



Q2 2021 Business and Financial Performance

August 16, 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 | Q2 2021 Highlights

- Strong GDP rebound. EU with 13.2% yoy and 1.9% qoq. Poland's GDP also expected strongly positive yoy and fair qoq
- Polish steel production increased yoy by 12.7%.; in the EU it went up by a much as 33.4%
- While China has been trying to cool down the hot market, steel demand exploded across the rest of the world. A sharp rise of prices of scrap metal, billets and finished products. Broadening of conversion spreads for billets and finished products. Demand high and picking up also from the automotive industry
- EAF feedstock cost still more competitive compared to BOF input mix
- 57.1% increase of revenues; shipments up by 4.3%
- Third wave of COVID-19 did not bring major disruptions to our operations; fear about the Delta variant going forward
- EBIT, EBITDA and net profit records broken
- High utilization of capacities of over 100%

QUARTERLY CAPACITY		UTILIZATION RATE	
	Tonnes	Q2 2021	Q2 2020
FERROSTAL	93 750	116.5%	115.2%
HSJ	65 250	117.6%	94.8%
COMBINED	159 000	117.0%	113.9%

- Successful issue of PLN 200m of 5 year senior secured and PLN 40m per year amortized notes on the Polish market. Early repayment of PLN 156m under the 2018 bank loan that was to mature end of 2022. Excess proceeds to finance CAPEX. Slightly lower costs and much looser covenant package

Crude steel production

CRUDE STEEL PRODUCTION	Q2 2021	% YoY	Q2 2020
<i>m tonnes</i>			
Europe	79.7	29.2%	61.7
UE (27)	40.0	33.4%	30.0
incl. Poland	2.2	12.7%	2.0
CIS	27.1	26.1%	23.8
North America	30.6	28.1%	20.7
USA	21.6	20.4%	14.3
South America	11.7	55.8%	7.5
Africa / Middle East	15.0	26.1%	11.9
Asia & Oceania	380.1	13.2%	326.8
China	292.3	10.5%	264.6
Japan	24.4	36.7%	17.8
Total	517.0	20.2%	430.1

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. Lately, it has been decided to keep the Safeguard in place for the next 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 been proposed to commence most likely from Jan 2023; importers will have to purchase „CBAM rights“ adjusted for free CO2 allowances for a price which shall mirror the market price of EU ETS CO2 contracts, in order to place a product on the EU market. The solution is aimed to prevent the so-called carbon leakage and the side effect should be a certain improvement of the competitive position of the EU producers vis-a-vis importers. Status of subsidies for energy intensive industries post 2022 is uncertain.

Business Overview | EU Safeguard

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%

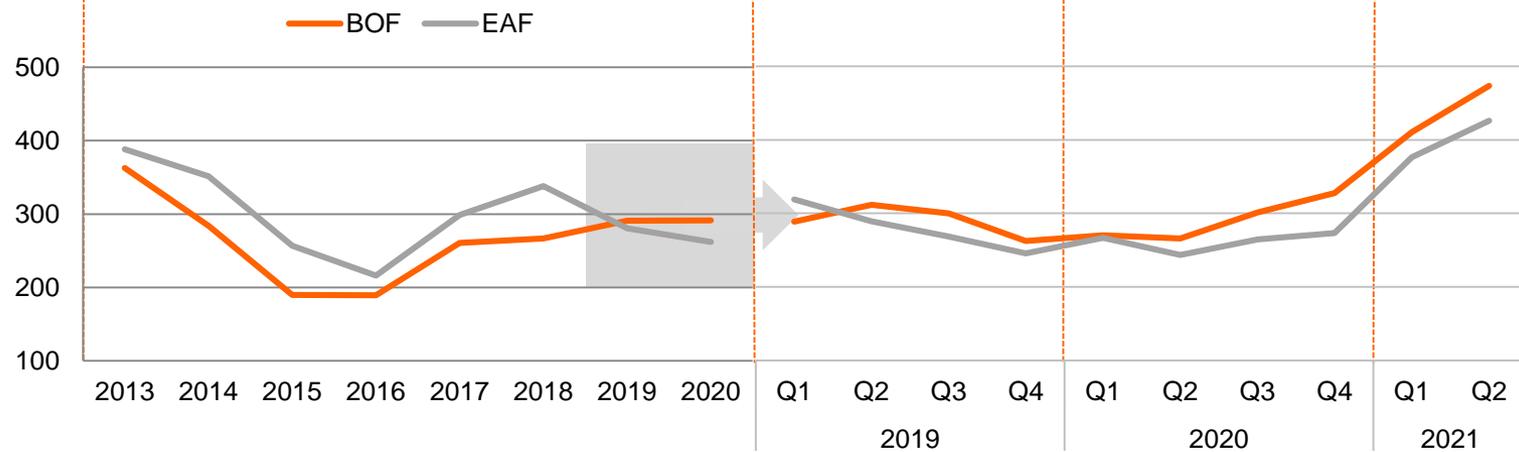
ORIGINS	Initial Amount	Q4 2020 transferred	Used in Q1 2021	Quota Available
Turkey	58 826 750	0	56 140 771	2 685 979
Russia	56 951 110	878	56 951 988	0
Ukraine	28 798 840	10 976 435	39 775 275	0
BiH	25 219 870	46 430 573	5 343 633	66 306 810
Moldova	18 125 110	6 171 687	10 213 706	14 083 091
Other Jan - Mar 2021	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

