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Q2 2024 Business and Financial Performance

August 20, 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
onshoring, reshoring,



Protectionism
and 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
increase**
the end of BOF/BF steelmaking in the
EU



Green deal
sustainable economy



Inflation, debt crisis
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**

finalized and well advanced
modernization projects

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

Growth financing indebtedness

strong balance sheet structure
with long-term debt
component

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 Cracow
- construction of greenfield LSM in Siemianowice Śląskie

Dividend policy

attractive valuation ratios

Q2 2024 Highlights

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Rising GPD growth

3.2 % Poland and 0.7% EU
YoY

Falling billet and finished product prices

compared to Q2 2023 and
stabilized or increased if
compared to Q1 2024 (except for
rebars)

Spreads shrinking for all billets and products

compared to Q2 2023 but increased
as compared to Q1 2024 (except for
rebars)

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Rebar market in deep crisis

prices and spreads lower
QoQ and YoY

Falling capacity utilisation

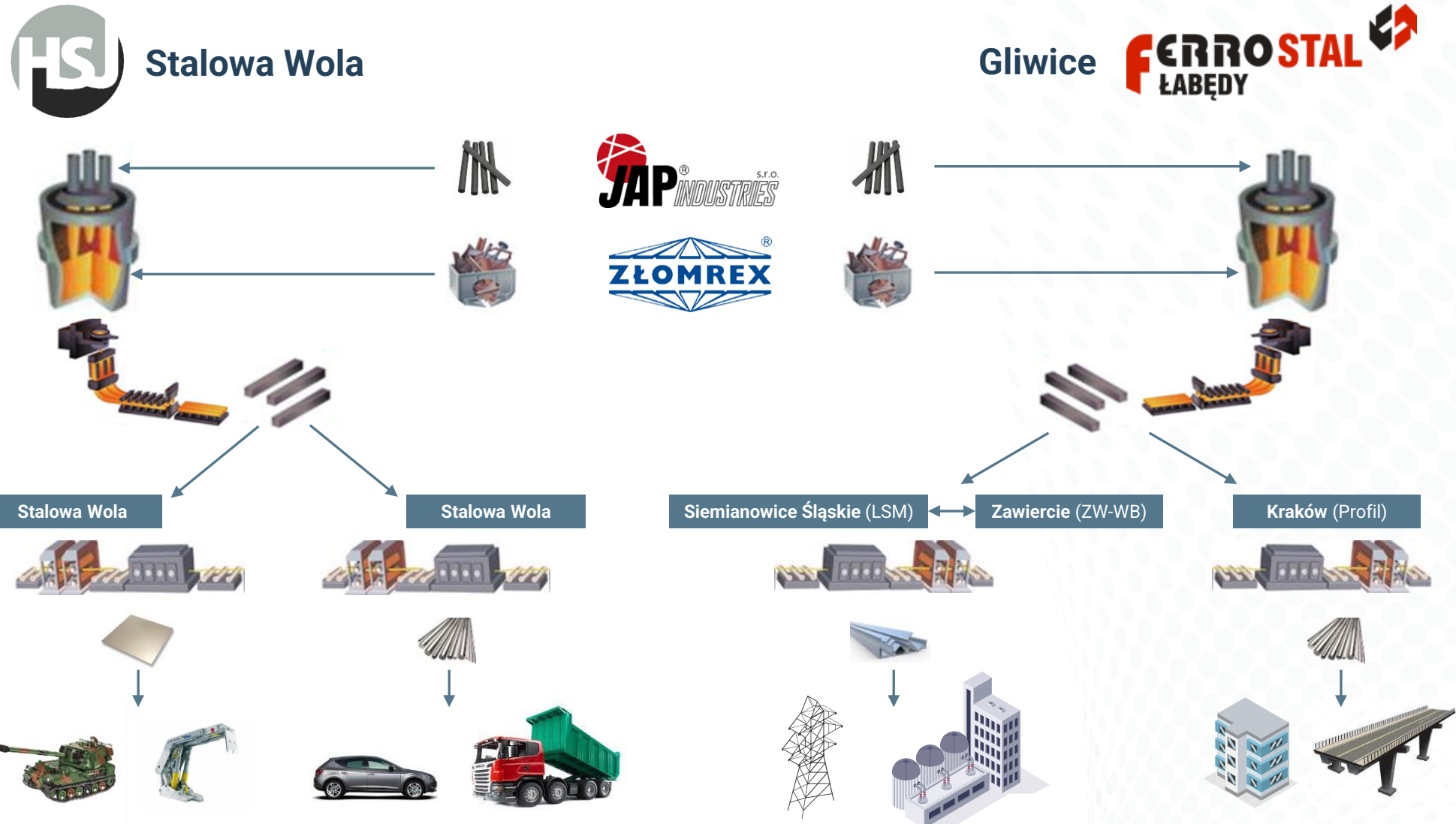
from 85,7% in Q2 2023 and 77,6%
in Q1 2024 to 55,3% in Q2 2024;
crude steel production down
15,8% YoY and 28,8% QoQ due to
lower billet sales and slow
production progres at Cracow mill

Cracow project in commissioning; intensive works in Siemianowice Śląskie;

entirely modernized 400kT rebar
mill; construction of a new
450kT light sections mill (LSM)

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Structure



Vertically Integrated Business Model

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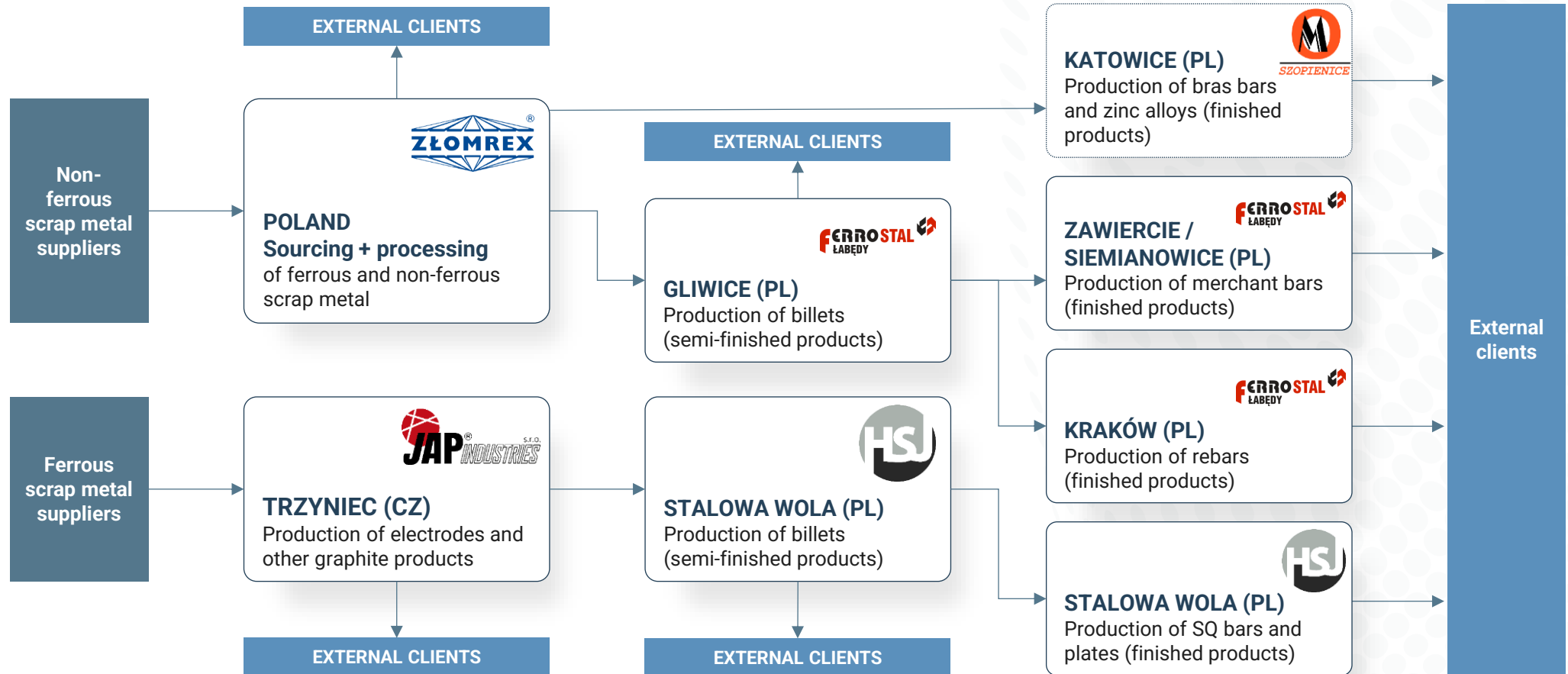
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Cognor is vertically integrated which allows to control the production process starting from scrap metal sourced through our own scrap collecting sites network, production of electrodes, through melting of scrap metal, refining it in order to get the 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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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: 375k tonnes +155	<ul style="list-style-type: none"> 1 EAF, 1 LF & 1CCM 	ca 350 people
Capex		Kraków	Rebars	Bars: 240k tonnes +160	<ul style="list-style-type: none"> 1 furnace 1 long product lines 	ca 250 people
Outlook		Zawiercie (idled in Q2 2024)	Merchant bars	Bars: 198k tonnes	<ul style="list-style-type: none"> 1 furnace 3 long product lines 	ca 35 people
		Siemianowice (Q1 2025)	Merchant bars	Bars: 450k tonnes	<ul style="list-style-type: none"> 1 furnace 1 long product line 	ca 150 people
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History [1]

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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



