



2021 Business and Financial Performance

March 29, 2022



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Krzysztof Zoła
Board Member, CFO

Responsibility

- Cooperation with financial institutions
- Budgeting and controlling
- IR
- M&A and major CAPEX projects

Experience

- with Cognor since 2002
- Board Member of Cognor Holding since 2013
- CFO for 15 years

Introduction | 2021 Highlights

- Poland GDP strongly positive at 7.3% compared to a 2.8% decline in 2020
- EU GDP positive at 4.8%, compared to a 6.4 % decrease in 2020
- Polish steel production increased by 6.5%.; in the EU it went up by as much as 15.4%.
- Surge of prices of scrap metal, billets and finished products. Explosion of conversion spreads for finished products and billets. Good demand especially from the construction industry; EU protectionist measures working better than in previous years
- Feedstock material prices rising sharply; scrap metal dynamics stronger than that of iron ore and coking coal; EAF competitive position worsening and levelling up with BOF
- 62.2% increase of revenues while shipments slightly up by 3.2%
- PLN 36,2 million under CO2 grants
- Reported EBIT, EBITDA and net profit at all-time high
- High utilization of capacities at 105.6%

ANNUAL CAPACITY		UTYLIZATION RATE				
	Tonnes	2021	2020	2019	2018	2017
FERROSTAL	375 000	116%	111%	118%	115%	115%
HSJ	300 000	92%	100%	96%	102%	94%
COMBINED	675 000	106%	106%	109%	109%	107%

Business Overview | World's Steel Output

CRUDE STEEL PRODUCTION	2021	% YoY	2020	2019
<i>m tonnes</i>				
Europe	309	7.5	288	295
UE	153	15.4	132	157
Poland	8.4	6.5	7.9	9.0
CIS	106	5.6	100	100
North America	118	16.6	101	120
USA	86	18.3	73	88
South America	46	17.8	39	42
Africa / Middle East	57	7.1	53	54
Asia	1 376	0.6	1 368	1 330
China	1 033	-3.0	1 065	1 001
Japan	96	15.7	83	99
Oceania	6	0.0	6	6
Total	1 912	3.6	1 845	1 846

Poland with 6.5% production and 10.5% demand increases

USA with 18.3% production and 26.3% demand increases

China with 3.0% production and 6.1% demand decreases

PRODUCT DEMAND	2021	% YoY	2020	2019
<i>mln tonnes</i>				
Europe	259	12.2	231	257
UE	161	14.5	141	160
Poland	14	10.5	13	14
CIS	53	7.5	50	51
North America	145	23.3	118	139
USA	101	26.3	80	98
South America	40	14.5	35	37
Africa / Middle East	89	6.9	84	87
Asia / Oceania	1 263	-2.3	1 293	1 236
China	923	-6.1	986	877
Japan	59	12.1	53	63
Total	1 797	2.1	1 760	1 747

Anti Dumping

Since 2016 the anti dumping measures have been used by the EU in a much stricter manner. There has been a growing number of cases with double digit duties imposed. The measures are applied against a certain country or a producer, for a given type of a product and for a certain period of time. Currently, approximately 150 anti dumping measures remain in force of which majority is relating to steel.

Safeguard

In July 2018 the European Commission introduced a temporary measure aimed at safeguarding the EU market against the potential increase of imports of steel products resulting from the introduction of section 232 (25% tax for steel imports) by the USA. Twenty nine product groups, including rebars were made subject to the regulation.

In February 2019 a definitive safeguard tool has been put in place for a period of 2,5 years starting from 02.02.2019. It introduced the quotas including the sub-limits for specified countries. For rebars those are: Turkey, Russia, Ukraine, BiH and Moldova. In July 2019 and 2020 the measure has been revised and the quota annual increments have been reduced from 5% to 3%. Secondly, for rebars, wire rod and HRC, the availability of the general quota has been limited to just 30% in the case of countries with the granted specific sub-limits and only in respect of the last quarter within the annual period (Apr-Jun). Countries quotas limit imports on quarterly basis. The country quotas and the general quota tonnages unused in a given quarter get transferred to the next quarterly period.

In 2021 a decision was taken to prolong the safeguard tool for another 3 years, till June 30, 2024.

