





Q2 2022 Business and Financial Performance

August 23, 2022



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1. Introduction
 2. Business Overview
 3. Financials
 4. Q3 2022 Outlook



Krzysztof Zoła
Board Member, CFO

Responsibility

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

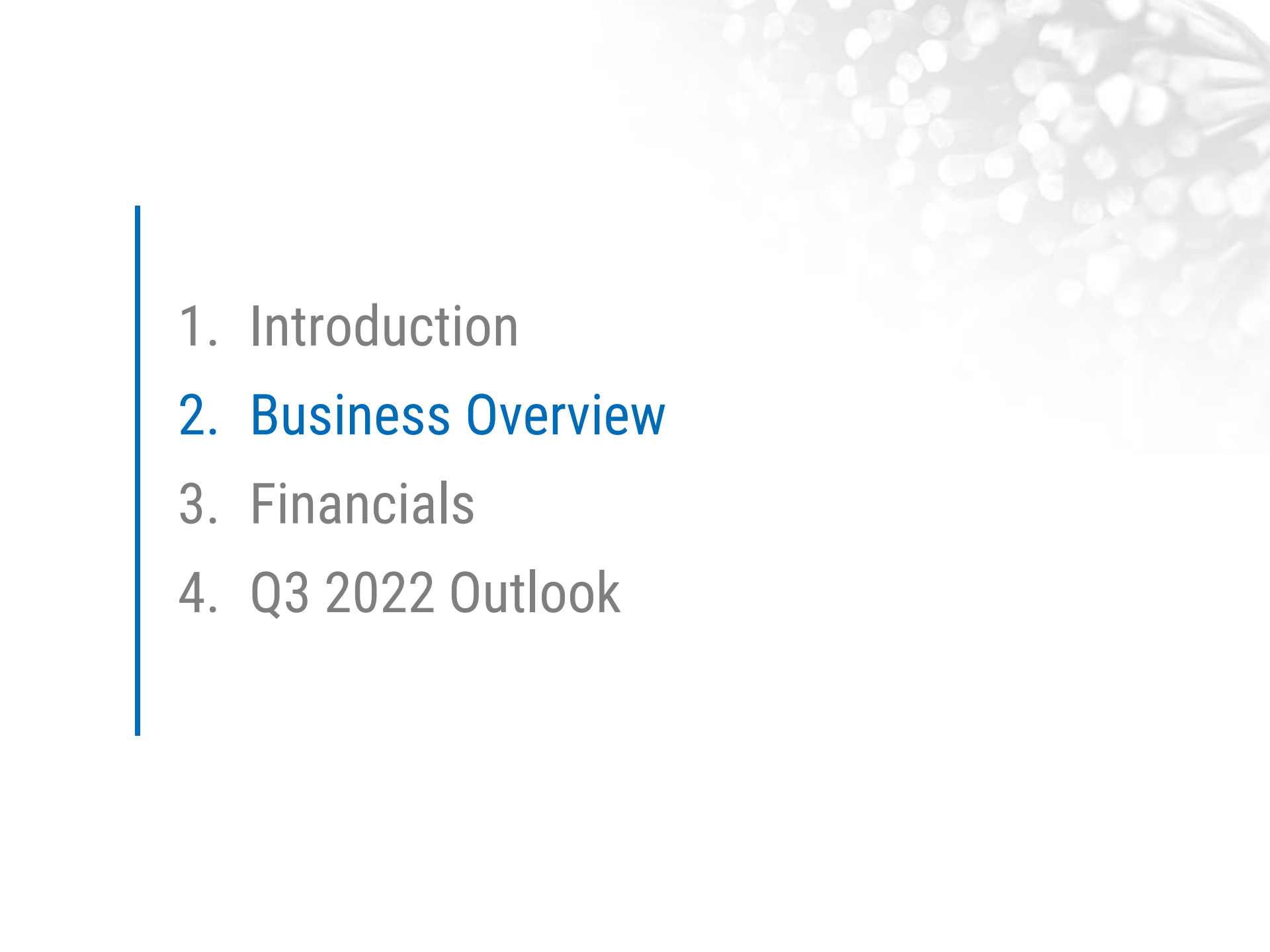
Experience

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

Introduction | Q2 2022 Highlights

- Poland GDP growth at 4.5% compared to a 11.1% increase in Q2 2021
- EU GDP positive at 4.0%, compared to a 13.8 % increase in Q2 2021
- Polish steel production decreased by 5.1%.; in the EU it went down by 6.5%.
- Surge of prices of scrap metal, billets and finished products. Explosion of conversion spreads for finished products and billets. Fair demand especially from the automotive industry;
- Feedstock material prices rising sharply; scrap metal dynamics stronger than that of iron ore and coking coal; EAF competitive position worsening vis'a'vis BOF
- 46.9% increase of revenues while shipments down by 13.1%
- Reported EBIT, EBITDA and net profit at all-time high levels
- High utilization of capacities at 113.5%

	QUARTERLY CAPACITY Tonnes	UTILIZATION RATE	
		Q2 2022	Q2 2021
FERROSTAL	93 750	111.4%	116.5%
HSJ	65 250	116.5%	117.6%
COMBINED	159 000	113.5%	117.0%

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Business Overview | World's Steel Output

CRUDE STEEL PRODUCTION	Q2 2022	% YoY	Q2 2021	
<i>m tonnes</i>				
Europe	68.7	-13.1%	79.0	
UE (27)	36.8	-6.5%	39.6	
incl. Poland	2.1	-5.1%	2.2	Poland with 5.1% decline
CIS	24.0	-27.6%	27.1	
North America	29.1	-4.1%	30.3	
USA	20.8	-3.8%	21.6	USA with 3.8% contraction
South America	11.2	-3.4%	11.6	
Africa / Middle East	13.7	-8.7%	15.0	
Asia & Oceania	370.1	-2.0%	377.1	
China	283.5	-2.6%	291.2	China down at 2.6%
Japan	23.0	-5.8%	24.1	
Total	492.8	-4.1%	513.8	

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. The measure was subject to revisions many times and the quota annual increments changed from 5% to 3% while now increased to 4%. 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.

Following the Russian aggression on Ukraine Russia has been banned with its steel exports and Ukraine has temporarily been granted free access to the UE market.

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.