Złomrex acquires 64,4% of shares of Centrostal



Acquisition of numerous distribution assets in Poland and abroad

2006

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

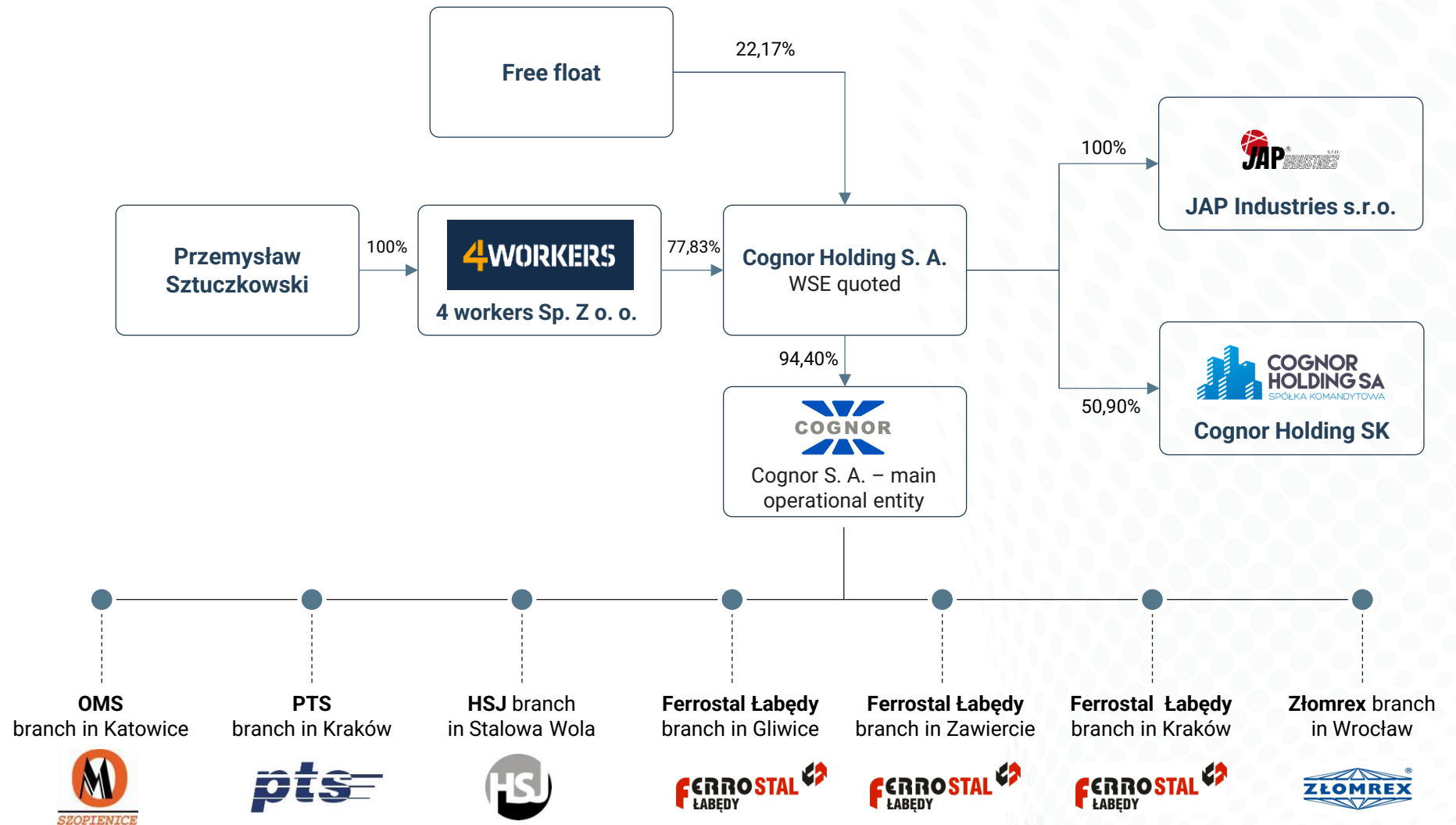
2023



JAP acquisition

Organisational Chart

group structure & shareholders



Segments Performance

quantities per business segments

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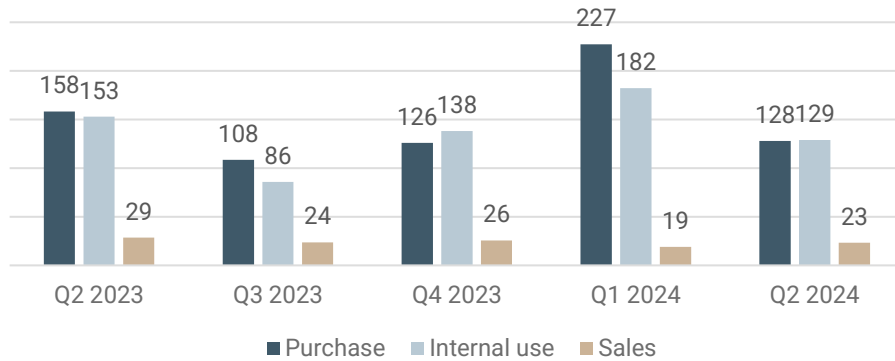
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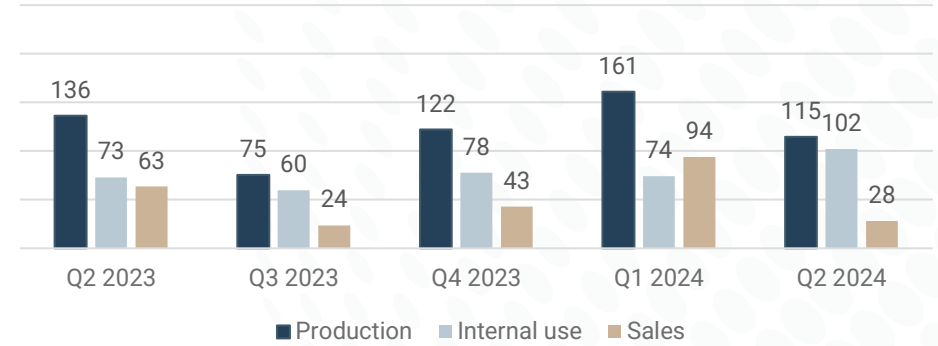
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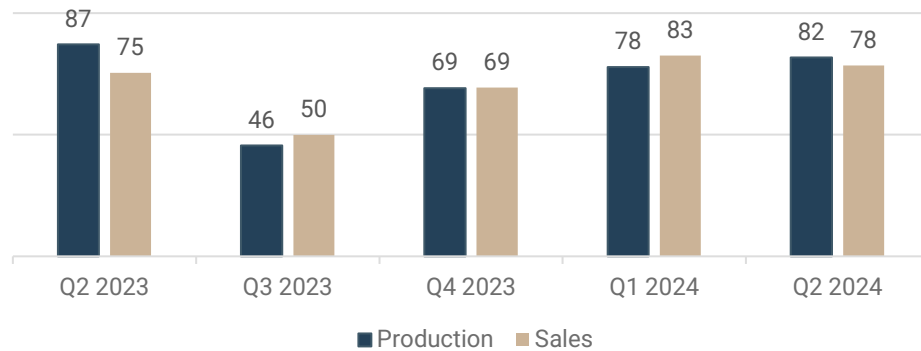
Scrap metal (thousand tonnes)



Billets (thousand tonnes)



Finished products (thousand tonnes)



Q2 2024 Circular Economy sustainable steelmaking

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127 823

tonnes of scrap metal sourced



128 867

tonnes of scrap metal used internally

114 675

tonnes of semi-finished products (billets) production

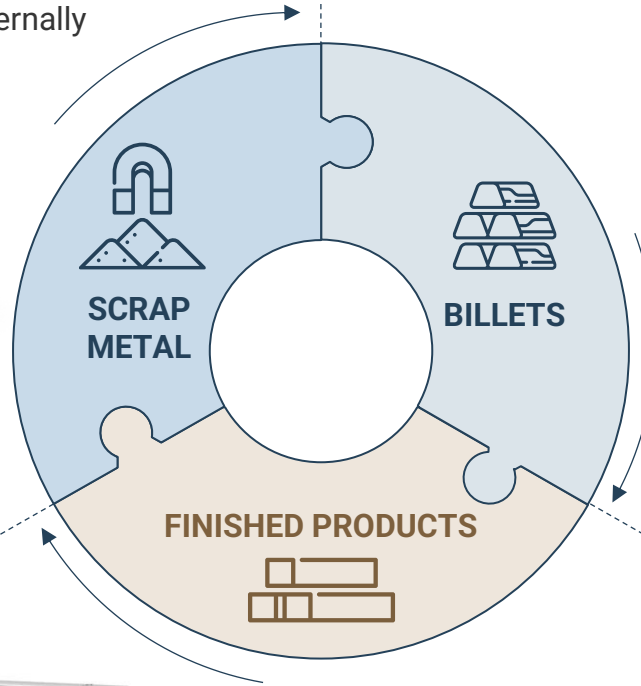
102 032

tonnes of billets processed internally



23 156

tonnes of scrap metal sold to external customers



28 021

tonnes of billets sold to external customers



81 818

tonnes of finished products production

78 457

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

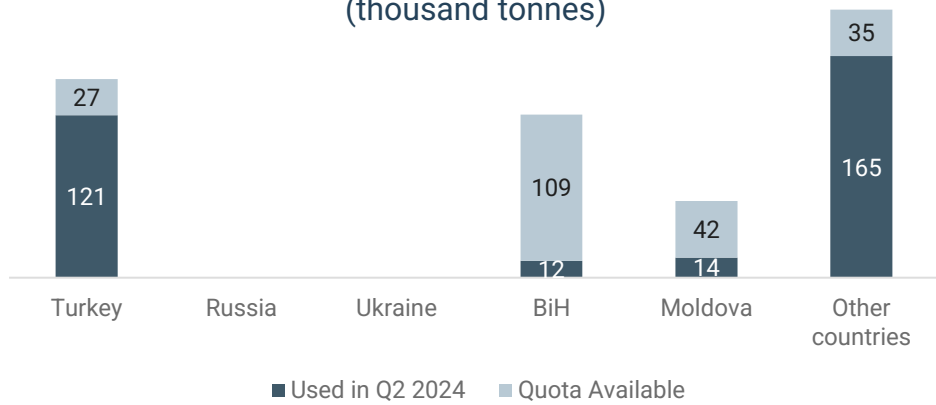
A quota tool introduced in 2018 to last through mid 2024 with possible extension up to mid 2026. Aimed to limit tax free imports. Below an example of its utilisation for rebars in Q2 2024 and Q3 2024 (till 16.08.2024)



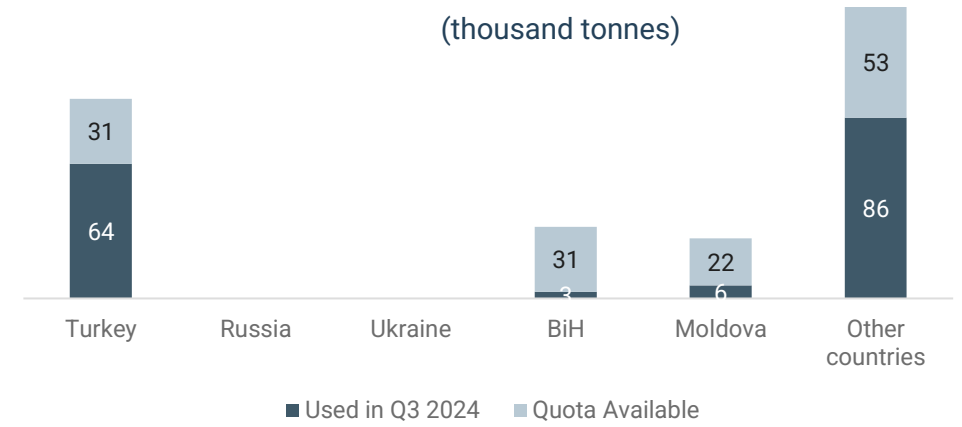
Carbon Tax

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 Q2 2024
(thousand tonnes)



Rebars Q3 2024 as of 16.08.2024
(thousand tonnes)



Russia - import suspended; Ukraine - unlimited

Technology - EAF vs BOF

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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.)