Q2 2021 - REBARS as of:	30.06.2021
period start	01.04.2021
period end	30.06.2021
period days	90
days remaining	0
period advancement	100%
initial amount utilisation	104%

ORIGINS	Initial Amount	Q1 2020 transferred	Used in Q2 2021	Quota Available
Turkey	59 480 380	2 685 979	62 166 359	0
Russia	57 583 900	0	57 583 820	80
Ukraine	29 118 830	3 796 363	25 269 936	7 645 257
BiH	25 500 090	66 306 810	14 058 526	77 748 374
Moldova	18 326 500	14 083 091	30 136 218	2 273 373
Other Apr - Jun 2021	110 855 300	235 137 251	123 670 276	222 322 275
TOTAL	300 865 000	322 009 494	312 885 135	309 989 359

BOF & EAF Feedstock Costs

Feedstock Cost	2013 - 2020								2019				2020				2021	
	2013	2014	2015	2016	2017	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
BOF	363	284	190	189	260	267	291	291	289	312	300	263	270	266	301	327	410	474
EAF	388	352	257	216	299	338	281	262	319	289	269	246	267	244	265	273	377	426
difference	-26	-68	-67	-27	-38	-71	10	29	-30	23	31	17	4	22	37	54	34	48



Prices	Iron ore	Coking coal	Steel scrap
(USD / Tonne)			
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
(USD / Tonne)			
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	126	336
Q2 2021	199	126*	380

Feedstock Cost Model	BOF	EAF
Tonne / Tonne of crude steel		
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 feedstock cost has remained lower for EAF producers

source: IMF - iron ore, EIA - coking coal,
Cognor - scrap metal,
* estimate based on Q1 2021

Prices & Spreads

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
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(pln/ tonne)

FERROSTAL

SCRAP METAL - average purchase price	1 431	1 269	922	898	891
BILLETS - average price	2 656	2 362	1 765	1 797	1 747
<i>volume</i>	17 615	22 835	18 366	6 671	39 330
BILLET SPREAD	1 224	1 093	843	899	856
FINISHED PRODUCTS – average price	3 073	2 624	2 017	1 921	1 978
<i>total volume</i>	90 092	73 979	87 188	77 153	83 404
- <i>plain bars</i>	3 213	2 841	2 180	2 150	2 174
<i>volume</i>	8 592	8 107	8 883	7 295	6 825
- <i>flat bars</i>	3 175	2 774	2 205	2 123	2 196
<i>volume</i>	12 061	9 765	13 159	9 785	11 036
- <i>squares</i>	3 338	2 822	2 092	2 045	2 107
<i>volume</i>	2 029	1 955	2 163	3 029	1 802
- <i>rebars</i>	3 002	2 548	1 911	1 820	1 882
<i>volume</i>	61 193	49 276	55 307	51 605	56 352
- <i>angles</i>	3 285	2 665	2 169	2 130	2 166
<i>volume</i>	5 904	4 439	6 121	4 939	6 855
- <i>other</i>	3 512	2 592	2 561	2 256	2 276
<i>volume</i>	253	437	1 555	500	534
PRODUCT SPREAD	1 641	1 355	1 095	1 023	1 087
- <i>plain bars</i>	1 781	1 572	1 258	1 252	1 283
- <i>flat bars</i>	1 743	1 505	1 283	1 225	1 305
- <i>squares</i>	1 907	1 552	1 169	1 147	1 216
- <i>rebars</i>	1 570	1 279	988	922	991
- <i>angles</i>	1 854	1 395	1 247	1 232	1 275
- <i>other</i>	2 080	1 323	1 639	1 358	1 385

scrap metal price up by **540 & 60.7%**
 billet sales price up by **909 & 52.0%**

billet spread up by 368 & 43.0%
 finished product sales price up by **1,095 & 55.3%**

