



Q3 2021 Business and Financial Performance

November 2, 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 | Q3 2021 Highlights

- GDP rebound. EU with 3.9% yoy and 2.1% qoq. Poland's GDP also expected strongly positive yoy and higher qoq
- Polish steel production increased by 17.1% yoy; in the EU it went up by 13.1%
- Steel demand good across the world with the exception of China. Further rise of prices of scrap metal, billets and finished products. Further improved conversion spreads for billets and finished products.
- EAF feedstock cost levelling up with BOF input mix
- 92.6% increase of revenues; shipments up by 4.5%
- COVID-19 situation under control; no disruptions to our operations; fears of the so-called „fourth wave“
- All-time high EBIT, EBITDA and net profit
- High utilization of capacities of over 100%

	QUARTERLY CAPACITY Tonnes	UTILIZATION RATE	
		Q3 2021	Q3 2020
FERROSTAL	93 750	118.0%	90.8%
HSJ	65 250	79.5%	85.0%
COMBINED	159 000	102.2%	88.4%

Crude steel production

CRUDE STEEL PRODUCTION	Q3 2021	% YoY	Q3 2020
<i>m tonnes</i>			
Europe	75.3	13.6%	66.3
UE (27)	37.0	13.1%	32.7
incl. Poland	2.1	17.1%	1.8
CIS	25.6	1.9%	25.1
North America	29.9	25.8%	23.8
USA	22.4	28.5%	17.4
South America	11.5	20.0%	9.6
Africa / Middle East	11.4	-8.8%	12.5
Asia & Oceania	329.0	-8.5%	359.7
China	242.6	-14.1%	282.6
Japan	24.0	24.6%	19.3
Total	457.3	-3.7%	474.8

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. 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, 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 2022 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 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%

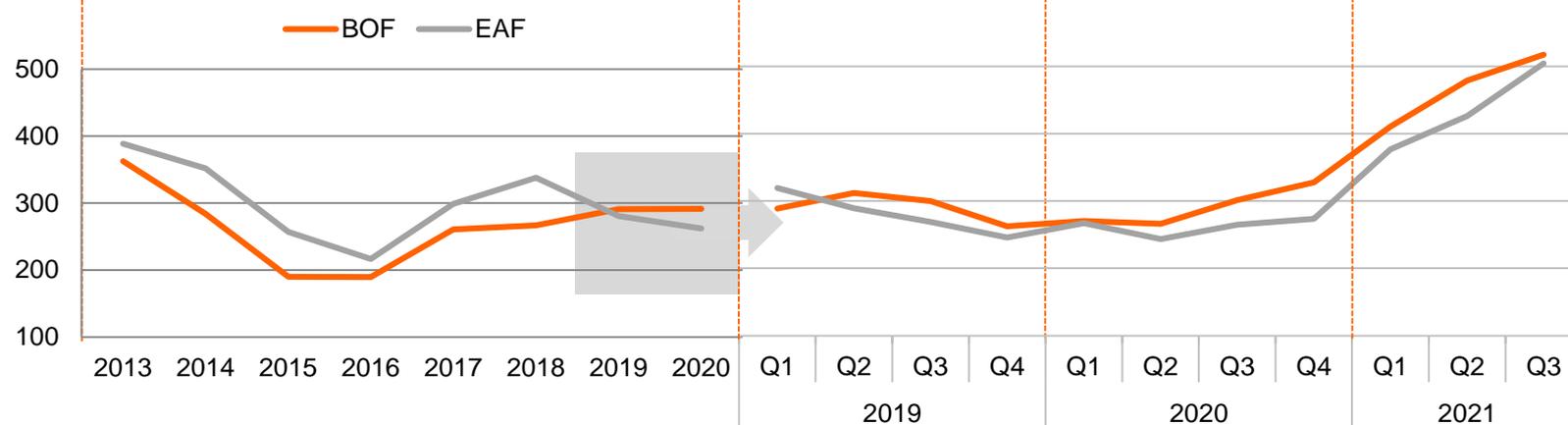
ORIGINS	Initial Amount	Q1 2021 transferred	Used in Q2 2021	Quota Available
Turkey	59 480 380	2 685 979	62 166 359	0
Russia	57 583 900	0	57 583 820	80
Ukraine	29 118 830	3 796 363	25 269 936	7 645 257
BiH	25 500 090	66 306 810	14 058 526	77 748 374
Moldova	18 326 500	14 083 091	30 136 218	2 273 373
Other 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