BOF / EAF Feedstock Cost (USD / tonne)

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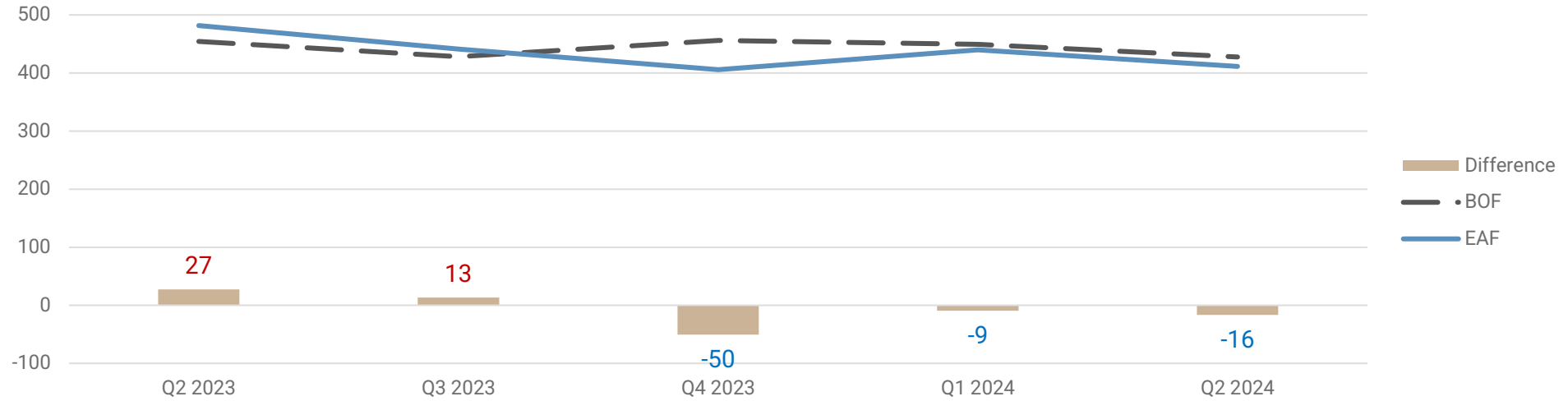
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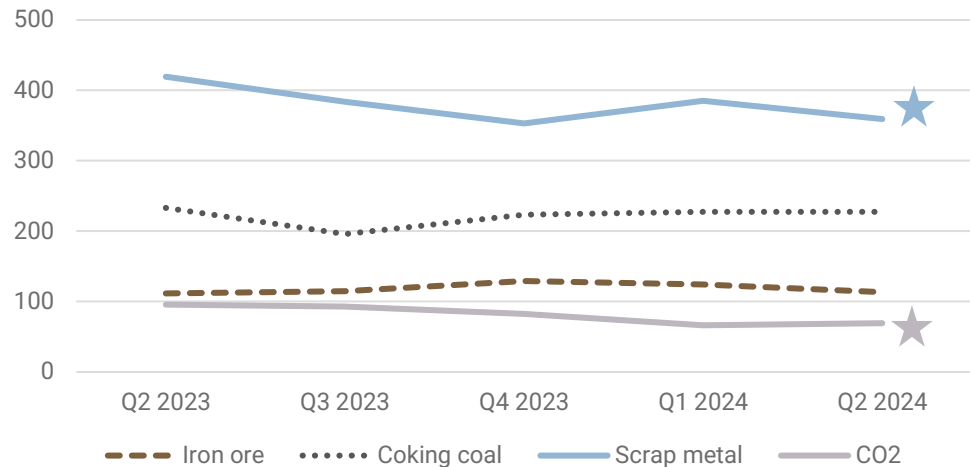
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Feedstock Cost Model	BOF	EAF
(tonne / tonne of crude steel)		
scrap metal	0.21	1.12
coking coal	0.60	
iron ore	1.60	
CO2 emission rights	0.50	0.13

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

Raw material costs (USD / tonne)



World and Poland

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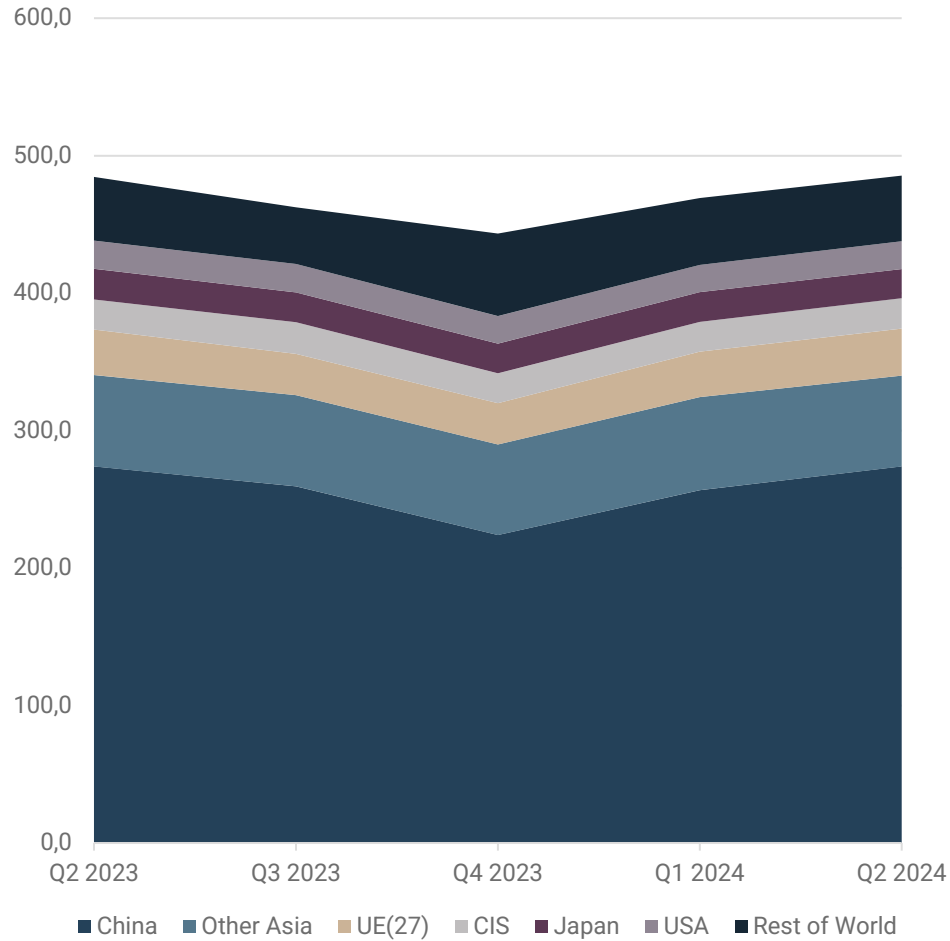
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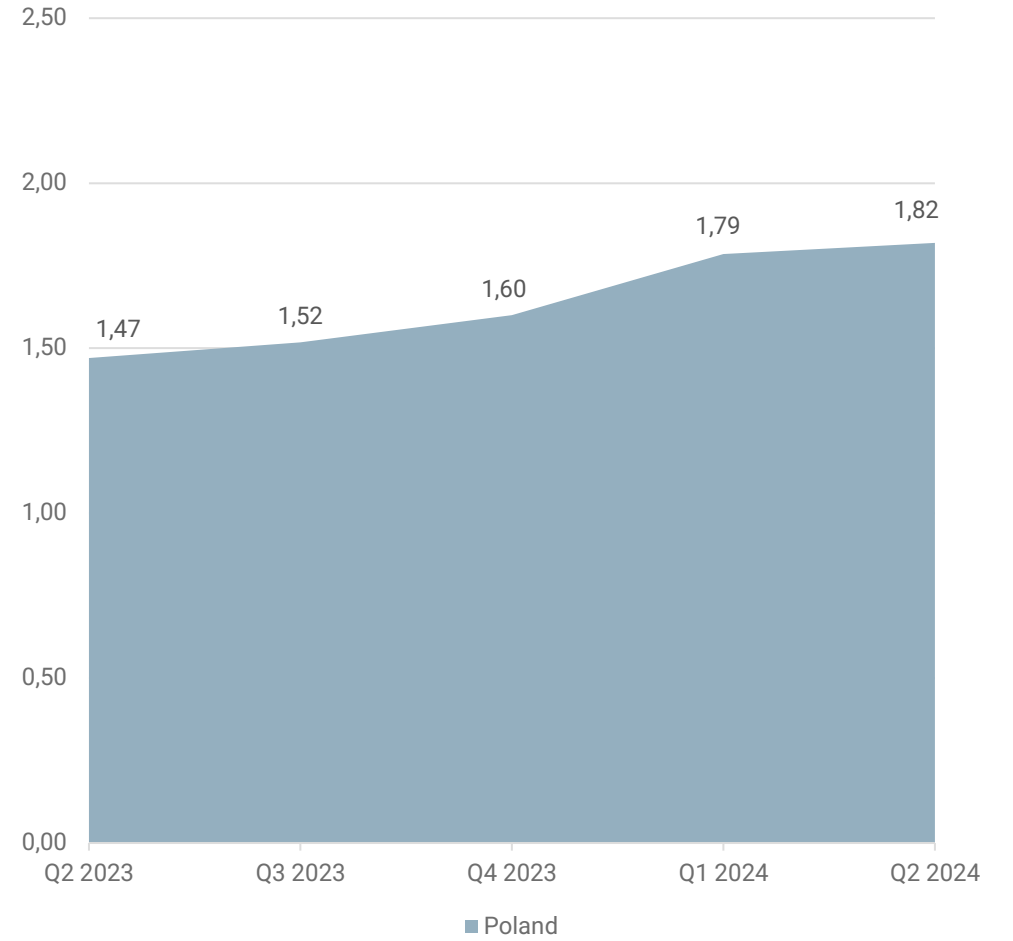
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steel output (million tonnes)



steel output (milion tonnes)



Billets and Finished Products

Cognor's share and position in 2023

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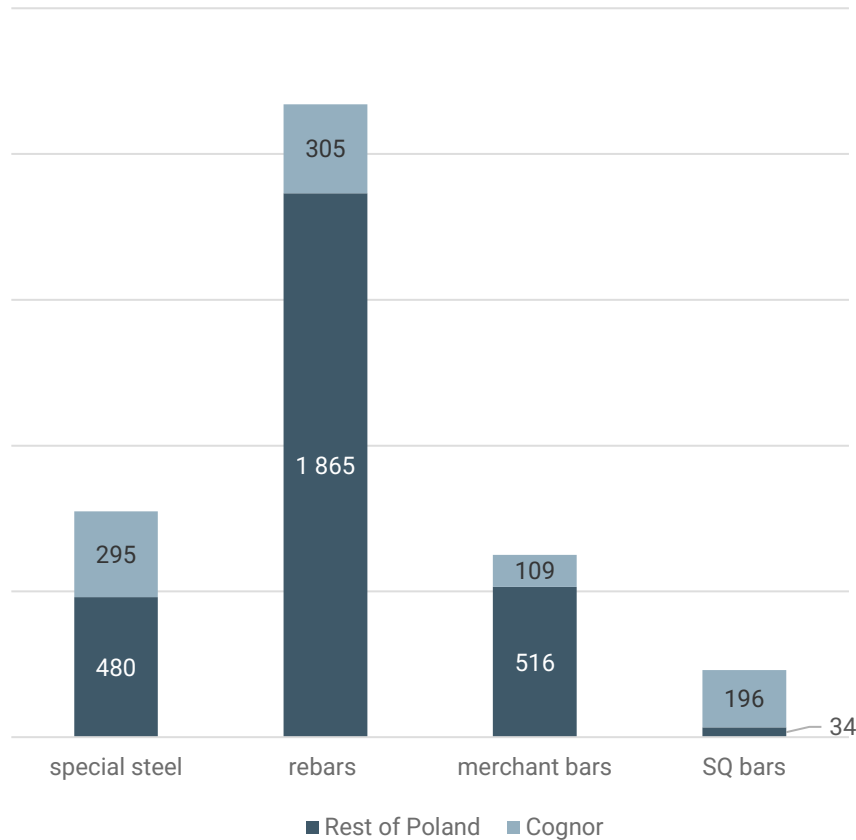
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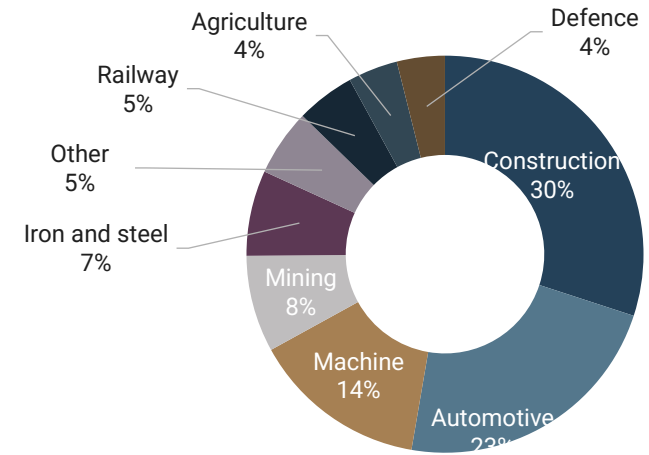
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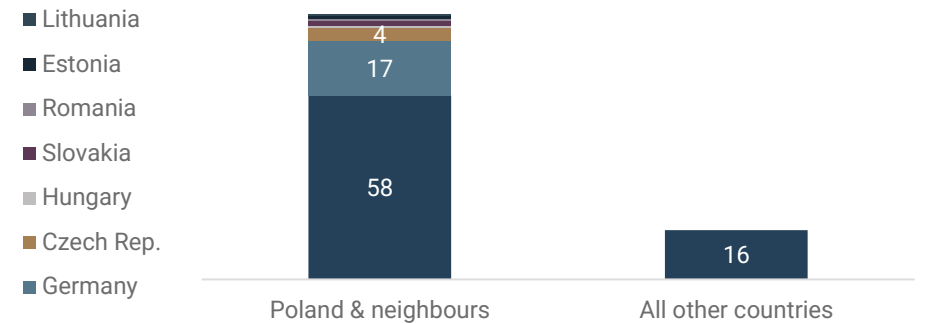
Producer market share
(thousand tonnes)