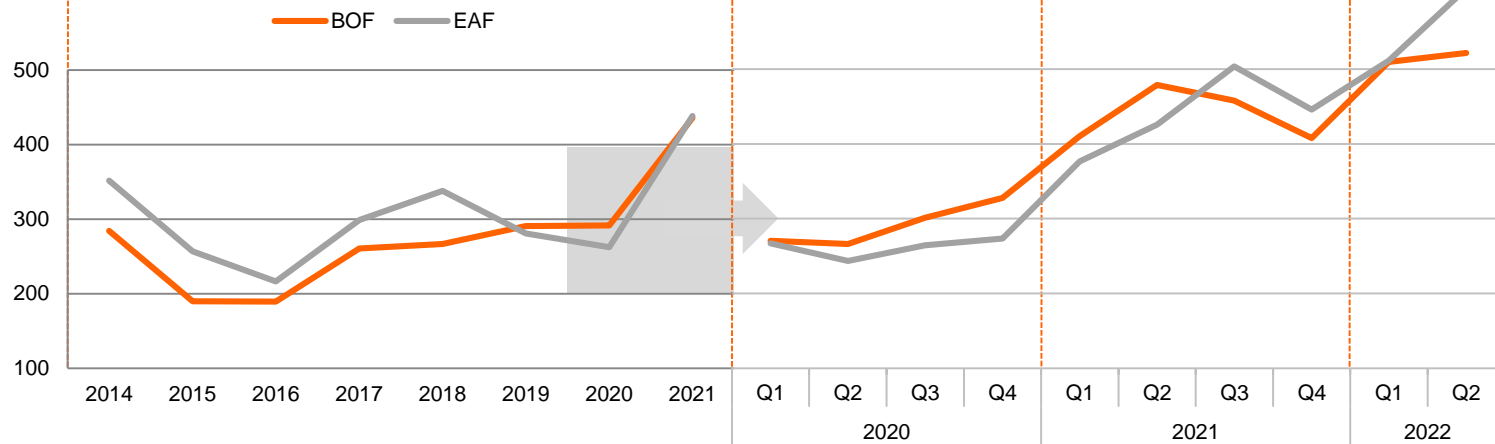
Business Overview | EU Safeguard

Q2 2022 - REBARS as of:		30.06.2022		
period start		01.04.2022		
period end		30.06.2022		
period days		90		
days remaining		0		
period advancement		100%		
amount utilisation		83%		
ORIGINS	Amount	Q1 2022 transferred	Used in Q2 2022	Quota Available
Turkey	86 412 840	0	86 412 840	0
Russia	0	0	0	0
Ukraine	42 163 119	1 933 569	23 549 115	20 547 574
BiH	51 337 234	20 250 124	39 157 889	32 429 469
Moldova	32 626 103	6 644 303	17 072 717	22 197 689
Other countries	158 959 493	32 779 833	191 739 325	0
TOTAL	371 498 789	61 607 829	357 931 886	75 174 731

Q3 2022 - REBARS as of:		19.08.2022		
period start		01.07.2022		
period end		30.09.2022		
period days		91		
days remaining		42		
period advancement		54%		
amount utilisation		82%		
ORIGINS	Amount	Q2 2022 transferred	Used in Q3 2022	Quota Available
Turkey	90 856 920	0	90 856 920	0
Russia	0	0	0	0
Ukraine	0	0	0	0
BiH	32 685 870	0	10 122 165	22 563 705
Moldova	27 318 010	0	16 849 199	10 468 811
Other countries	132 668 900	0	115 519 568	17 149 332
TOTAL	283 529 700	0	233 347 852	50 181 848

BOF & EAF Feedstock Costs

Feedstock Cost	2014	2015	2016	2017	2018	2019	2020	2021	2020				2021				2022	
									Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>USD / Tonne</i>																		
BOF	284	190	189	260	267	291	291	436	270	266	301	327	410	479	458	408	510	522
EAF	352	257	216	299	338	281	262	438	267	244	265	273	377	426	504	446	511	608
difference	-68	-67	-27	-38	-71	10	29	-2	4	22	37	54	34	53	-46	-38	-2	-86



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	105	261	398
Q1 2022	140	316	457
Q2 2022	136	316*	543