Q3 2021 - REBARS as of:	30.09.2021
period start	01.07.2021
period end	30.09.2021
period days	91
days remaining	0
period advancement	100%
initial amount utilisation	96%

ORIGINS	Initial Amount	Q2 2021 transferred	Used in Q3 2021	Quota Available
Turkey	61 938 030	0	61 938 030	0
Russia	59 963 190	0	59 963 190	0
Ukraine	30 321 980	0	27 756 962	2 565 018
BiH	26 553 720	0	18 971 192	7 582 528
Moldova	19 083 720	0	17 123 544	1 960 176
Other Apr - Jun 2021	115 435 690	0	115 435 690	0
TOTAL	313 296 330	0	301 188 608	12 107 722

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	Q3
BOF	363	284	190	189	260	267	291	291		289	312	300	263	270	266	301	327	410	479	517
EAF	388	352	257	216	299	338	281	262		319	289	269	246	267	244	265	273	377	426	504
difference	-26	-68	-67	-27	-38	-71	10	29		-30	23	31	17	4	22	37	54	34	53	13



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	134	380
Q3 2021	163	268*	450

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,
* Cognor's estimate of 100% growth qoq

Prices & Spreads

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

FERROSTAL

SCRAP METAL - average purchase price	1 734	1 431	1 269	922	898
BILLETS - average price	3 595	2 656	2 362	1 765	1 797
<i>volume</i>	20 757	17 615	22 835	18 366	6 671
BILLET SPREAD	1 853	1 224	1 093	843	899
FINISHED PRODUCTS – average price	3 880	3 073	2 624	2 017	1 921
<i>total volume</i>	66 210	90 092	73 979	87 188	77 153
- <i>plain bars</i>	3 957	3 213	2 841	2 180	2 150
<i>volume</i>	7 185	8 592	8 107	8 883	7 295
- <i>flat bars</i>	3 833	3 175	2 774	2 205	2 123
<i>volume</i>	9 214	12 061	9 765	13 159	9 785
- <i>squares</i>	3 895	3 338	2 822	2 092	2 045
<i>volume</i>	1 111	2 029	1 955	2 163	3 029
- <i>rebars</i>	3 865	3 002	2 548	1 911	1 820
<i>volume</i>	45 122	61 193	49 276	55 307	51 605
- <i>angles</i>	3 932	3 285	2 665	2 169	2 130
<i>volume</i>	3 416	5 904	4 439	6 121	4 939
- <i>other</i>	6 205	3 512	2 592	2 561	2 256
<i>volume</i>	162	253	437	1 555	500
PRODUCT SPREAD	2 137	1 641	1 355	1 095	1 023
- <i>plain bars</i>	2 214	1 781	1 572	1 258	1 252
- <i>flat bars</i>	2 090	1 743	1 505	1 283	1 225
- <i>squares</i>	2 154	1 907	1 552	1 169	1 147
- <i>rebars</i>	2 122	1 570	1 279	988	922
- <i>angles</i>	2 189	1 854	1 395	1 247	1 232
- <i>other</i>	4 463	2 080	1 323	1 639	1 358

scrap metal price up by **844 & 94.0%**
 billet sales price up by **1,799 & 100.1%**

billet spread up by 954 & 106.2%
 finished product sales price up by **1,959 & 101.9%**

product spread up by 1,114 & 108.9%

Prices & Spreads

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
(pln/ tonne)					
HSJ					
SCRAP METAL - average purchase price	1 912	1 623	1 438	1 051	967
BILLETS - average price	3 742	3 084	2 640	2 105	2 044
<i>volume</i>	12 270	19 037	17 101	20 876	17 744
BILLET SPREAD	1 830	1 461	1 202	1 054	1 077
FINISHED PRODUCTS – average price	4 479	3 734	3 214	2 781	2 849
total volume	43 122	49 776	54 663	40 438	37 361
- SQ bars	4 443	3 690	3 184	2 740	2 761
<i>volume</i>	42 843	49 311	53 626	40 249	36 201
- thick sheets	7 519	6 048	4 171	5 947	3 696
<i>volume</i>	179	292	301	54	841
- thin sheets	12 905	12 644	12 638	12 279	11 575
<i>volume</i>	88	112	158	58	112
-other	25 501	11 848	14 924	14 458	29 072
<i>volume</i>	12	61	112	77	72
PRODUCT SPREAD	2 567	2 111	1 776	1 730	1 882
- SQ bars	2 529	2 066	1 725	1 691	1 783
- thick sheets	5 607	4 425	2 733	4 896	2 930
- thin sheets	10 993	11 021	11 200	11 224	10 608
- other	23 589	10 255	13 486	13 407	28 105