Revenue split by business segments

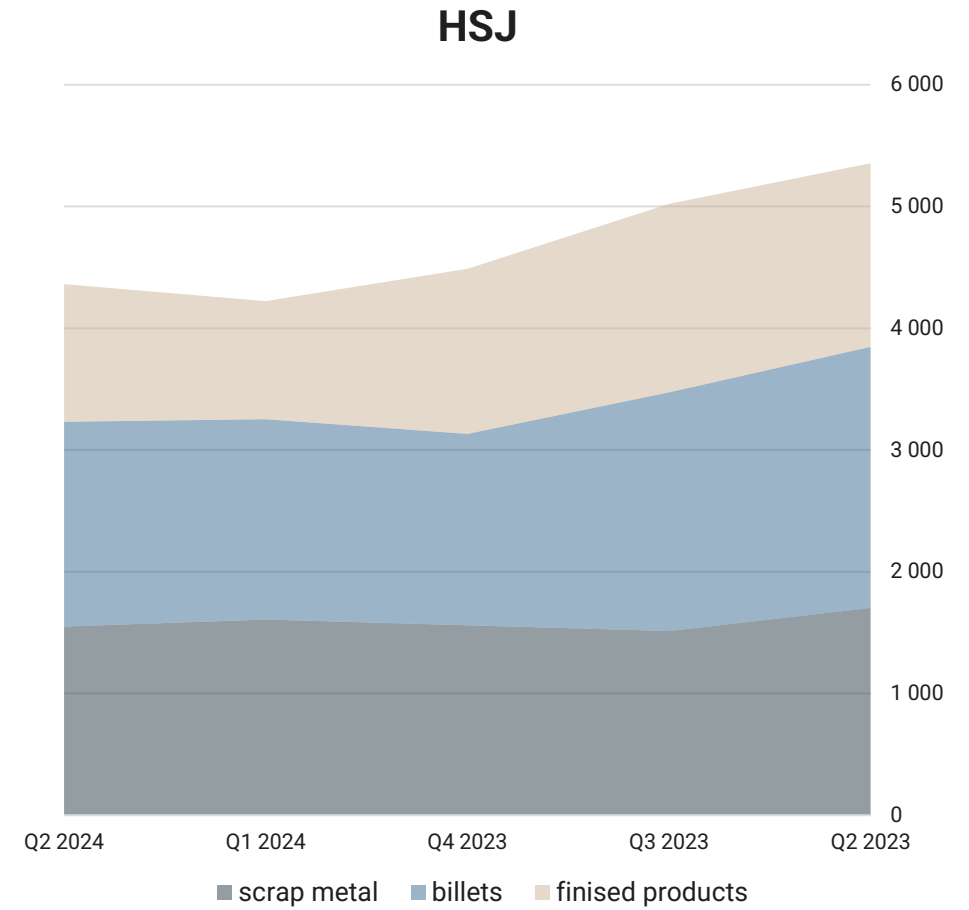
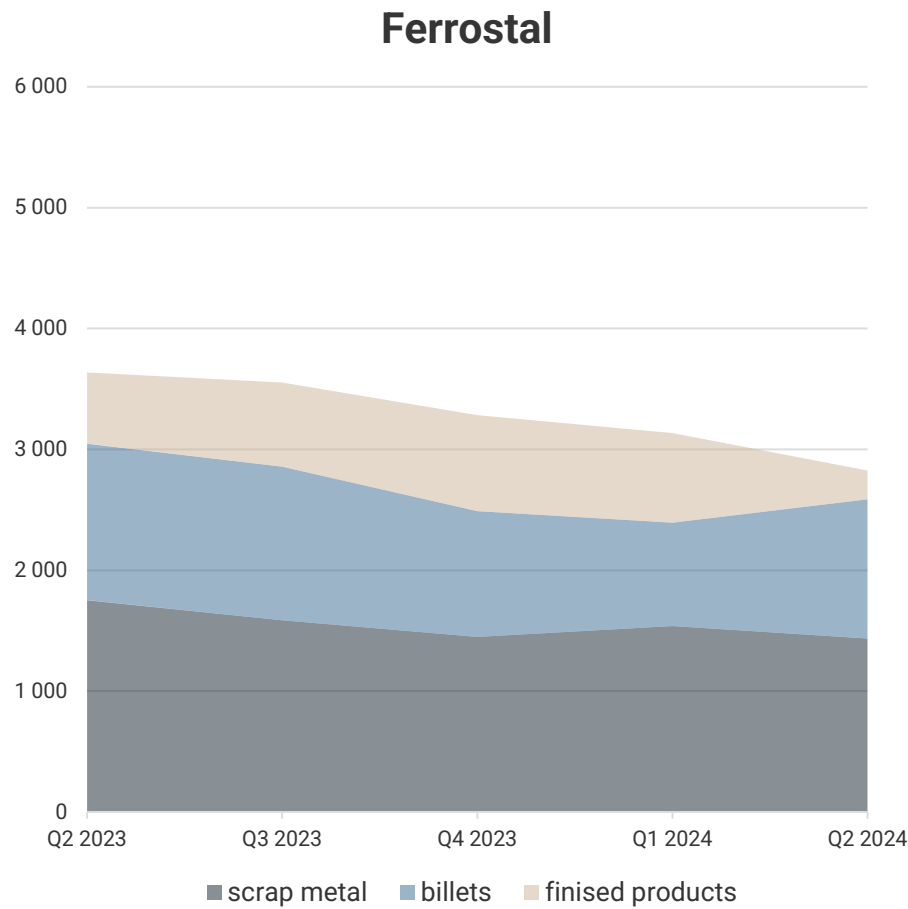


Geographical breakdown (%)



Prices and Conversion Spreads (PLN / tonne)

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EBIT Generation Breakdown (PLN thousand)

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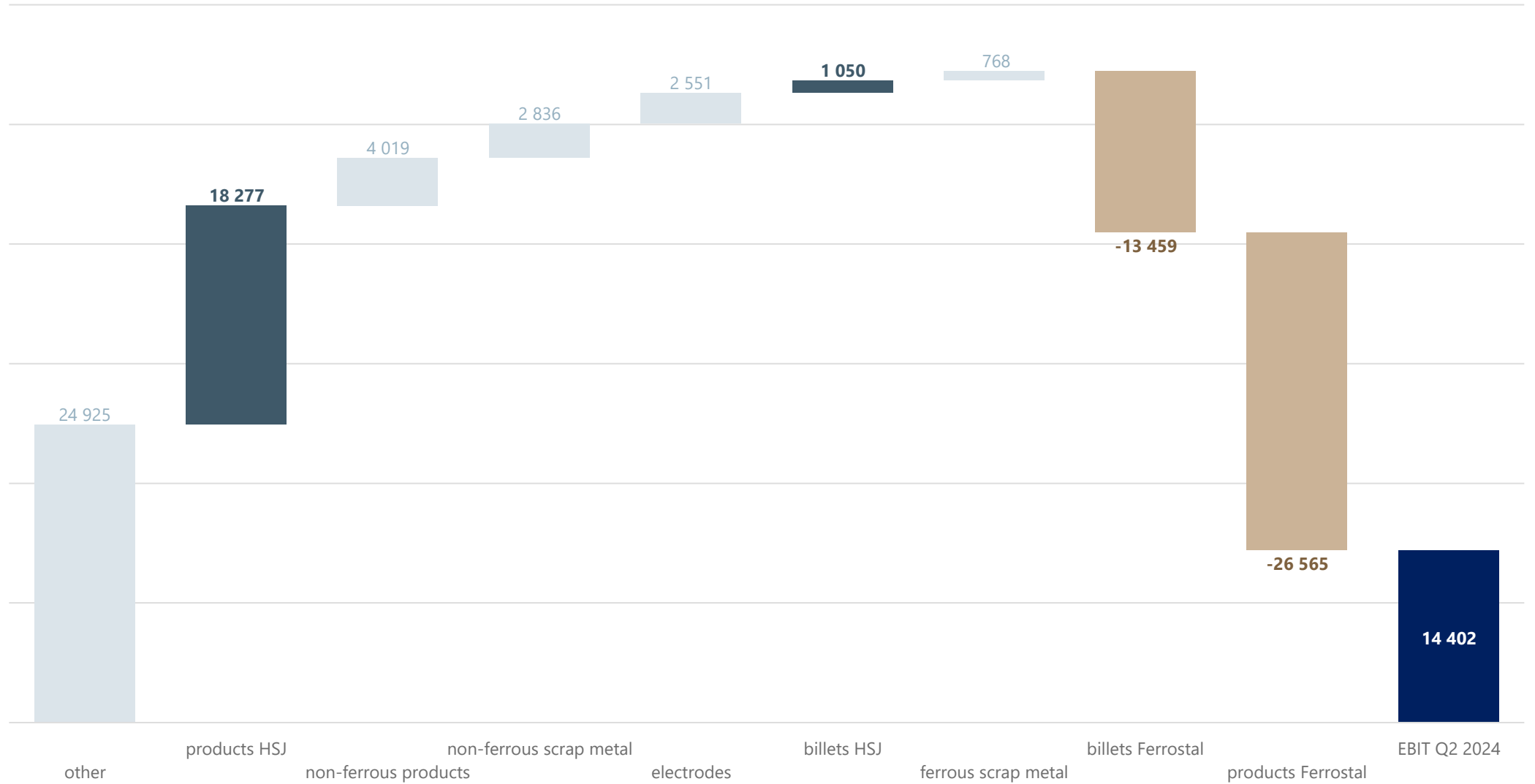
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Q2 2024 P&L Waterfall (PLN thousand)