Carbon Tax

In 11 December 2019 the European Commission adopted the European Green Deal which includes the goal of climate neutrality by 2050 and of the decrease in greenhouse gasses emissions by 50-55% by 2030 from their levels of 1990. It also includes a proposal of a carbon border adjustment mechanism (CBAM) to ensure that the price of imports reflect more accurately their carbon content.

The CBAM legislature has just been proposed to commence from Jan 2023. Under its rules, from 2026 to place a product on the EU market an importer will have to purchase „CBAM rights” for a price equal to the market price of the EU ETS CO2 emission right. The solution is aimed to prevent the so-called carbon leakage and the side effect could be a certain improvement of the competitive position of the EU producers vis-a-vis importers. Status of the existing subsidies for CO2 emitting industries post 2025 has become uncertain as the CBAM is meant to supplement the so far support solutions such as: free CO2 allowances and subsidies for energy intensive industries.

Business Overview | EU Safeguard

Q4 2021 - REBARS as of:	31.12.2021
period start	01.10.2021
period end	31.12.2021
period days	91
days remaining	0
period advancement	100%
initial amount utilisation	92%

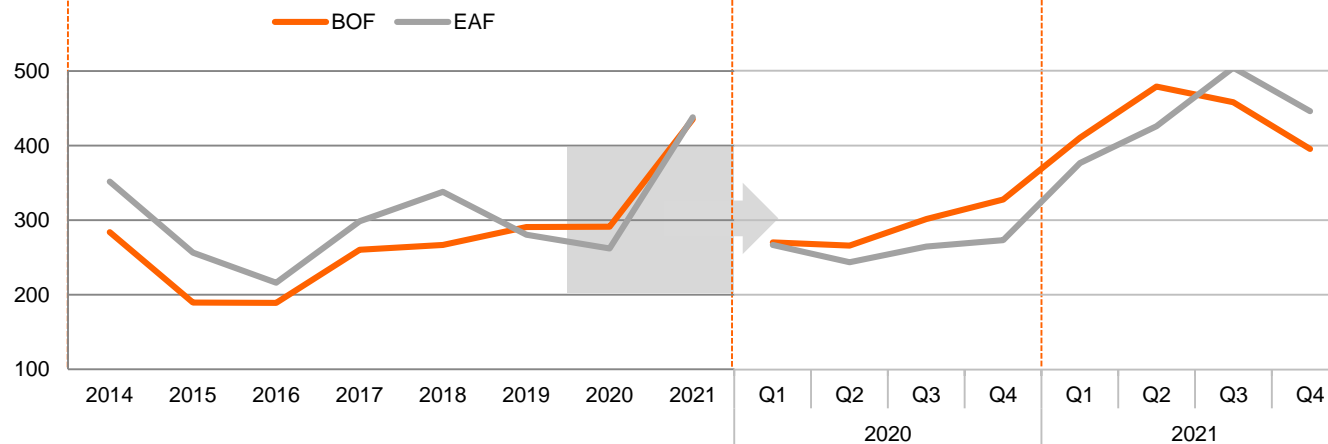
ORIGINS	Initial Amount	Q3 2021 transferred	Used in Q4 2021	Quota Available
Turkey	61 938 030	0	61 938 030	0
Russia	59 963 190	0	59 635 965	327 225
Ukraine	30 321 980	2 565 018	17 780 575	15 106 423
BiH	26 553 720	7 582 528	15 293 156	18 843 092
Moldova	19 083 720	1 960 176	18 943 217	2 100 679
Other countries	115 435 690	0	115 340 497	95 193
TOTAL	313 296 330	12 107 722	288 931 440	36 472 612

Q1 2022 - REBARS as of:	25.03.2022
period start	01.01.2022
period end	31.03.2022
period days	89
days remaining	6
period advancement	93%
initial amount utilisation	88%

ORIGINS	Initial Amount	Q4 2021 transferred	Used in Q1 2022	Quota Available
Turkey	60 591 550	0	60 591 550	0
Russia	58 659 650	327 225	58 986 875	0
Ukraine	29 662 810	15 106 423	40 857 367	3 911 866
BiH	25 976 460	18 843 092	21 481 839	23 337 713
Moldova	18 668 860	2 100 679	13 179 872	7 589 667
Other countries	112 926 220	95 193	73 804 690	39 216 722
TOTAL	306 485 550	36 472 612	268 902 194	74 055 968