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
- In 2021 the cost of EAF producers has levelled up with BOFs. In 2022 he cost comparison has been negative for EAFs so far.

source: IMF - iron ore, EIA - coking coal,
Cognor - scrap metal,
* Q2 estimate based on Q1 2022

Prices & Spreads

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
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(pln/ tonne)

FERROSTAL

SCRAP METAL - average purchase price	2 366	1 883	1 608	1 734	1 431
BILLETS - average price	5 157	4 325	3 800	3 595	2 656
<i>volume</i>	25 121	19 912	19 079	20 757	17 615
BILLET SPREAD	2 792	2 442	2 192	1 853	1 224
FINISHED PRODUCTS – average price	4 884	4 037	3 685	3 880	3 073
<i>total volume</i>	54 524	77 776	95 586	66 210	90 092
- <i>plain bars</i>	4 581	4 104	3 917	3 957	3 213
<i>volume</i>	7 486	11 003	10 450	7 185	8 592
- <i>flat bars</i>	4 919	4 096	3 895	3 833	3 175
<i>volume</i>	11 623	16 924	11 774	9 214	12 061
- <i>squares</i>	4 976	4 136	3 793	3 895	3 338
<i>volume</i>	670	2 461	1 429	1 111	2 029
- <i>rebars</i>	4 924	3 963	3 593	3 865	3 002
<i>volume</i>	29 710	39 741	67 048	45 122	61 193
- <i>angles</i>	4 981	4 153	3 902	3 932	3 285
<i>volume</i>	4 809	7 314	4 702	3 416	5 904
- <i>other</i>	5 665	4 227	4 055	6 205	3 512
<i>volume</i>	225	333	213	162	253
PRODUCT SPREAD	2 518	2 153	2 077	2 137	1 641
- <i>plain bars</i>	2 216	2 221	2 309	2 214	1 781
- <i>flat bars</i>	2 553	2 213	2 287	2 090	1 743
- <i>squares</i>	2 610	2 253	2 184	2 154	1 907
- <i>rebars</i>	2 557	2 080	1 985	2 122	1 570
- <i>angles</i>	2 615	2 270	2 249	2 189	1 854
- <i>other</i>	3 299	2 344	2 447	4 463	2 080