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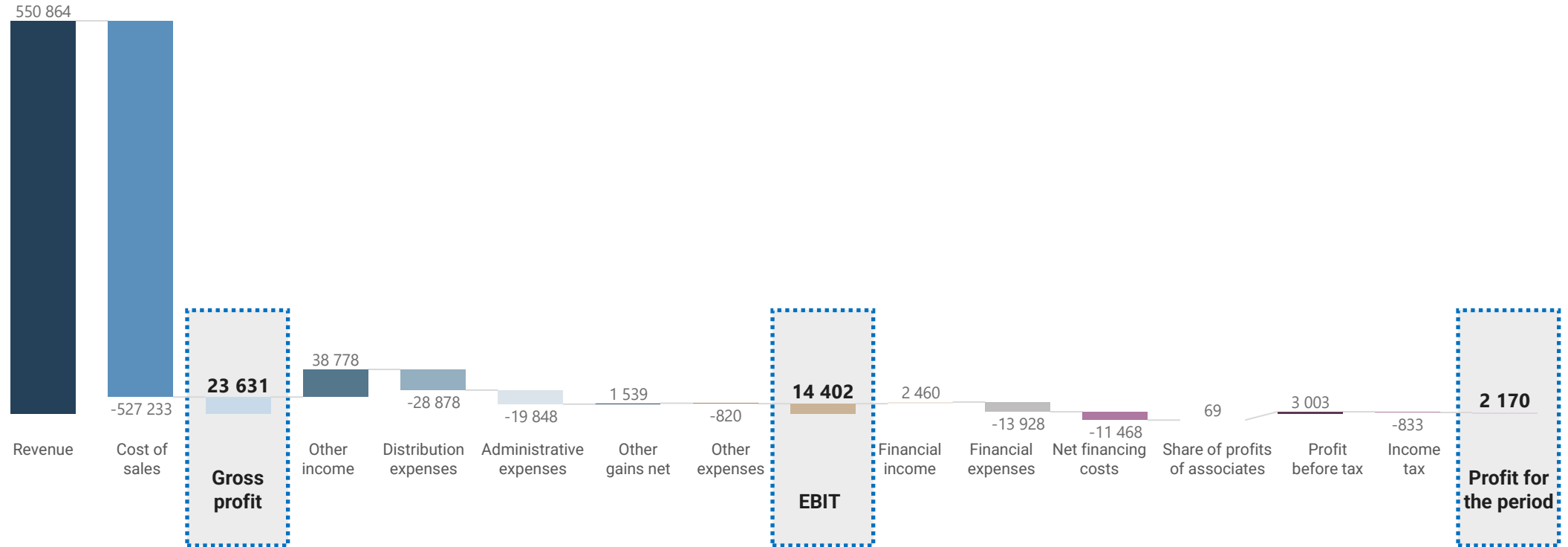
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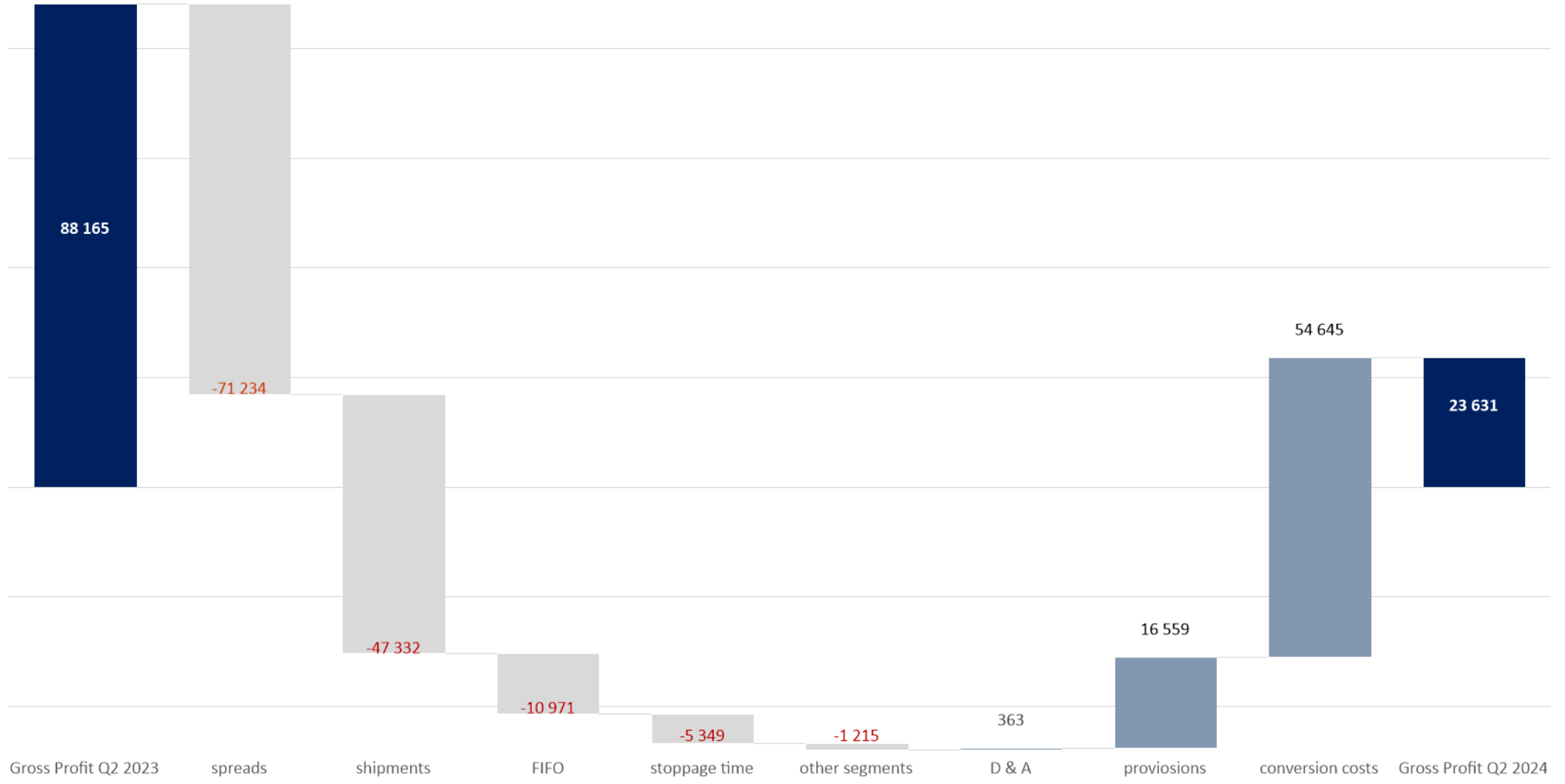
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Gross Profit Bridge (PLN thousand)

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EBIT Bridge (PLN thousand)

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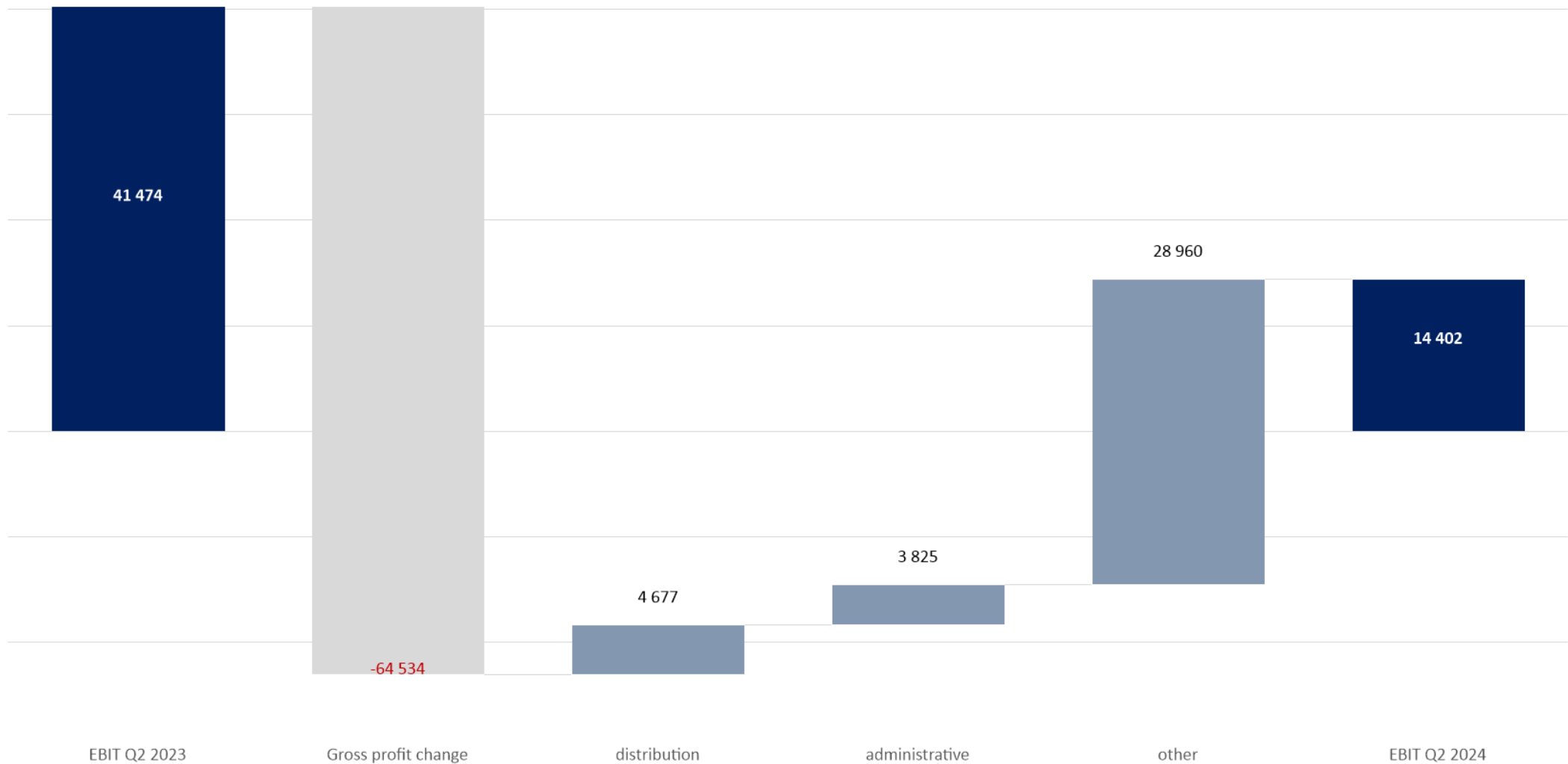
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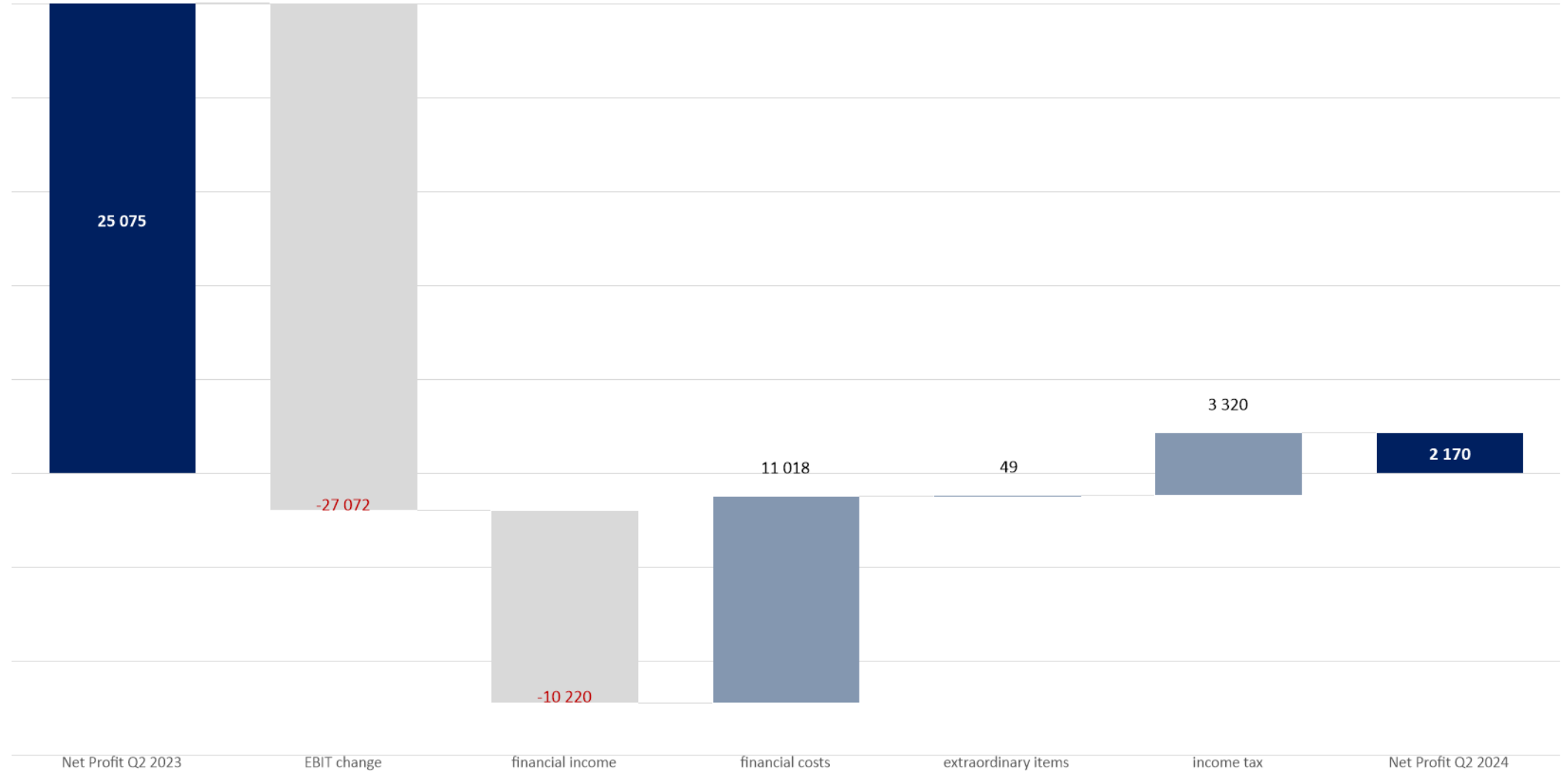
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Net Profit Bridge (PLN thousand)