product spread up by 554 & 51.0%

Prices & Spreads

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
(pln/ tonne)					
HSJ					
SCRAP METAL - average purchase price	1 623	1 438	1 051	967	976
BILLETS - average price	3 084	2 640	2 105	2 044	2 191
<i>volume</i>	19 037	17 101	20 876	17 744	19 797
BILLET SPREAD	1 461	1 202	1 054	1 077	1 215
FINISHED PRODUCTS – average price	3 734	3 214	2 781	2 849	2 917
total volume	49 776	54 663	40 438	37 361	40 183
- SQ bars	3 690	3 184	2 740	2 761	2 815
<i>volume</i>	49 311	53 626	40 249	36 201	39 768
- thick sheets	6 048	4 171	5 947	3 696	4 212
<i>volume</i>	292	301	54	841	137
- thin sheets	12 644	12 638	12 279	11 575	11 892
<i>volume</i>	112	158	58	112	180
- other	11 848	14 924	14 458	29 072	26 306
<i>volume</i>	61	112	77	72	98
PRODUCT SPREAD	2 111	1 776	1 730	1 882	1 941
- SQ bars	2 066	1 725	1 691	1 783	1 837
- thick sheets	4 425	2 733	4 896	2 930	4 096
- thin sheets	11 021	11 200	11 224	10 608	10 916
- other	10 255	13 486	13 407	28 105	25 330

scrap metal price up by **647 & 66.3%**
 billet sales price up by **893 & 40.8%**

billet spread up by **246 & 20.2%**
 finished product sales price up by **816 & 28.0%**

product spread up by **169 & 8.7%**

Segments

SCRAP METAL		Q2 2021	Q1 2021	Q2 2020	
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>				
FERROSTAL		78 889	96 147	99 270	
ZŁOMREX		86 991	92 110	63 707	ZŁOMREX purchases up by 36.5%
HSJ		56 450	52 090	45 173	
INTERNAL USE	<i>Tonnes</i>				
FERROSRAL		122 901	118 938	120 694	
HSJ		86 500	80 397	69 891	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
ZŁOMREX		41 855	39 981	30 167	
OTHER		0	0	0	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		61 836	52 419	26 196	
TOTAL PURCHASES in TONNES		222 330	240 347	208 150	
TOTAL INTERNAL USE in TONNES		209 401	199 335	190 585	Internal use up by 9.9%
TOTAL SALES in TONNES		41 855	39 981	30 167	Shipments up by 38.7%
TOTAL SALES in '000 PLN		61 836	52 418	26 196	Sales up by 136.4%

Segments

BILLETS		Q2 2021	Q1 2021	Q2 2020
PURCHASES	<i>Tonnes</i>			
FERR		0	0	0
PRODUCTION	<i>Tonnes</i>			
FERR		109 252	105 204	111 950
HSJ		76 762	70 952	69 199
INTERNAL USE	<i>Tonnes</i>			
FERR		91 311	92 077	83 721
HSJ		63 913	58 838	59 274
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		28 803	27 822	26 583
HSJ		16 068	12 114	9 925
SALES	<i>'000 PLN</i>			
CONSOLIDATED		114 039	99 099	112 112
TOTAL PURCHASES in TONNES		0	0	0
TOTAL PRODUCTION in TONNES		186 014	176 156	169 821
TOTAL INTERNAL USE in TONNES		155 224	150 915	128 041
TOTAL SALES in TONNES		39 871	39 936	59 127
TOTAL SALES in '000 PLN		114 039	99 099	112 112

Production up by 9.5%
 Internal use up by 21.2%
 Shipments down by 32.6%
 Sales up by 1.7%

Segments

FINISHED PRODUCTS		Q2 2021	Q1 2021	Q2 2020
PURCHASES	<i>Tonnes</i>			
ALL ENTITES		1 924	999	1 264
PRODUCTION	<i>Tonnes</i>			
ZWWB		21 659	22 195	17 934
HSJ		48 606	48 753	41 238
PROFIL		65 388	65 507	60 207
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERROSTAL		87 464	72 380	72 407
HSJ		54 224	57 261	52 444
SALES	<i>'000 PLN</i>			
CONSOLIDATED		468 838	372 620	282 218
TOTAL PURCHASES in TONNES		1 924	999	1 264
TOTAL PRODUCTION in TONNES		135 653	136 455	119 379
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		141 688	129 641	124 851
TOTAL SALES in '000 PLN		468 838	372 620	282 218