BOF & EAF Feedstock Costs

Feedstock Cost	2014	2015	2016	2017	2018	2019	2020	2021	2020				2021				
									Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<i>USD / Tonne</i>																	
BOF	284	190	189	260	267	291	291	436	270	266	301	327	410	479	458	395	
EAF	352	257	216	299	338	281	262	438	267	244	265	273	377	426	504	446	
difference	-68	-67	-27	-38	-71	10	29	-2	4	22	37	54	34	53	-46	-51	



Prices	Iron ore	Coking coal	Steel scrap
<i>(USD / Tonne)</i>			
2014	97	105	314
2015	55	89	229
2016	59	92	193
2017	72	150	267
2018	70	153	302
2019	94	147	251
2020	108	115	234
2021	160	163	391

Prices	Iron ore	Coking coal	Steel scrap
<i>(USD / Tonne)</i>			
Q1 2020	91	126	238
Q2 2020	93	120	218
Q3 2020	117	108	236
Q4 2020	132	109	244
Q1 2021	165	126	336
Q2 2021	199	134	380
Q3 2021	163	170	450
Q4 2021	112	221*	398

Feedstock Cost Model	BOF	EAF
<i>Tonne / Tonne of crude steel</i>		
iron ore	1.60	
coking coal	0.60	
scrap metal	0.21	1.12

- EAF steel producers compete with BOF steelmakers to some extent (billets)
- Due to the strong steel output growth in 2017 and 2018 scrap metal prices increased more as compared to BOF feedstock,
- In 2019 and 2020 scrap metal price has been falling at a much faster pace compared to iron ore and coking coal
- The cost of EAF producers in the whole of 2021 has leveled up with BOFs as the second half marked a deterioration of EAF competitive position at the back of faster pace of scrap metal increase.

source: IMF - iron ore, EIA - coking coal,
 Cognor - scrap metal,
 * Q4 estimate based on Q3 2021 + 51 USD

Prices & Spreads

	2021	2020	2019	2018	2017	2016	2015
(pln/ tonne)							
FERROSTAL							
SCRAP METAL - average purchase price	1 515	907	965	1 092	1 014	755	864
BILLETS - average price	2 934	1 760	1 850	2 138	1 834	1 455	1 660
<i>volume</i>	83 505	83 315	110 263	81 775	119 211	75 014	104 113
BILLET SPREADS	1 419	852	884	1 046	821	700	796
FINISHED PRODUCTS – average price	3 314	1 971	2 129	2 321	1 997	1 714	1 842
<i>total volume</i>	325 807	340 264	313 661	319 683	315 828	319 149	224 491
<i>- plain bars</i>	3 495	2 177	2 338	2 457	2 084	1 872	1 945
<i>volume</i>	34 334	29 051	30 920	30 268	30 411	29 498	32 331
<i>- flat bars</i>	3 423	2 182	2 331	2 478	2 089	1 902	1 967
<i>volume</i>	42 784	45 079	39 434	44 051	48 088	61 409	60 155
<i>-squares</i>	3 378	2 091	2 261	2 434	2 062	1 871	1 939
<i>volume</i>	6 524	8 898	8 743	8 329	6 534	7 726	11 029
<i>-rebars</i>	3 254	1 873	2 031	2 243	1 951	1 582	1 629
<i>volume</i>	222 639	231 466	211 065	213 681	211 832	188 994	82 461
<i>-angles</i>	3 413	2 163	2 333	2 489	2 064	1 918	1 951
<i>volume</i>	18 461	23 040	22 038	22 254	17 927	24 895	32 171
<i>-other</i>	3 654	2 494	2 573	2 984	2 933	2 108	2 180
<i>volume</i>	1 065	2 730	1 461	1 100	1 036	6 627	6 346
PRODUCT SPREADS	1 799	1 063	1 164	1 229	983	960	978
<i>- plain bars</i>	1 980	1 269	1 327	1 365	1 070	1 117	1 081
<i>- flat bars</i>	1 908	1 275	1 365	1 387	1 075	1 147	1 104
<i>-squares</i>	1 862	1 184	1 296	1 342	1 048	1 116	1 076
<i>-rebars</i>	1 738	966	1 066	1 152	938	827	766
<i>- angles</i>	1 898	1 256	1 367	1 397	1 050	1 164	1 087
<i>- other</i>	2 138	1 587	1 608	1 892	1 919	1 353	1 317

scrap metal price up by **608 & 67.0%**
 billet sales price up by **1 174 & 66.7%**