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Balance Sheet (PLN million)

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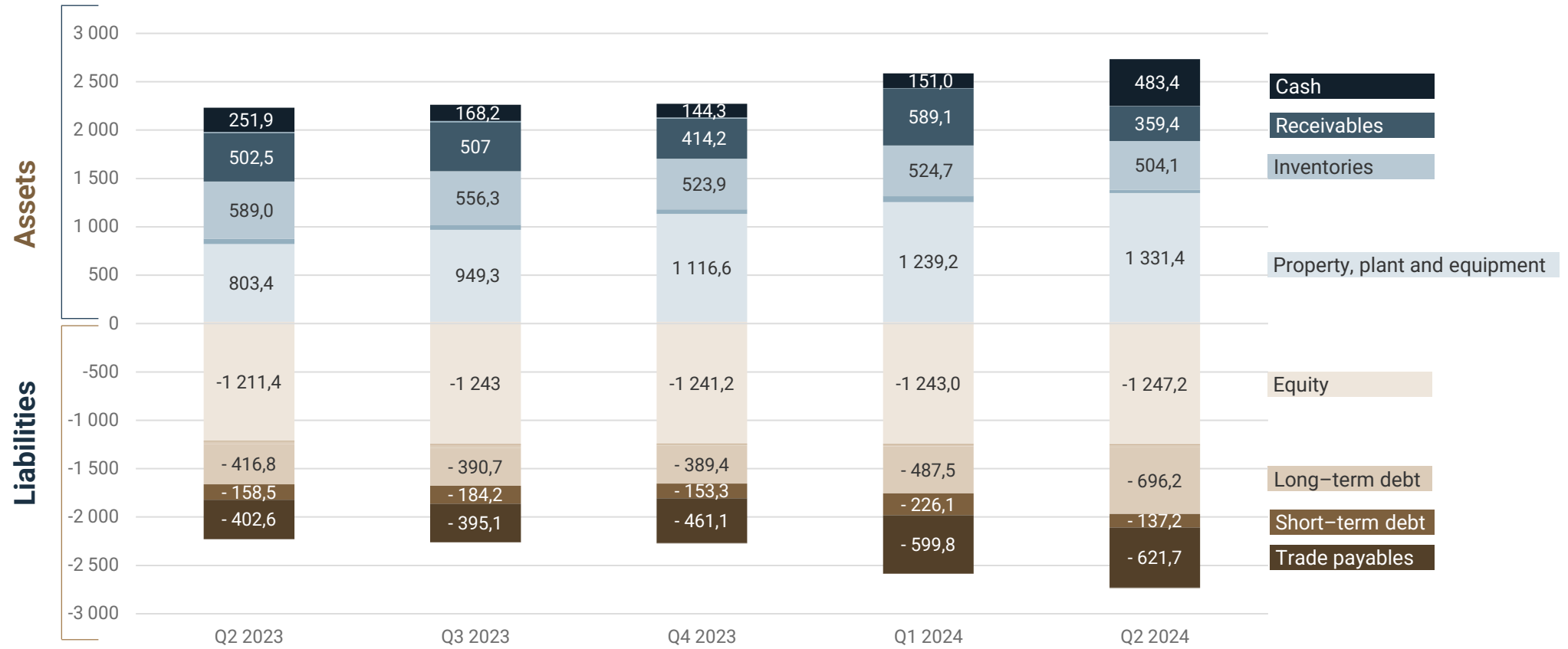
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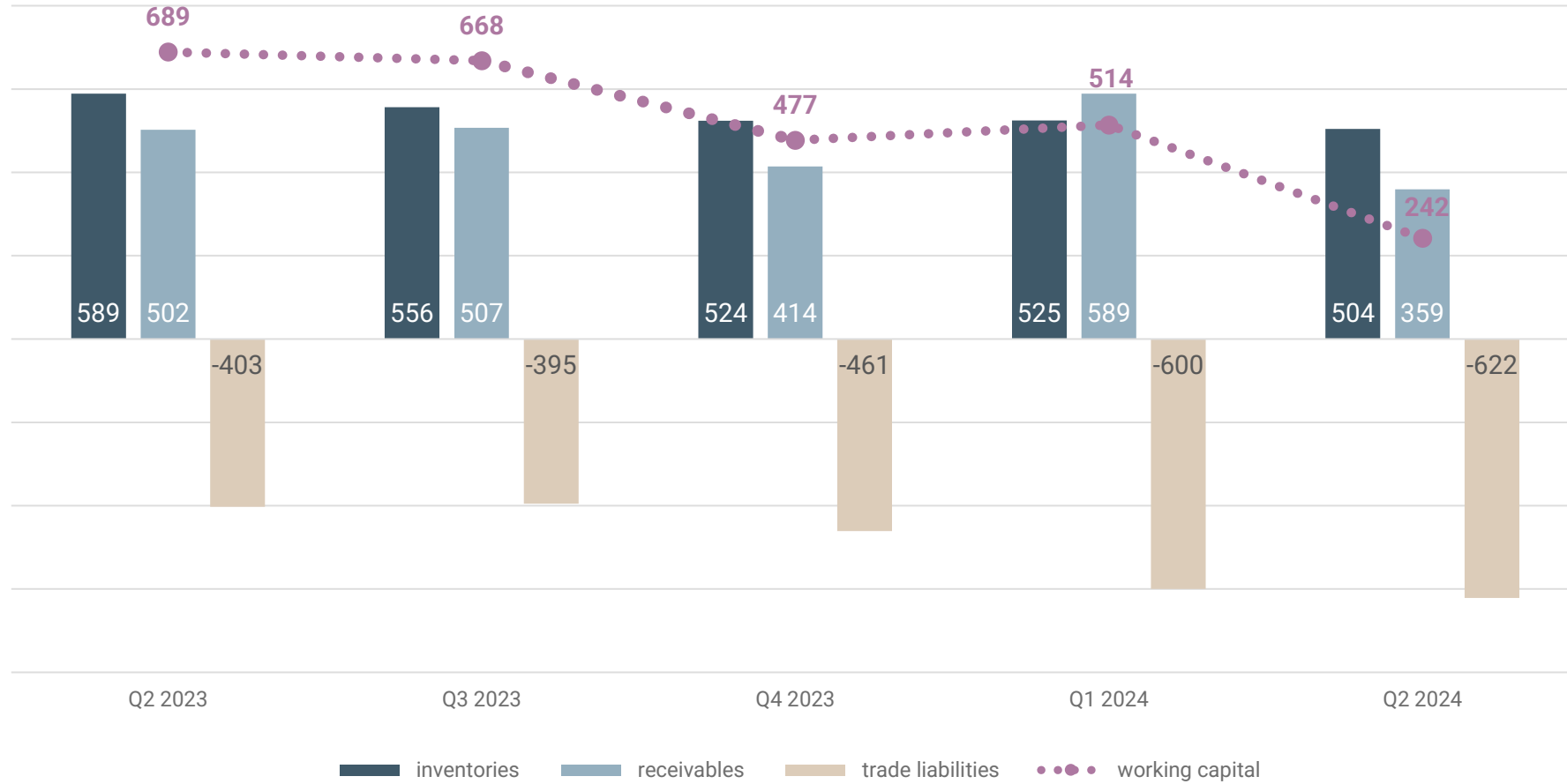
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Balance Sheet (PLN thousand)

Working Capital



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Cash Flows (PLN thousand)

