



Q1 2021 Business and Financial Performance

May 05, 2021



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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 | Q1 2021 Highlights

- Poland and the EU expected to have remained in recession within a range of 1-2% yoy; Q1 2021 expected to be the last quarter of a negative growth yoy
- Polish steel production increased by 1.4%.; in the EU it went up by 3.1%
- Hot market in China. A sharp rise of prices of scrap metal, billets and finished products. Broadening of conversion spreads for most of billets and finished products. Demand picking up also from the automotive industry
- Scrap metal prices rising at a faster pace than iron ore however, EAF feedstock cost still more competitive compared to BOF input mix
- 26.9% increase of revenues while shipments down by 0.7%
- Third wave of COVID-19 did not bring major disruptions to our operations
- Reported EBIT, EBITDA and net profit at record levels

- High utilization of capacities of over 100%

QUARTERLY CAPACITY		UTILIZATION RATE	
	Tonnes	Q1 2021	Q1 2020
FERROSTAL	93 750	112.1%	119.4%
HSJ	65 250	108.7%	106.1%
COMBINED	159 000	110.8%	113.9%

- Final settlement of exchangeable notes - less than EUR 0.5m remain outstanding with the conversion deadline on August 1st 2021; 1.810.000 shares subscribed by shareholders @ PLN 1,61 per share in Q1 before expiration of entire warrants B in Feb 21. No further shares to be issued under warrant program either by way of exchangeable notes settlement or by way of regular subscription.

Crude steel production

CRUDE STEEL PRODUCTION		Q1 2021	% YoY	Q1 2020
	<i>m tonnes</i>			
Europe		76.6	-4.0%	73.7
	UE (28)	37.8	3.1%	36.7
	incl. Poland	2.1	1.4%	2.1
	CIS	26.2	3.1%	25.4
North America		28.1	-5.1%	29.6
	USA	20.4	-6.3%	21.8
South America		10.9	7.1%	10.2
Africa / Middle East		14.4	3.3%	13.9
Asia & Oceania		356.9	13.2%	315.2
	China	271.0	15.6%	234.5
	Japan	23.7	-1.7%	24.1
	Total	486.9	10.0%	442.6

Anti Dumping

Anti dumping measures have always been an available trade control tool. However, only since 2016 there has been a growing number of cases where the European Commission was willing to impose double digit duties compared to rather symbolic levels beforehand. These measures are applied against certain countries, for a given type of 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 US section 232 (25% tax for steel import). Twenty nine product groups, including rebars were made subject to the regulation.

In February 2019 a definitive safeguard has been put in place for a period of 2,5 years starting from 02.02.2019 (to last until 30 June 2021). 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 quotas annual increments have been reduced from 5% to 3%. Secondly, for rebars, wire rod and HRC, the utilisation of the general quota has been limited for the specified countries to 30% and only in the last quarter of the annual quota period (Apr-Jun). Quotas for specific countries limit the imports on quarterly basis. Country specific quotas and the general quota may get transferred over to the next quarterly period.

Currently a review is underway whether Safeguard should be extended beyond Q2 2021. A decision will be announced on June 2021.

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 is to be proposed in June 2021 and is intended to be a carbon leakage prevention tool alternative to the measures being currently in place under the EU's Emissions Trading System (ETS) that are: (i) free CO2 allowances and (ii) subsidies for energy intensive industries.