billet spread up by 566 & 66.4%
 finished product sales price up by **1 343 & 68.2%**

product spread up by 736 & 69.2%

Prices & Spreads

	2021	2020	2019	2018	2017	2016	2015
<i>(pln/ tonne)</i>							
HSJ							
SCRAP METAL - average purchase price	1 697	1 006	1 079	1 206	1 076	823	902
BILLETS - average price	3 250	2 160	2 224	2 692	2 235	1 769	1 968
<i>volume</i>	68 089	75 977	74 656	58 675	66 213	40 482	28 148
BILLET SPREADS	1 553	1 154	1 145	1 486	1 159	946	1 066
FINISHED PRODUCTS – average price	4 003	2 861	3 280	3 496	2 858	2 463	2 703
<i>total volume</i>	190 404	162 471	162 244	178 401	165 082	160 593	168 397
<i>- SQ bars</i>	3 974	2 775	3 194	3 398	2 785	2 337	2 584
<i>volume</i>	188 243	159 946	157 555	175 617	156 519	153 621	150 311
<i>- thick sheets</i>	5 741	3 892	3 668	4 652	2 818	2 740	2 427
<i>volume</i>	1 015	1 391	3 699	1 593	7 699	5 696	16 362
<i>- thin sheets</i>	13 079	11 752	11 049	11 513	10 973	11 147	10 820
<i>volume</i>	421	542	521	701	536	638	1 069
<i>-other</i>	14 759	19 967	20 515	23 379	25 154	21 547	23 529
<i>volume</i>	193	458	469	490	328	638	655
PRODUCT SPREADS	2 306	1 855	2 201	2 290	1 782	1 640	1 801
<i>- SQ bars</i>	2 267	1 767	2 166	2 192	1 709	1 514	1 682
<i>- thick sheets</i>	4 044	3 152	3 610	3 446	1 742	1 917	1 525
<i>- thin sheets</i>	11 382	10 746	9 970	10 307	9 897	10 324	9 918
<i>- other</i>	13 062	18 961	19 436	22 173	24 078	20 724	22 627

scrap metal price up by **691 & 68.7%**
 billet sales price up by **1 090 & 50.4%**

billet spread up by 399 & 34.5%
 finished product sales price up by **1 142 & 39.9%**

product spread up by 451 & 24.3%

Segments

SCRAP METAL		2021	2020	2019	
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>				
FERROSTAL		353 352	381 082	378 144	
ZŁOMREX		341 314	293 383	297 976	ZŁOMREX purchases up by 16.3%
HSJ		166 059	193 540	180 809	
INTERNAL USE	<i>Tonnes</i>				
FERROSRAL		490 476	465 947	493 125	
HSJ		312 316	294 671	286 514	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
ZŁOMREX		156 039	137 421	141 847	
OTHER		0	0	0	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		239 781	123 403	131 952	
TOTAL PURCHASES in TONNES		860 725	868 005	856 929	
TOTAL INTERNAL USE in TONNES		802 792	760 618	779 639	Internal use up by 5.5%
TOTAL SALES in TONNES		156 039	137 421	141 847	Shipments up by 13.1%
TOTAL SALES in '000 PLN		239 781	123 403	131 952	Sales up by 94.3%

Segments

BILLETS		2021	2020	2019
PURCHASES	<i>Tonnes</i>			
FERR		0	0	0
PRODUCTION	<i>Tonnes</i>			
FERR		436 205	414 710	440 672
HSJ		276 324	260 014	251 539
INTERNAL USE	<i>Tonnes</i>			
FERR		364 110	329 169	333 017
HSJ		233 898	212 258	197 548
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		109 168	111 826	130 928
HSJ		42 426	47 466	53 991
SALES	<i>'000 PLN</i>			
CONSOLIDATED		466 261	310 750	370 012
TOTAL PURCHASES in TONNES		0	0	0
TOTAL PRODUCTION in TONNES		712 529	674 724	692 211
TOTAL INTERNAL USE in TONNES		598 008	541 717	530 565
TOTAL SALES in TONNES		151 594	159 292	184 919
TOTAL SALES in '000 PLN		466 261	310 750	370 012

Production up by **5.6%**
 Internal use up by **10.4%**
 Shipments down by **4.8%**
 Sales up by **50.0%**