scrap metal price up by **934 & 65.3%**
 billet sales price up by **2 501 & 94.2%**

billet spread up by 1 567 & 128.0%

finished product sales price up by **1 811 & 58.9%**

product spread up by 877 & 53.4%

Prices & Spreads

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
(pln/ tonne)					
HSJ					
SCRAP METAL - average purchase price	2 324	2 278	1 875	1 912	1 623
BILLETS - average price	5 021	4 036	3 633	3 742	3 084
<i>volume</i>	19 236	23 238	19 681	12 270	19 037
BILLET SPREAD	1 697	1 758	1 758	1 830	1 461
FINISHED PRODUCTS – average price	5 521	5 344	4 843	4 479	3 734
total volume	52 223	56 595	42 661	43 122	49 776
- SQ bars	6 462	5 350	4 826	4 443	3 690
<i>volume</i>	51 913	56 195	42 281	42 843	49 311
- thick sheets	16 346	6 139	6 009	7 519	6 048
<i>volume</i>	17	249	243	179	292
- thin sheets	20 213	18 400	15 206	12 905	12 644
<i>volume</i>	104	2	63	88	112
-other	22 621	25 036	18 222	25 501	11 848
<i>volume</i>	120	10	8	12	61
PRODUCT SPREAD	4 197	3 066	2 968	2 567	2 111
- SQ bars	4 122	3 057	2 938	2 529	2 066
- thick sheets	14 022	3 861	4 044	5 607	4 425
- thin sheets	17 889	16 122	11 382	10 993	11 021
- other	20 297	22 758	16 347	23 589	10 255

scrap metal price up by **701 & 43.2%**
 billet sales price up by **1 937 & 62.8%**

billet spread up by 1 236 & 84.6%
 finished product sales price up by **2 788 & 74.7%**

product spread up by 2 087 & 98.9%

Segments

SCRAP METAL		Q2 2022	Q1 2022	Q2 2021	
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>				
FERROSTAL		81 529	102 066	78 889	
ZŁOMREX		94 990	103 077	86 991	ZŁOMREX purchases up by 9.2%
HSJ		51 484	61 712	56 450	
INTERNAL USE	<i>Tonnes</i>				
FERROSTAL		116 612	119 746	122 901	
HSJ		85 467	87 400	86 500	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
ZŁOMREX		41 509	35 935	41 885	
OTHER		0	0	0	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		94 517	74 839	61 836	
TOTAL PURCHASES in TONNES		228 003	266 855	222 330	
TOTAL INTERNAL USE in TONNES		202 079	207 146	209 401	Internal use down by 3.5%
TOTAL SALES in TONNES		41 509	35 935	41 855	Shipments down by 0.8%
TOTAL SALES in '000 PLN		94 517	74 839	61 836	Sales up by 52.9%

Segments

BILLETS		Q2 2022	Q1 2022	Q2 2021
PURCHASES	<i>Tonnes</i>			
FERR		0	0	0
PRODUCTION	<i>Tonnes</i>			
FERR		104 398	106 848	109 252
HSJ		76 044	77 569	76 762
INTERNAL USE	<i>Tonnes</i>			
FERR		76 127	76 127	91 311
HSJ		59 561	57 913	63 913
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		27 874	23 494	27 022
HSJ		16 483	19 656	12 849
SALES	<i>'000 PLN</i>			
CONSOLIDATED		226 142	179 907	114 039
TOTAL PURCHASES in TONNES		0	0	0
TOTAL PRODUCTION in TONNES		180 442	184 417	186 014
TOTAL INTERNAL USE in TONNES		135 688	134 040	155 224
TOTAL SALES in TONNES		44 357	43 150	39 871
TOTAL SALES in '000 PLN		226 142	179 907	114 039