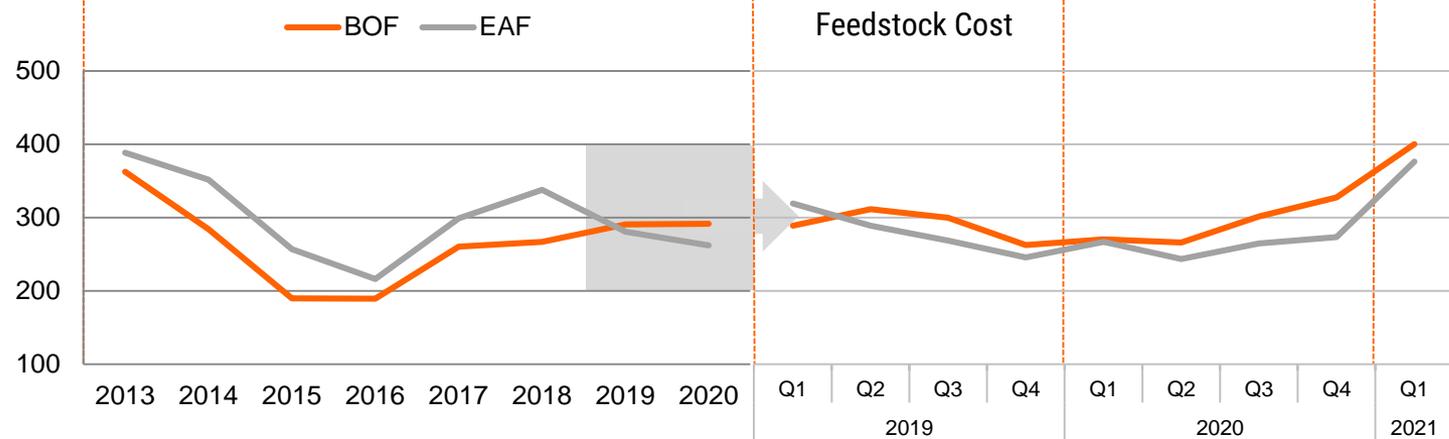
Business Overview | EU Safeguard

Q4 2020 - REBARS as of:		31.12.2020			
period start		01.10.2020			
period end		31.12.2020			
period days		91			
days remaining		0			
period advancement		100%			
initial amount utilisation		58%			
ORIGINS		Initial Amount	Q3 2020 transferred	Used in Q4 2020	Quota Available
Turkey		76 792 970	0	76 367 532	425 438
Russia		61 630 080	0	61 609 196	20 884
Ukraine		40 963 470	544 089	30 531 124	10 976 435
BiH		25 780 310	21 888 417	1 238 154	46 430 573
Moldova		18 527 890	517 588	12 873 791	6 171 687
Other Oct - Dec 2020		142 654 350	69 856 707	31 677 087	180 833 970
TOTAL		366 349 070	92 806 801	214 296 883	244 858 988

Q1 2021 - REBARS as of:		31.03.2021			
period start		01.01.2021			
period end		31.03.2021			
period days		89			
days remaining		0			
period advancement		100%			
initial amount utilisation		75%			
ORIGINS		Initial Amount	Q4 2020 transferred	Used in Q1 2021	Quota Available
Turkey		58 826 750	0	56 140 771	2 685 979
Russia		56 951 110	878	56 951 988	0
Ukraine		28 798 840	10 976 435	39 775 275	0
BiH		25 219 870	46 430 573	5 343 633	66 306 810
Moldova		18 125 110	6 171 687	10 213 706	14 083 091
Other Oct - Dec 2020		109 637 110	180 833 970	55 333 829	235 137 251
TOTAL		297 558 790	244 413 543	223 759 203	318 213 131

BOF & EAF Feedstock Costs

Feedstock Cost	2013	2014	2015	2016	2017	2018	2019	2020	2018				2020				2021	
									Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
<i>USD / Tonne</i>																		
BOF	363	284	190	189	260	267	291	291	289	312	300	263	270	266	301	327	270	
EAF	388	352	257	216	299	338	281	262	319	289	269	246	267	244	265	273	267	
difference	-26	-68	-67	-27	-38	-71	10	29	-30	23	31	17	4	22	37	54	24	



Prices	Iron ore	Coking coal	Steel scrap
<i>(USD / Tonne)</i>			
2013	135	122	347
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

Prices	Iron ore	Coking coal	Steel scrap
<i>(USD / Tonne)</i>			
Q1 2019	83	160	285
Q2 2019	102	157	258
Q3 2019	102	144	240
Q4 2019	88	127	219
Q1 2020	91	126	238
Q2 2020	93	120	218
Q3 2020	117	108	236
Q4 2020	132	109	244
Q1 2021	165	109*	336