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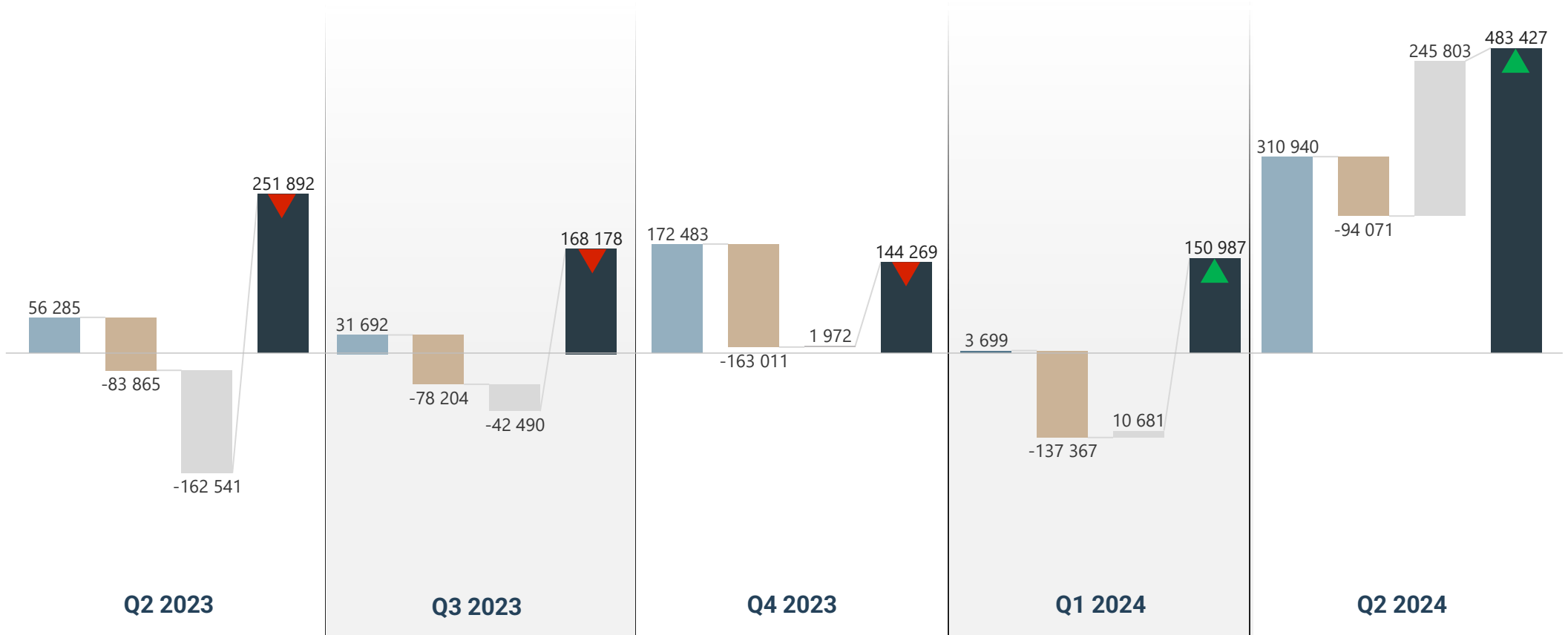
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Operational CAPEX Financial Cash balance Increase Decrease





Net Debt (PLN thousand) & Leverage Metric

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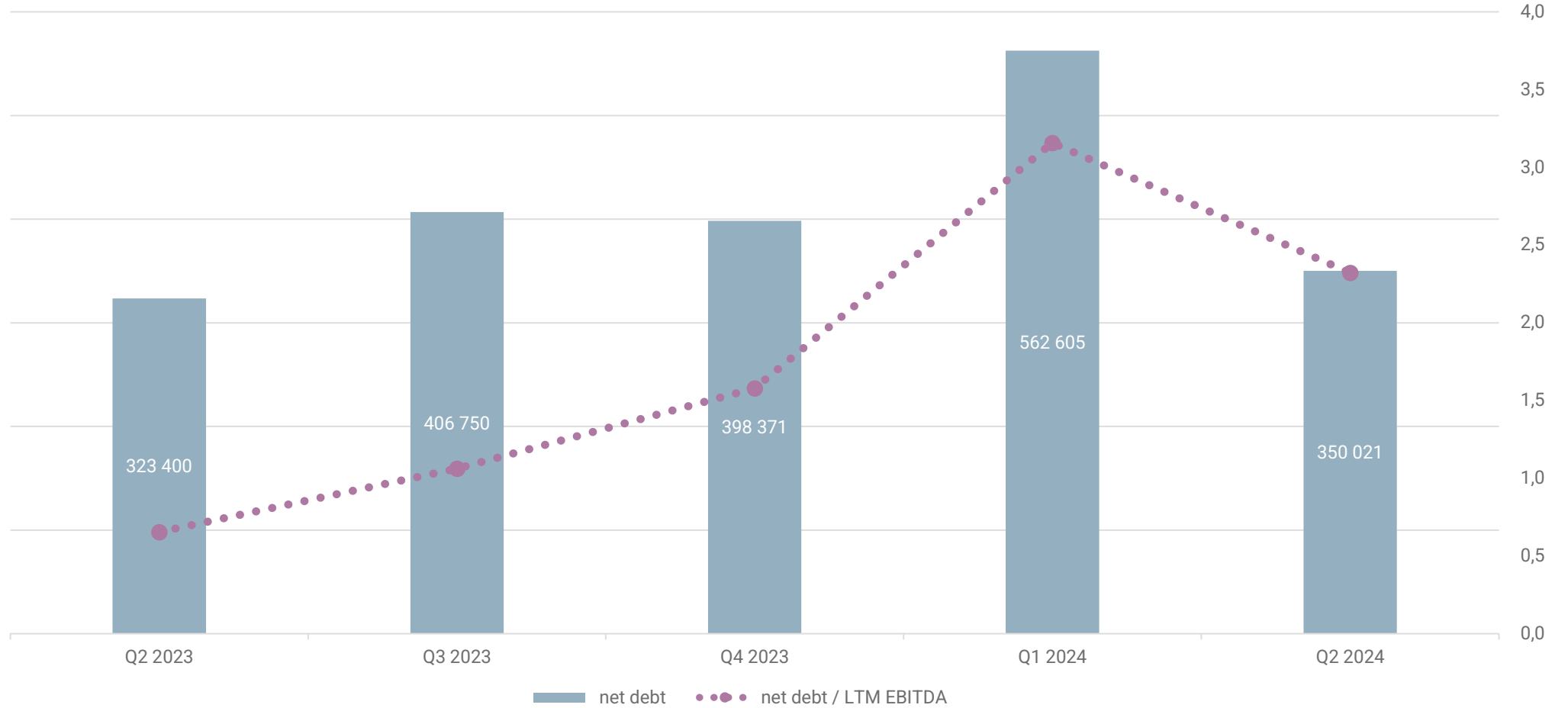
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Cognor in new scale (thousand tonnes)

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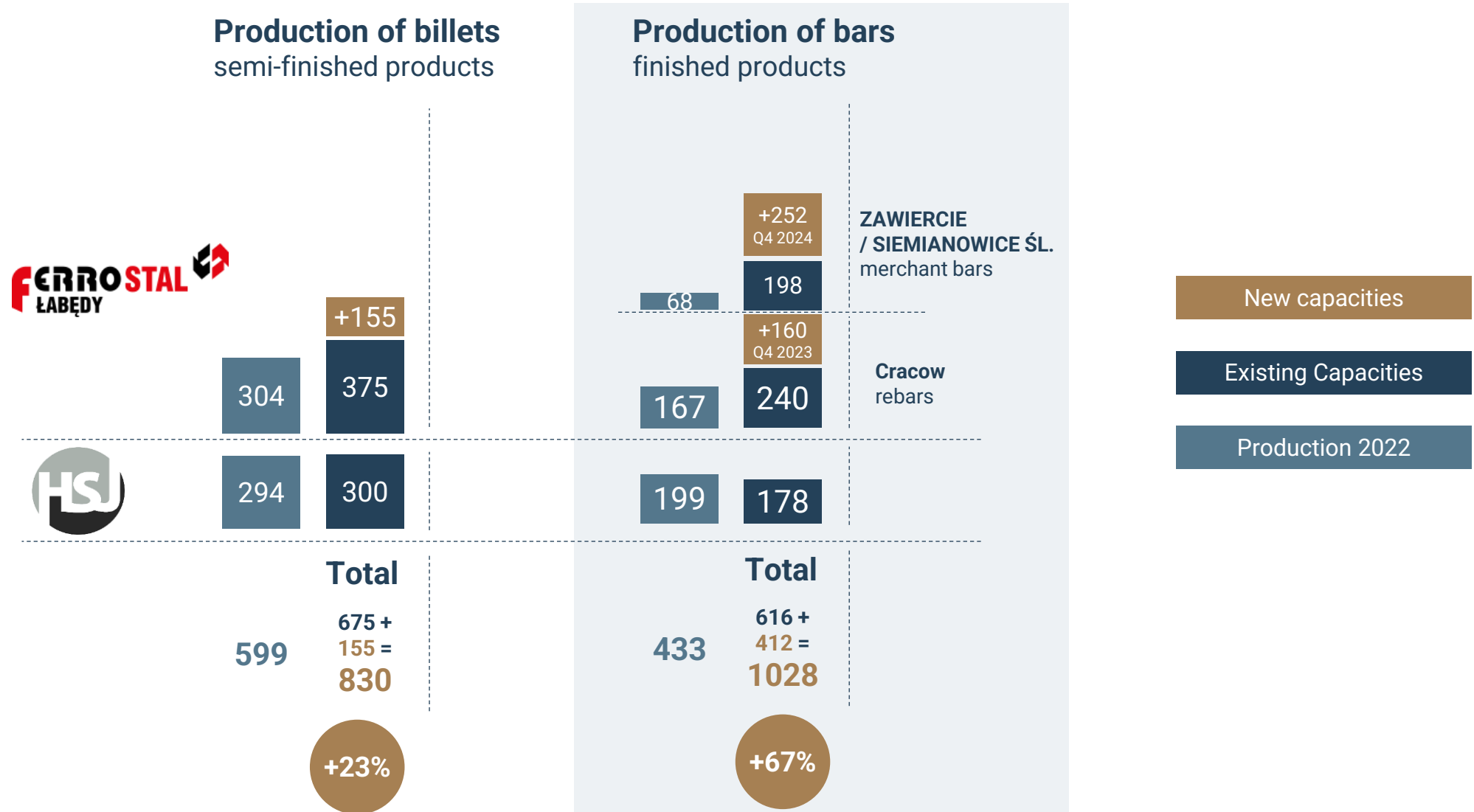
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Capex- Costs, Financing and Effects

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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

Cracow

entire mill modernisation plus spooling
line (Q1 2024; 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
(Q1 2025)

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 – Q3 2024

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Macro trends

(slide 3) unchanged

Prices of

scrap, billets and finished
products expected to stabilize
QoQ

Spreads

stable QoQ

Rebar

market in crisis. Some small
improvement possible

Rising capacity utilisation

Cracow mill to achieve full scale
production only in Q4 2024

EBITDA

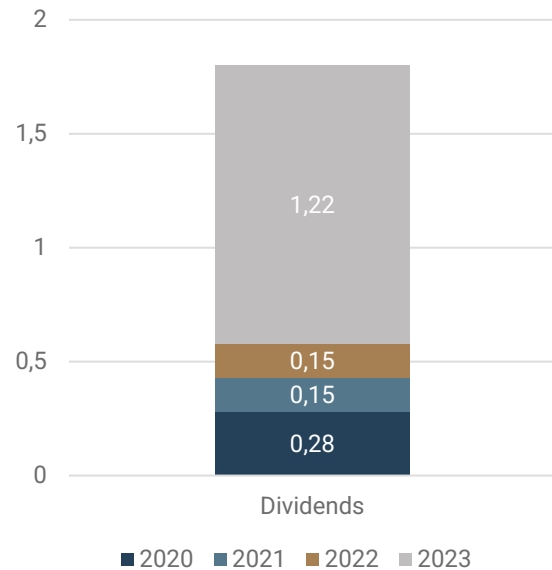
stable as compared to Q2
2024 and weaker than Q3
2023