Segments

FINISHED PRODUCTS		2021	2020	2019
PURCHASES	<i>Tonnes</i>			
ALL ENTITES		2 962	1 769	0
PRODUCTION	<i>Tonnes</i>			
ZWWB		86 130	69 082	76 655
HSJ		194 413	172 165	167 131
PROFIL		261 100	245 823	240 909
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERROSTAL		305 064	300 795	291 267
HSJ		208 009	198 882	184 638
ZLOMREX		6 100	4 827	0
SALES	<i>'000 PLN</i>			
CONSOLIDATED		1 851 174	1 138 137	1 200 657
TOTAL PURCHASES in TONNES		2 962	1 769	0
TOTAL PRODUCTION in TONNES		541 643	487 075	484 695
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		519 173	504 504	475 905
TOTAL SALES in '000 PLN		1 851 174	1 139 137	1 200 657

Production up by 11.2%
 Shipments up by 2.9%
 Sales up by 62.5%

Financials

STATEMENT OF PROFIT OR LOSS	2021	2020	2019
	'000 PLN		
Sales revenue	2 811 151	1 733 221	1 901 604
Cost of sales	-2 222 237	-1 574 324	-1 730 554
Gross profit	599 914	158 897	171 050
Other income	47 900	41 193	13 060
Distribution expenses	-101 065	-81 753	-75 261
Administrative expenses	-65 099	-46 695	-48 140
Other gains/(losses) – net	2 481	1 234	917
Other expenses	-5 377	-6 349	-7 034
EBIT	467 754	66 527	54 592
Financial income	24 602	0	927
Financial expenses	-39 756	-34 317	-31 731
Net financing costs	-15 154	-34 317	-30 804
Share of profits of associates	30	60	-1 455
Excess in fair value of acquired assets over cost	0	0	0
Profit before tax	452 630	32 270	22 333
Income tax expense	-89 104	1 276	-319
Profit/loss for the period from discontinued operations	0	0	-2 242
Profit for the period	363 526	33 546	19 772
Depreciation and amortization	-51 828	-47 708	-46 236
EBITDA	519 582	114 235	100 828

Revenues up by	1 078m & 62.2%
- shipments up by 3.2%	
Gross profit up by	430m & 270.6%
- spreads widening gain of PLN 417.4m	
- FIFO gain of PLN 43.5m	
- increase of production costs	
EBIT up by	401m % 603.1%
- CO2 compensation of PLN 36.2m	
Financial income at	25m
- hedge valuation at 21.5m	
- FX gain at 1.7m	
Financial expenses up by	5.4m & 15.8%
- abolition tax provision of PLN 9.4m	
Net result up by	330m & 983.7%
Adjusted net result PLN	339m
EBITDA up by	405m & 354.8%
Adjusted EBITDA PLN	505m

Financials

ASSETS	2021	2020	2019
	'000 PLN		
A. TOTAL NON-CURRENT ASSETS	564 496	514 518	487 249
I. Intangible assets	15 139	18 100	22 296
II. Property, plant and equipment	439 220	397 398	375 581
III. Other receivables	14 777	8 938	4 293
IV. Investment property and other investments	1 134	8 331	1 255
V. Financial instruments assets	15 689	0	0
VI. Prepaid perpetual usufruct of land	0	32 371	36 618
VII. Deferred tax assets	24 537	49 380	47 206
B. TOTAL CURRENT ASSETS	940 676	516 681	564 482
I. Inventories	425 801	274 101	297 001
II. Receivables	398 227	142 025	188 525
1. Trade receivables	398 095	141 678	188 342
2. Current income tax receivable	38	226	38
3. Other investments	94	121	145
III. Financial instruments assets	1 845	0	0
IV. Cash and cash equivalents	107 810	100 555	78 956
V. Prepayments	0	0	0
VI. Assets classified as held for sale	6 993	0	0
Total	1 505 172	1 031 199	1 051 731

Fixed assets up by 50m & 9.7%
 - CAPEX & valuation increase of PLN 118.4m
 - financial instruments valuation at PLN 15.7m
 - D&A charges of PLN 51.8m
 - utilization of tax shield at PLN 24.8m

Current assets up by 424m & 82.1%
 Inventories up by 152m & 55.3%
 Receivables up by 256m % 180.4%
 Trade receivables sold (net) PLN 155.4m
 In 2020 (net) PLN 129.8m