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 (semi-finished products)
- Due to the strong steel output growth in China in 2019 and 2020 BOF feedstock cost increased more as compared to EAF
- In 2021 scrap metal price has been increasing faster than BOF mix of input material, yet feedstock cost has remained lower for EAF producers

source: IMF - iron ore, EIA - coking coal,
Cognor - scrap metal,
* estimate based on Q4 2020

Prices & Spreads

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
(pln/ tonne)					
FERROSTAL					
SCRAP METAL - average purchase price	1 269	922	898	891	934
BILLETS - average price	2 362	1 765	1 797	1 747	1 767
<i>volume</i>	22 835	18 366	6 671	39 330	18 947
BILLET SPREAD	1 093	843	899	856	833
FINISHED PRODUCTS – average price	2 624	2 017	1 921	1 978	1 961
<i>total volume</i>	73 979	87 188	77 153	83 404	92 519
<i>- plain bars</i>	2 841	2 180	2 150	2 174	2 207
<i>volume</i>	8 107	8 883	7 295	6 825	6 048
<i>- flat bars</i>	2 774	2 205	2 123	2 196	2 195
<i>volume</i>	9 765	13 159	9 785	11 036	11 099
<i>-squares</i>	2 822	2 092	2 045	2 107	2 150
<i>volume</i>	1 955	2 163	3 029	1 802	1 904
<i>-rebars</i>	2 548	1 911	1 820	1 882	2 876
<i>volume</i>	49 276	55 307	51 605	56 352	68 202
<i>-angles</i>	2 665	2 169	2 130	2 166	2 184
<i>volume</i>	4 439	6 121	4 939	6 855	5 125
<i>-other</i>	2 592	2 561	2 256	2 276	3 426
<i>volume</i>	437	1 555	500	534	141
PRODUCT SPREAD	1 355	1 095	1 023	1 087	1 027
<i>- plain bars</i>	1 572	1 258	1 252	1 283	1 273
<i>- flat bars</i>	1 505	1 283	1 225	1 305	1 260
<i>- squares</i>	1 552	1 169	1 147	1 216	1 215
<i>- rebars</i>	1 279	988	922	991	942
<i>- angles</i>	1 395	1 247	1 232	1 275	1 250
<i>- other</i>	1 323	1 639	1 358	1 385	2 492

scrap metal price up by **335 & 35.8%**
 billet sales price up by **595 & 33.7%**

billet spread up by 261 & 31.3%
 finished product sales price up by **663 & 33.8%**

product spread up by 329 & 32.0%

Prices & Spreads

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
(pln/ tonne)					
HSJ					
SCRAP METAL - average purchase price	1 438	1 051	967	976	1 018
BILLETS - average price	2 640	2 105	2 044	2 191	2 309
<i>volume</i>	17 101	20 876	17 744	19 797	17 560
BILLET SPREAD	1 202	1 054	1 077	1 215	1 291
FINISHED PRODUCTS – average price	3 214	2 781	2 849	2 917	2 893
total volume	54 663	40 438	37 361	40 183	44 489
- SQ bars	3 184	2 740	2 761	2 815	2 784
<i>volume</i>	53 626	40 249	36 201	39 768	43 728
- thick sheets	4 171	5 947	3 696	4 212	3 917
<i>volume</i>	301	54	841	137	359
- thin sheets	12 638	12 279	11 575	11 892	11 568
<i>volume</i>	158	58	112	180	191
-other	14 924	14 458	29 072	26 306	15 897
<i>volume</i>	112	77	72	98	211
PRODUCT SPREAD	1 776	1 730	1 882	1 941	1 875
- SQ bars	1 725	1 691	1 783	1 837	1 766
- thick sheets	2 733	4 896	2 930	4 096	3 070
- thin sheets	11 200	11 224	10 608	10 916	10 550
- other	13 486	13 407	28 105	25 330	14 879

scrap metal price up by **420 & 41.3%**
 billet sales price up by **332 & 14.4%**

billet spread down by 88 & 6.8%
 finished product sales price up by **321 & 11.1%**