Dividends, Ratios and Share Quoting

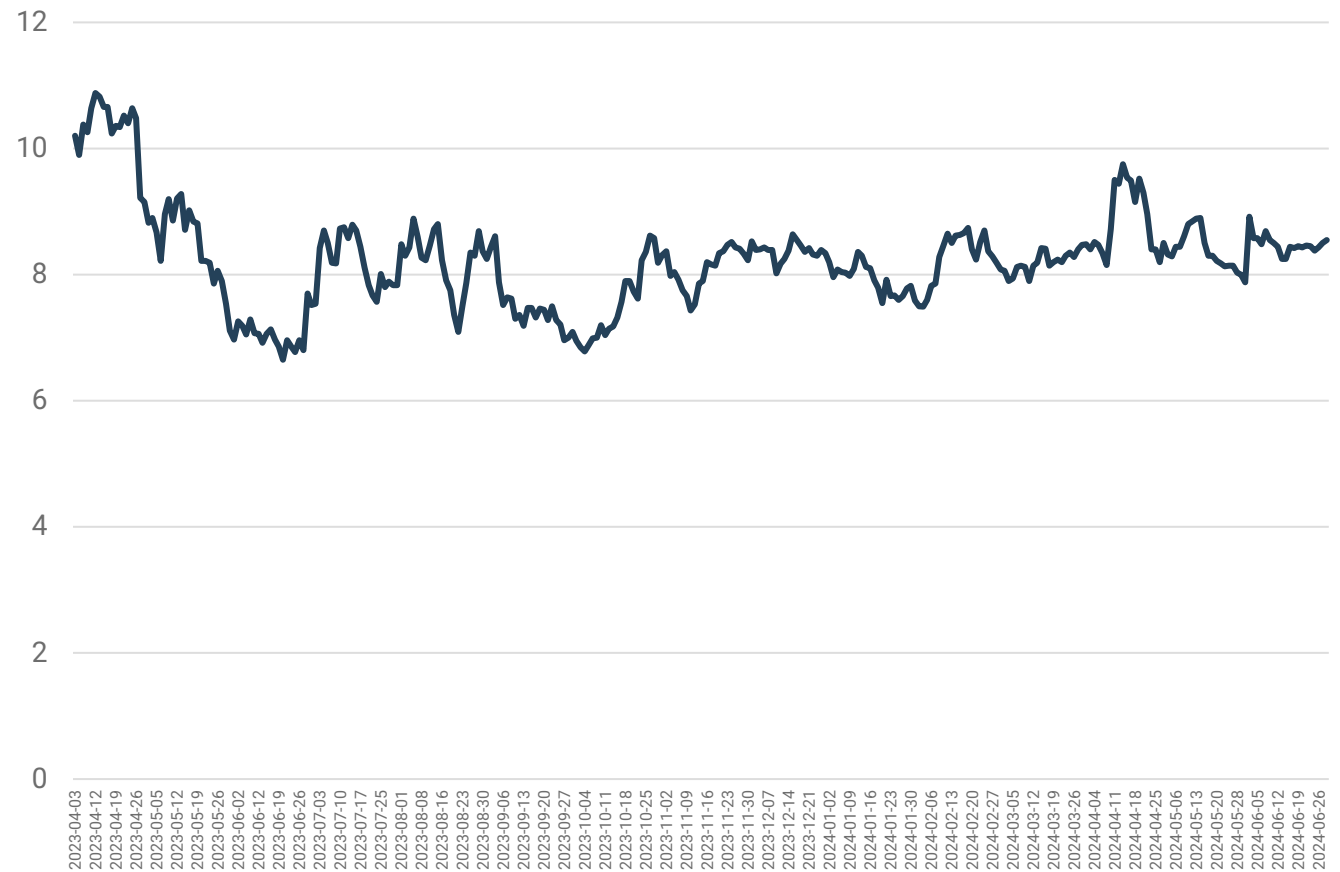
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Dividend policy 25% of consolidated net profit

Q2 2024	
LTM Net profit (000 PLN)	44 544
Equity (000 PLN)	1 167 572
Number of shares	171 420 663
as of 30.06.2024	
Share price (PLN)	8.55
P / E	32.90
P / BV	1.26



Trading of Cognor shares on Warsaw Stock Exchange



P&L (PLN thousand)

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STATEMENT OF PROFIT OR LOSS	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
'000 PLN					
Sales revenue	764 601	499 497	569 979	686 280	550 864
Cost of sales	-676 436	-457 697	-523 303	-660 813	-527 233
Gross profit	88 165	41 800	46 676	25 467	23 631
Other income	20 364	52 252	18 202	39 812	38 778
Distribution expenses	-33 555	-22 630	-26 765	-34 831	-28 878
Administrative expenses	-23 673	-17 871	-19 122	-17 415	-18 848
Other gains/(losses) – net	-9 129	8 156	-5 555	2 216	1 539
Other expenses	-698	-2 397	-172	-573	-829
EBIT	41 474	60 000	13 264	14 676	14 402
Financial income	12 680	-3 227	901	9 124	2 460
Financial expenses	-24 946	-16 072	-3 794	-15 232	-13 928
Net financing costs	-12 266	-19 299	-2 893	-6 108	-11 468
Share of profits of associates	85	22	37	42	69
Excess in fair value of acquired assets over cost	-60	0	0	0	0
Profit before tax	29 229	40 723	10 408	8 610	3 003
Income tax expense	-4 153	-10 646	-2 030	-2 415	-833
Profit/loss from discontinued operations	0	0	0	0	0
Profit for the period	25 075	30 077	8 378	6 195	2 170
Depreciation and amortization	-12 566	-11 897	-12 356	-11 981	-12 203
EBITDA	54 040	71 897	25 620	26 657	26 605

Revenues down by **214m & 28%**

- shipments down by 38kt & 22.6%
- energy sales lower by 34m
- decrease of prices for: scrap metal, billets and finished products

Gross profit down by **65m & 73%**

- contraction of spreads : 71m
- lower shipments: 47m
- FIFO result: 11m
- stoppage time: 5m
- other segments result: 1m
- lower conversion costs: 55m
- inventory write-offs release: 17m

EBIT down by **27m & 65%**

- gross profit change : 65m
- higher other gains & losses balance: 29m
- lower distribution costs: 5m
- lower administration costs: 4m

Net profit down by **23m & 91%**

- EBIT change: 27m
- financial income change: 10m (6.5m IRS inflow + 3.6 FX in Q2 2023)
- financial costs change: 11m (10.2m neg .IRS val. in Q2 2023)
- income tax change: 3m

Adjusted net result **8m** (v. 57m in Q2 2023)EBITDA down by **27m & 51%**Adjusted EBITDA **35m** (v. 89m in Q2 2023)

Assets (PLN thousand)

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ASSETS	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
'000 PLN					
A. TOTAL NON-CURRENT ASSETS	876 842	1 020 901	1 181 785	1 318 025	1 383 322
I. Intangible assets	19 448	19 094	18 196	17 532	17 194
II. Property, plant and equipment	803 431	949 323	1 116 622	1 239 216	1 331 353
III. Other receivables	14 643	15 076	15 417	22 117	8 308
IV. Investment property and other investments	1 198	1 120	1 106	1 148	1 216
V. Financial instruments assets	37 679	34 839	28 645	35 652	22 415
VI. Prepaid perpetual usufruct of land	0	0	0	0	0
VII. Deferred tax assets	443	1 449	1 799	2 360	2 836
B. TOTAL CURRENT ASSETS	1 353 599	1 242 436	1 092 139	1 268 116	1 350 306
I. Inventories	589 003	556 255	523 859	524 682	504 089
II. Receivables	502 484	507 220	414 245	589 145	359 415
1. Trade and other receivables	483 961	487 305	403 933	573 310	353 877
2. Current income tax receivable	18 510	19 900	10 299	15 815	5 520
3. Other investments	13	15	13	20	18
III. Financial instruments assets	3 260	3 828	2 817	3 302	3 375
IV. Cash and cash equivalents	251 892	167 178	144 269	150 987	483 427
V. Prepayments	0	0	0	0	0
VI. Assets classified as held for sale	6 966	6 955	6 949	0	0
Total	2 230 441	2 263 337	2 273 924	2 586 141	2 733 628

Fixed assets up by **506m & 58%**
 - CAPEX: 592m
 - D&A: 48m
 - asset dispositions: 14m
 - financial instruments valuation: 6m

Current assets down by **3m & 0%**
 - receivables down by 143m
 trade receivables sold: 255m
 (in Q2 2023: 185m)
 - inventories down by 85m
 - cash up by 232m

Equity and Liabilities (PLN thousand)

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EQUITY AND LIABILITIES	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
'000 PLN					
A. EQUITY	1 211 444	1 243 398	1 241 210	1 242 996	1 247 170
I. Issued share capital	257 131	257 131	257 131	257 131	257 131
II. Reserves and retained earnings	876 991	907 253	904 817	906 541	910 441
III. Minority interest	77 322	79 014	79 262	79 324	79 598
B. LIABILITIES	1 018 997	1 019 939	1 032 714	1 343 145	1 486 458
I. Non-current liabilities	451 353	434 222	412 335	512 410	722 430
1. Employee benefits obligation	13 076	12 994	13 126	12 728	13 456
2. Interest-bearing loans and borrowings	416 754	390 714	389 351	487 521	696 239
3. Other	21 705	30 514	9 858	12 161	12 735
II. Current liabilities	565 963	584 196	618 838	830 735	764 028
1. Interest-bearing loans and borrowings	130 538	150 997	153 289	95 493	137 209
2. Bank overdraft	28 000	33 217	0	130 578	0
3. Trade and other payables	402 618	395 129	461 129	599 791	621 677
4. Deferred government grants	1 537	1 557	1 365	1 512	1 481
5. Liability under financial instruments	0	0	0	0	0
6. Employee benefits obligation	1 826	1 929	1 755	2 061	2 361
7. Current income tax payable	114	67	0	0	0
8. Provisions for payables	1 330	1 300	1 300	1 300	1 300
III. Liabilities of disposal group	1 499	1 521	1 541	0	0
Total	2 230 441	2 263 337	2 273 924	2 586 141	2 733 628

Equity up by PLN

36m & 3%

- LTM net result: 47m

- FX foreign entity loss: 11m

Liabilities up by PLN

467m & 46%

- long-term debt up by: 279m

- trade payables: up by: 219m

- short-term debt down by: 21m

Cash Flows (PLN thousand) & Metrics

Introduction

CASH FLOW	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
'000 PLN					
A. OPERATING ACTIVITIES	56 285	31 692	172 483	3 699	310 940
B. INVESTING ACTIVITIES	-83 865	-78 204	-163 011	-137 367	-94 071
C. FINANCING ACTIVITIES	-162 541	-42 490	1 972	10 681	245 803
Net increase in cash	78 842	-89 002	11 444	-122 987	462 672

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MAIN METRICS	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Liquidity ratio	2.39	2.12	1.76	1.53	1.77
Quick ratio	1.35	1.17	1.92	0.89	1.11
Inventories turnover days	78	109	78	71	86
Receivables turnover days	57	88	54	75	58
EBITDA margin	7.1%	14.4%	9.3%	3.9%	4.8%
Net profit margin	3.3%	6.0%	8.7%	0.9%	0.4%
Equity '000 PLN	1 211 444	1 243 398	1 241 210	1 242 996	1 247 170
Net debt '000 PLN	323 400	406 750	398 371	562 605	350 400
Net debt / LTM EBITDA	0.7	1.1	1.6	3.2	2.3

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A
- working capital inflow: 295m
- income tax remittance: 10m

B
- CAPEX outflow: 97m
- disposals inflow: 3m

C
- debt incurrence: 270m
- IRS inflow: 16m
- debt repayment: 32m
- interest service: 8m

liquidity worsened but remains very good
inventory ratio up by 8 days and poor
receivable ratio down by 1 day and acceptable
profitability ratios down and poor
net leverage up to 2.3 and acceptable



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