Cash up by 7m % 7.2%

Assets classified for sale

Financials

EQUITY AND LIABILITIES	2021	2020	2019
	'000 PLN		
A. EQUITY	643 869	307 014	277 191
I. Issued share capital	257 131	185 911	185 911
II. Reserves and retained earnings	346 754	101 849	72 897
III. Minority interest	39 984	19 254	18 383
B. LIABILITIES	861 303	724 185	774 540
I. Non-current liabilities	269 631	244 437	279 916
1. <i>Employee benefits obligation</i>	<i>14 343</i>	<i>13 011</i>	<i>11 071</i>
2. <i>Interest-bearing loans and borrowings</i>	<i>249 987</i>	<i>207 658</i>	<i>249 669</i>
3. <i>Other</i>	<i>5 301</i>	<i>23 768</i>	<i>19 176</i>
II. Current liabilities	590 124	479 748	494 624
1. <i>Interest-bearing loans and borrowings</i>	<i>70 816</i>	<i>56 882</i>	<i>55 170</i>
2. <i>Bank overdraft</i>	<i>17 200</i>	<i>0</i>	<i>0</i>
3. <i>Other financial liabilities</i>	<i>0</i>	<i>4 011</i>	<i>2 869</i>
4. <i>Trade payables</i>	<i>490 695</i>	<i>411 846</i>	<i>424 370</i>
5. <i>Deferred government grants</i>	<i>4 538</i>	<i>4 941</i>	<i>9 324</i>
6. <i>Employee benefits obligation</i>	<i>2 139</i>	<i>1 583</i>	<i>2 346</i>
7. <i>Current income tax payable</i>	<i>2 936</i>	<i>460</i>	<i>319</i>
8. <i>Provisions for payables</i>	<i>1 800</i>	<i>25</i>	<i>226</i>
III. Liabilities of disposal group	1 548	0	0
Total	1 505 172	1 031 199	1 051 731

Equity up by PLN 337m & 109.7%
 - net result increase of PLN 363.5m
 - dividend decrease of PLN 25.7m

Gross debt up by PLN 71m & 26.8%
 Net debt up by PLN 64m & 38.6%

Financials

CASH FLOW	2021	2020	2019
	<i>'000 PLN</i>		
A. OPERATING ACTIVITIES	120 012	204 665	142 480
B. INVESTING ACTIVITIES	-92 121	-59 493	-56 153
C. FINANCING ACTIVITIES	-37 836	-128 563	-83 830
Net increase in cash	- 9 945	21 599	2 497

- working capital outflow of PLN 327.5m
- income tax payment of PLN 61.6m
- CAPEX outflow of PLN 100.5m
- grants inflow of PLN 1.4m
- asset dispositions inflow of PLN 6.9m
- debt incurrence inflow of PLN 209.0m
- debt repayment outflow of PLN 187.8m
- dividend payment of PLN 25.7m
- interest service outflow of PLN 36.2m

MAIN METRICS	2021	2020	2019
Liquidity ratio	1.59	1.08	1.14
Quick ratio	0.87	0.51	0.54
Inventories turnover <i>days</i>	70	64	63
Receivables turnover <i>days</i>	52	30	36
EBITDA margin	18.5%	6.6%	5.3%
Net profit margin	12.9%	1.9%	1.0%
Equity <i>'000 PLN</i>	634 869	307 014	277 191
Net debt <i>'000 PLN</i>	230 193	163 985	225 883
Net debt / EBITDA	0.4	1.4	2.2

liquidity metrics strongly up

Inventory ratio up by 6 days
Receivable ratio up by 22 days

Profitability ratios much improved

Net leverage down to 0.4 times



1

GDP positive in Poland and in the EU

2

Good demand from the construction business and a possible improvement from the automotive industry

3

Poland's crude steel production slightly up or stable; further growing in the EU; BOF mills in trouble due to increasing CO2 rights prices; Polish and the EU steel consumption further growing

4

Prices of scrap metal billets and finished products likely to be volatile; conversion spreads to stabilize at around 2021 average

5

EAF feedstock cost position versus BOF reversing into negative due to the likely faster decline of iron ore and coking coal prices relative to scrap metal

6

2022 could see greater price volatility. Repeating the 2021 results by Cognor seems more realistic now with the expected strong Q1 and the Q2 further price increase amid the Russian invasion on Ukraine

Together reach more



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