335		
1. Employee benefits obligation	11 071	13 011	14 343	11 878	13 126		
2. Interest-bearing loans	249 669	209 774	249 987	327 536	389 351		
3. Other	19 176	21 652	5 301	6 698	9 858		
II. Current liabilities	494 624	479 748	590 124	506 928	618 838	Gross debt up by PLN	<b>145m &amp; 36%</b>
1. Interest-bearing loans	55 170	56 882	70 816	70 441	153 289	Net debt down by PLN	<b>336m &amp; 540%</b>
2. Bank overdraft	0	0	17 200	46	0		
3. Trade and other payables	424 370	411 846	490 695	431 067	461 129		
4. Deferred government grants	9 324	4 941	4 538	1 398	1 365		
5. Liability financial instruments	2 869	4 011	0	0	0		
6. Employee benefits obligation	2 346	1 583	2 139	1 863	1 755		
7. Current income tax payable	319	460	2 936	783	0		
8. Provisions for payables	226	25	1 800	1 330	1 300		
III. Liabilities of disposal group	0	0	1 548	1 545	1 541		
<b>Total</b>	<b>1 051 731</b>	<b>1 031 199</b>	<b>1 505 172</b>	<b>2 083 016</b>	<b>2 273 924</b>		

# Cash Flows & Metrics

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	2019	2020	2021	2022	2023
	'000 PLN				
A. OPERATING ACTIVITIES	144 420	206 089	120 012	489 565	294 545
B. INVESTING ACTIVITIES	-50 932	-57 110	-92 121	-235 834	-359 064
C. FINANCING ACTIVITIES	-90 991	-127 380	-37 836	-8 626	-124 318
<b>Net increase in cash</b>	<b>2 497</b>	<b>21 599</b>	<b>-9 945</b>	<b>245 105</b>	<b>-188 837</b>

working capital inflow: 57m

income tax: 17m

disposals: 12m

CAPEX: 388m

JAP inflow: 17m

debt incurrence 176m

IRS inflow: 11m

dividend outflow of PLN 209m

debt repayment 68m

interest service 34m

	2019	2020	2021	2022	2023	
Liquidity ratio	1.14	1.08	1.59	2.64	1.76	
Quick ratio	0.54	0.51	0.87	1.56	0.92	
Inventories turnover	days	63	64	70	72	78
Receivables turnover	days	36	30	52	43	54
EBITDA margin	5.3%	6.6%	18.5%	20.9%	9.3%	
Net profit margin	1.0%	1.9%	12.9%	16.6%	8.7%	
Equity	'000 PLN	277 191	307 014	643 869	1 228 431	1 241 210
Net debt	'000 PLN	225 883	166 101	230 193	62 262	398 371
Net debt / LTM EBITDA		2.2	1.5	0.4	0.1	1.6

liquidity metrics very good

inventory ratio up by 6 days and poor

receivable ratio up by 11 days and fair

profitability ratios weakened

net leverage up to 1.6 times



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