Production down by
Internal use down by
Shipments up by
Sales up by


3.0%
12.6%
11.3%
98.3%

Business Overview | Finished Products

Segments

FINISHED PRODUCTS		Q2 2022	Q1 2022	Q2 2021
PURCHASES	<i>Tonnes</i>			
ALL ENTITES		1 433	729	1 880
PRODUCTION	<i>Tonnes</i>			
ZWWB		19 713	20 428	21 659
HSJ		54 337	53 977	48 606
PROFIL		54 795	51 948	65 388
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERROSTAL		54 274	74 238	86 479
HSJ		53 905	60 862	54 224
ZŁOMREX		1 207	2 800	985
SALES	<i>'000 PLN</i>			
CONSOLIDATED		615 045	620 158	468 838
TOTAL PURCHASES in TONNES		1 433	729	1 880
TOTAL PRODUCTION in TONNES		128 845	126 353	135 653
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		108 179	135 100	141 688
TOTAL SALES in '000 PLN		615 045	620 158	468 838

Production down by **5.0%**
 Shipments down by **23.6%**
 Sales up by **31.2%**

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Financials

STATEMENT OF PROFIT OR LOSS	Q2 2022	Q1 2022	Q2 2021
	'000 PLN		
Sales revenue	1 032 055	962 036	702 411
Cost of sales	-759 155	-735 701	-562 500
Gross profit	272 900	226 335	139 911
Other income	10 051	8 040	5 928
Distribution expenses	-33 026	-31 483	-26 628
Administrative expenses	-26 125	-18 998	-15 238
Other gains/(losses) – net	1 318	-627	-2 106
Other expenses	-1 135	-1 992	-819
EBIT	223 983	181 275	101 048
Financial income	26 487	21 045	2 529
Financial expenses	-11 959	-8 946	-4 939
Net financing costs	14 528	12 099	-2 410
Share of profits of associates	150	-44	-172
Excess in fair value of acquired assets over cost	0	0	0
Profit before tax	238 661	193 330	98 466
Income tax expense	-48 905	-36 550	-19 629
Profit/loss for the period from discontinued operations	0	0	0
Profit for the period	189 756	156 780	78 837
Depreciation and amortization	-10 944	-11 127	-13 0433
EBITDA	234 927	192 402	114 091

Revenues up by 330m & 46.9%

- shipments down by 13.1%

Gross profit up by 133m & 95.1%

- widening of spreads

- FIFO gain of PLN 27.5m

- increase of production costs

EBIT up by 123m % 121.7%

- CO2 compensation of PLN 6.0m

Financial income at 26m

- hedge valuation at 25.1m

- FX gain at 0.9m

Financial expenses increased due to higher interest rates and more factoring of receivables

Net result up by 111m & 140.7%

Adjusted net result PLN 167m

EBITDA up by 121m & 105.9%

Adjusted EBITDA PLN 132m

Financials

ASSETS	Q2 2022	Q1 2022	Q2 2021
	'000 PLN		
A. TOTAL NON-CURRENT ASSETS	668 823	666 055	500 115
I. Intangible assets	14 815	14 924	15 917
II. Property, plant and equipment	574 729	563 782	438 540
III. Other receivables	12 715	31 639	10 083
IV. Investment property and other investments	1 239	1 089	1 089
V. Financial instruments assets	58 918	34 843	0
VI. Prepaid perpetual usufruct of land	0	0	0
VII. Deferred tax assets	6 407	19 778	34 486
B. TOTAL CURRENT ASSETS	1 323 212	1 337 280	674 215
I. Inventories	612 020	546 481	343 692
II. Receivables	415 411	503 698	245 556
1. Trade receivables	415 296	503 587	245 397
2. Current income tax receivable	38	38	38
3. Other investments	77	73	121
III. Financial instruments assets	3 922	2 894	0
IV. Cash and cash equivalents	284 876	277 219	77 962
V. Prepayments	0	0	0
VI. Assets classified as held for sale	6 983	6 998	7 005
Total	1 992 035	2 003 335	1 174 330