product spread down by 99 & 5.3%

Segments

SCRAP METAL		Q1 2021	Q4 2020	Q1 2020	
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>				
FERROSTAL		96 147	90 381	100 754	
ZŁOMREX		92 110	79 770	77 910	ZŁOMREX purchases up by 18.2%
HSJ		52 090	52 314	52 870	
INTERNAL USE	<i>Tonnes</i>				
FERROSRAL		118 938	123 956	125 363	
HSJ		80 397	83 498	78 298	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
ZŁOMREX		39 981	36 441	37 621	
OTHER		0	0	0	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		52 419	34 403	33 960	
TOTAL PURCHASES in TONNES		240 347	222 465	231 534	
TOTAL INTERNAL USE in TONNES		199 335	207 454	203 661	Internal use down by 2.1%
TOTAL SALES in TONNES		39 981	36 441	37 621	Shipments up by 6.3%
TOTAL SALES in '000 PLN		52 418	34 403	33 960	Sales up by 54.4%

Segments

BILLETS		Q1 2021	Q4 2020	Q1 2020
PURCHASES	<i>Tonnes</i>			
FERR		0	0	0
PRODUCTION	<i>Tonnes</i>			
FERR		105 204	109 682	111 950
HSJ		70 952	73 518	69 199
INTERNAL USE	<i>Tonnes</i>			
FERR		92 077	87 904	83 721
HSJ		58 838	62 476	59 274
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		27 822	24 576	26 583
HSJ		12 114	14 686	9 925
SALES	<i>'000 PLN</i>			
CONSOLIDATED		99 099	76 360	74 016
TOTAL PURCHASES in TONNES		0	0	0
TOTAL PRODUCTION in TONNES		176 156	183 200	181 149
TOTAL INTERNAL USE in TONNES		150 915	150 380	142 995
TOTAL SALES in TONNES		39 936	39 242	36 508
TOTAL SALES in '000 PLN		99 099	76 360	74 016

Production down by **2.8%**
 Internal use up by **5.5%**
 Shipments up by **9.4%**
 Sales up by **33.9%**

Business Overview | Finished Products

Segments

FINISHED PRODUCTS		Q1 2021	Q4 2020	Q1 2020
PURCHASES	<i>Tonnes</i>			
ALL ENTITES		999	415	0
PRODUCTION	<i>Tonnes</i>			
ZWWB		22 195	17 855	12 771
HSJ		48 753	47 852	45 788
PROFIL		65 507	66 176	67 583
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERROSTAL		72 380	80 787	86 188
HSJ		57 261	47 254	50 820
SALES	<i>'000 PLN</i>			
CONSOLIDATED		372 620	292 080	310 145
TOTAL PURCHASES in TONNES		999	415	0
TOTAL PRODUCTION in TONNES		136 455	131 883	126 142
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		129 641	128 041	137 008
TOTAL SALES in '000 PLN		372 620	292 080	310 145

Production up by 8.2%
 Shipments down by 5.4%
 Sales up by 20.1%

Financials

STATEMENT OF PROFIT OR LOSS	Q1 2021	Q4 2020	Q1 2020
	'000 PLN		
Sales revenue	584 076	444 862	460 111
Cost of sales	-487 108	-402 537	-414 572
Gross profit	96 968	42 325	45 539
Other income	6 173	6 439	3 781
Distribution expenses	-25 223	-22 502	-19 409
Administrative expenses	-14 365	-13 417	-11 846
Other gains/(losses) – net	4 194	-372	2 466
Other expenses	-975	-1 184	-1 463
EBIT	66 772	11 289	19 068
Financial income	827	0	0
Financial expenses	-8 931	-6 073	-16 662
Net financing costs	-8 104	-6 073	-16 662
Share of profits of associates	-53	0	17
Excess in fair value of acquired assets over cost	0	0	0
Profit before tax	58 615	5 216	2 423
Income tax expense	-12 758	2 160	333
Profit/loss for the period from discontinued operations	0	0	0
Profit for the period	45 857	7 376	2 756
Depreciation and amortization	-13 312	-12 236	-11 438
EBITDA	80 084	23 525	30 506

Revenues up by 26.9%
 - shipments down by 0.7%
 Gross profit up by 112.9%
 - estimated FIFO gain of PLN 26.5m
 - spreads broadening gain of PLN 23.3m