Production up by **13.6%**
 Shipments up by **13.5%**
 Sales up by **66.1%**

Financials

STATEMENT OF PROFIT OR LOSS	Q2 2021	Q1 2021	Q2 2020	
	'000 PLN			
Sales revenue	716 127	584 076	455 955	Revenues up by 57.1%
Cost of sales	-576 216	-487 108	-408 559	- shipments up by 4.3%
Gross profit	139 911	96 968	47 396	Gross profit up by 195.2%
				- spreads broadening gain of PLN 70.7m
				- estimated FIFO gain of PLN 9.8m
Other income	5 928	6 173	14 375	
Distribution expenses	-26 628	-25 223	-20 722	
Administrative expenses	-15 238	-14 365	-10 477	
Other gains/(losses) – net	-2 106	4 194	-1 204	
Other expenses	-819	-975	-2 226	
EBIT	101 048	66 772	27 142	EBIT up by 272.3%
				- CO2 compensation of PLN 3.8m
Financial income	2 529	827	0	
Financial expenses	-4 939	-8 931	-4 112	- FX gain on debt of PLN 3.3m
Net financing costs	-2 410	-8 104	-4 112	- Financial instruments gain of PLN 0.7m
Share of profits of associates	-172	-53	0	
Excess in fair value of acquired assets over cost	0	0	0	
Profit before tax	98 466	58 615	23 030	
Income tax expense	-19 629	-12 758	-1 156	
Profit/loss for the period from discontinued operations	0	0	0	
Profit for the period	78 837	45 857	21 874	Net result up by 260.4%
				Adjusted net result PLN 77.5m
Depreciation and amortization	-13 043	-13 312	-11 823	
EBITDA	114 091	80 084	38 965	EBITDA up by 192.8%
				Adjusted EBITDA PLN 116.2m

Financials

ASSETS	Q2 2021	Q1 2021	Q2 2020
	'000 PLN		
A. TOTAL NON-CURRENT ASSETS	500 115	508 846	495 308
I. Intangible assets	15 917	18 096	24 642
II. Property, plant and equipment	407 966	398 563	382 816
III. Other receivables	10 083	9 405	6 357
IV. Investment property and other investments	1 089	8 271	8 299
V. Prepaid perpetual usufruct of land	30 574	31 010	26 253
VI. Deferred tax assets	34 486	43 501	46 941
B. TOTAL CURRENT ASSETS	674 215	686 890	498 999
I. Inventories	343 692	331 236	239 935
II. Receivables	245 556	226 562	189 111
1. Trade receivables	245 397	226 403	188 946
2. Current income tax receivable	38	38	38
3. Other investments	121	121	127
III. Cash and cash equivalents	77 962	129 092	69 953
IV. Prepayments	0	0	0
V. Assets classified as held for sale	7 005	0	0
Total	1 174 330	1 195 736	994 307

Fixed assets up by 1.0%
 - CAPEX increase of PLN 72.0m
 - D&A charges of PLN 50.8m
 - Utilisation of a tax shield of PLN 12.5m

Inventories up by 43.2%
 Receivables up by 29.8%
 Trade receivables sold (net) PLN 149.3m
 In Q2 2020 (net) PLN 125.9m

Total assets up by 18.1%

Financials

EQUITY AND LIABILITIES	Q2 2021	Q1 2021	Q2 2020	
	'000 PLN			
A. EQUITY	406 990	354 661	299 992	Equity up by PLN 107.0m
I. Issued share capital	257 131	254 431	185 911	- LTM net result increase of PLN 133.6m
II. Reserves and retained earnings	123 404	78 156	94 900	- Adoption of dividend at PLN 25.7m
III. Minority interest	26 455	22 074	19 181	
B. LIABILITIES	767 340	841 075	694 315	
I. Non-current liabilities	196 344	223 965	264 725	
1. Employee benefits obligation	11 963	12 580	11 796	
2. Interest-bearing loans and borrowings	181 348	198 430	232 798	Gross debt down by PLN 41.3m
3. Other	3 033	12 955	20 131	
II. Current liabilities	569 449	617 110	429 590	Net debt down by PLN 49.3m
1. Interest-bearing loans and borrowings	65 102	56 885	55 981	
2. Bank overdraft	8 227	0	7 178	
3. Trade payables	480 451	544 001	348 770	
4. Deferred government grants	6 173	5 056	10 360	
5. Liability under financial instruments	2 521	3 183	5 028	
6. Employee benefits obligation	1 352	1 330	2 107	
7. Current income tax payable	5 598	6 630	141	
8. Provisions for payables	25	25	25	
III. Liabilities of disposal assets	1 547	0	0	
Total	1 174 330	1 195 736	994 307	



1

GDP rebound to continue in Poland and in the EU both yoy and qoq

2

Overall demand stabilising; picking up for auto products

3

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

4

Prices of scrap metal, billets and finished products slightly down or stable; EAF conversion spreads high and stable

5

EAF feedstock cost position versus BOF levelling up due to expected decrease of iron ore prices while scrap metal more resilient to decreases

6

Q3 2021 results very strong; likely to exceed Q1 2021 but expected lower than in Q2 2021 due to the lesser or no FIFO contribution and due to major maintenance works

Together reach more



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