Fixed assets up by **169m & 33.7%**
 - CAPEX & valuation increase of PLN 182,6m
 - financial instruments valuation at PLN 58.9m
 - D&A charges of PLN 47.5m
 - utilization of tax shield at PLN 29.1m

Current assets up by **649m & 96.3%**
 Inventories up by **268m & 78.1%**
 Receivables up by **170m % 69.2%**
 Trade receivables sold (net) PLN **314.2m**
 In Q2 2021 (net) PLN **185.1m**

Cash up by **207m % 165.4%**
 includes PLN 134m under an L/C

Financials

EQUITY AND LIABILITIES	Q2 2022	Q1 2022	Q2 2021
	'000 PLN		
A. EQUITY	964 602	800 561	406 990
I. Issued share capital	257 131	257 131	257 131
II. Reserves and retained earnings	649 005	494 708	123 404
III. Minority interest	58 466	48 722	26 455
B. LIABILITIES	1 027 433	1 202 774	767 340
I. Non-current liabilities	384 065	326 564	196 344
1. Employee benefits obligation	13 144	12 705	11 963
2. Interest-bearing loans and borrowings	366 104	308 800	183 464
3. Other	4 817	5 059	917
II. Current liabilities	641 866	874 730	569 449
1. Interest-bearing loans and borrowings	70 588	61 111	65 124
2. Bank overdraft	12 974	49 908	8 227
3. Trade payables	542 084	741 536	480 429
4. Deferred government grants	4 468	4 582	6 173
5. Liability under financial instruments	0	0	2 521
6. Employee benefits obligation	2 364	2 213	1 352
7. Current income tax payable	8 088	14 080	5 598
8. Provisions for payables	1 300	1 300	25
III. Liabilities of disposal group	1 502	1 480	1 547
Total	1 992 035	2 003 335	1 174 330

Equity up by PLN 558m & 137.0%
 - net result increase of PLN 485.4m
 - dividend decrease of PLN 25.7m

Gross debt up by PLN 193m & 75.1%
 Net debt down by PLN 14m & 7.9%

Financials

CASH FLOW	Q2 2022	Q1 2022	Q2 2021
	<i>'000 PLN</i>		
A. OPERATING ACTIVITIES	7 219	193 897	-24 064
B. INVESTING ACTIVITIES	-16 767	-79 134	-18 244
C. FINANCING ACTIVITIES	54 129	21 938	-17 049
Net increase in cash	44 591	136 701	-59 367

- working capital outflow of PLN 207.7m

- CAPEX outflow of PLN 16.8m

- debt incurrence inflow of PLN 61.5m

- debt repayment outflow of PLN 6.7m

- interest service outflow of PLN 2.4m

MAIN METRICS	Q2 2021	Q1 2020	Q2 2021
Liquidity ratio	2.06	1.53	1.18
Quick ratio	1.11	0.90	0.58
Inventories turnover	<i>days</i>	73	67
Receivables turnover	<i>days</i>	36	47
EBITDA margin	22.8%	20.0%	16.2%
Net profit margin	18.4%	16.3%	11.2%
Equity	<i>'000 PLN</i>	964 602	800 561
Net debt	<i>'000 PLN</i>	164 790	142 600
Net debt / LTM EBITDA	0.2	0.2	0.7

liquidity metrics strongly up

Inventory ratio up by 18 days

Receivable ratio up by 5 days

Profitability ratios much improved

Net leverage down to 0.2 times

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1

GDP weaker in Poland and in the EU

2

Poor demand from the construction business and fair in the automotive industry

3

Poland's crude steel production down; down also in the EU; BOF mills in trouble due to increasing CO2 rights prices; Polish and the EU steel consumption decreasing

4

Prices of scrap metal billets and finished products lower and likely to bottom; conversion spreads to narrow

5

EAF feedstock cost position versus BOF negative at similar level

6

Q3 2022 with lower revenues and profitability both qoq and yoy

Together reach more



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