EBIT up by 250.2%
 - CO2 compensation of PLN 3.8m
 Financial instruments gain of PLN 0.8m
 Financial expenses down by 46.4%
 - FX loss of PLN 1.2m

Net result up manifold
 Adjusted net result PLN 45.0m

EBITDA up manifold
 Adjusted EBITDA PLN 75.4m

Financials

ASSETS	Q1 2021	Q4 2020	Q1 2020
	'000 PLN		
A. TOTAL NON-CURRENT ASSETS	508 846	514 518	483 451
I. Intangible assets	18 096	18 100	22 150
II. Property, plant and equipment	398 563	397 398	369 871
III. Other receivables	9 405	8 938	5 708
IV. Investment property and other investments	8 271	8 331	1 272
V. Prepaid perpetual usufruct of land	31 010	32 371	36 769
VI. Deferred tax assets	43 501	49 380	47 681
B. TOTAL CURRENT ASSETS	686 890	516 681	582 480
I. Inventories	331 236	274 101	287 452
II. Receivables	226 562	142 025	242 701
1. Trade receivables	226 403	141 678	242 528
2. Current income tax receivable	38	226	28
3. Other investments	121	121	145
III. Cash and cash equivalents	129 092	100 555	52 327
IV. Prepayments	0	0	0
V. Assets classified as held for sale	0	0	0
Total	1 195 736	1 031 199	1 065 931

Fixed assets up by 5.3%
 - CAPEX increase of PLN 70.9m
 - D&A charges of PLN 49.6m
 - Utilisation of a tax shield of PLN 4.2m

Inventories up by 15.2%
 Receivables down by 6.6%
 Trade receivables sold (net) PLN 139.8m
 In Q1 2021 (net) PLN 113.8m

Cash up almost threefold

Total assets up by 12.2%

Financials

EQUITY AND LIABILITIES	Q1 2021	Q4 2020	Q1 2020		
'000 PLN					
A. EQUITY	354 661	307 014	278 131	Equity up by PLN	76.5m
I. Issued share capital	254 431	185 911	185 911	- net result increase of PLN 76.6m	
II. Reserves and retained earnings	78 156	101 849	73 990		
III. Minority interest	22 074	19 254	18 230		
B. LIABILITIES	841 075	724 185	787 800		
I. Non-current liabilities	223 965	244 437	278 870		
1. <i>Employee benefits obligation</i>	12 580	13 011	11 699	Gross debt down by PLN	57.0m
2. <i>Interest-bearing loans and borrowings</i>	198 430	207 658	247 530		
3. <i>Other</i>	12 955	23 768	19 641		
II. Current liabilities	617 110	479 748	508 930	Net debt down by PLN	133.7m
1. <i>Interest-bearing loans and borrowings</i>	56 885	56 882	55 833		
2. <i>Bank overdraft</i>	0	0	8 928		
3. <i>Trade payables</i>	544 001	411 846	426 934		
4. <i>Deferred government grants</i>	5 056	4 941	9 462		
5. <i>Liability under financial instruments</i>	3 183	4 011	4 796		
6. <i>Employee benefits obligation</i>	1 330	1 583	2 471		
7. <i>Current income tax payable</i>	6 630	460	280		
8. <i>Provisions for payables</i>	25	25	226		
Total	1 195 736	1 031 199	1 065 931		



1

Strong yoy GDP rebound in Poland and in the EU

2

Demand picking up, particularly for auto products

3

Poland's crude steel production slightly up or stable; BOF mills in trouble due to increasing CO2 rights prices; EAF producers at high utilization rates. Polish steel consumption growth positive due to the returning demand from the EU auto sector

4

Prices of scrap metal billets and finished products with continued increases at much slower pace however; further improvement of EAF conversion spreads

5

EAF feedstock cost position versus BOF levelling up due to expected stabilisation of iron ore prices and increase of scrap metal cost

6

Q2 2021 results very strong although may prove slightly weaker than in Q1 2021 due to the lesser contribution of FIFO gains

Together reach more



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