scrap metal price up by **945 & 97.7%**
 billet sales price up by **1,698 & 83.1%**

billet spread up by **753 & 69.9%**
 finished product sales price up by **1,630 & 57.2%**

product spread up by **685 & 36.4%**

Segments

SCRAP METAL		Q3 2021	Q2 2021	Q3 2020	
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>				
FERROSTAL		100 057	78 889	90 677	
ZŁOMREX		88 721	86 991	71 996	ZŁOMREX purchases up by 23.2%
HSJ		37 782	56 450	43 183	
INTERNAL USE	<i>Tonnes</i>				
FERROSTAL		124 027	122 901	95 943	
HSJ		58 933	86 500	62 984	
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>				
ZŁOMREX		37 287	41 855	33 192	
OTHER		0	0	0	
SALES	<i>'000 PLN</i>				
CONSOLIDATED		64 207	61 836	28 843	
TOTAL PURCHASES in TONNES		226 560	222 330	205 856	
TOTAL INTERNAL USE in TONNES		182 960	209 401	158 918	Internal use up by 15.1%
TOTAL SALES in TONNES		37 287	41 855	33 192	Shipments up by 12.3%
TOTAL SALES in '000 PLN		64 207	61 836	28 843	Sales up by 122.6%

Segments

BILLETS		Q3 2021	Q2 2021	Q3 2020
PURCHASES	<i>Tonnes</i>			
FERR		0	0	0
PRODUCTION	<i>Tonnes</i>			
FERR		110 585	109 252	85 122
HSJ		51 884	76 762	55 432
INTERNAL USE	<i>Tonnes</i>			
FERR		86 250	91 311	75 774
HSJ		45 963	63 913	44 526
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		27 106	28 803	13 509
HSJ		5 921	16 068	10 906
SALES	<i>'000 PLN</i>			
CONSOLIDATED		120 539	114 039	48 262
TOTAL PURCHASES in TONNES		0	0	0
TOTAL PRODUCTION in TONNES		162 469	186 014	140 554
TOTAL INTERNAL USE in TONNES		132 213	155 224	120 300
TOTAL SALES in TONNES		33 027	39 871	24 415
TOTAL SALES in '000 PLN		120 539	114 039	48 262

Production up by **15.6%**
 Internal use up by **9.9%**
 Shipments up by **35.2%**
 Sales up by **149.8%**

Segments

FINISHED PRODUCTS		Q3 2021	Q2 2021	Q3 2020
PURCHASES	<i>Tonnes</i>			
ALL ENTITES		83	1 924	90
PRODUCTION	<i>Tonnes</i>			
ZWWB		20 824	21 659	20 527
HSJ		44 649	48 606	37 287
PROFIL		61 247	65 388	51 857
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERROSTAL		61 869	87 464	66 240
HSJ		47 728	54 224	48 364
SALES	<i>'000 PLN</i>			
CONSOLIDATED		451 189	468 838	254 694
TOTAL PURCHASES in TONNES		83	1 924	90
TOTAL PRODUCTION in TONNES		126 720	135 653	109 671
TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES		109 597	141 688	114 604
TOTAL SALES in '000 PLN		451 189	468 838	254 694

Production up by 15.5%
 Shipments down by 4.4%
 Sales up by 77.1%

Financials

STATEMENT OF PROFIT OR LOSS	Q3 2021	Q2 2021	Q3 2020
	'000 PLN		
Sales revenue	716 900	716 127	372 293
Cost of sales	-556 036	-576 216	-348 656
Gross profit	160 864	139 911	23 637
Other income	25 070	5 928	16 598
Distribution expenses	-22 673	-26 628	-19 120
Administrative expenses	-17 157	-15 238	-10 955
Other gains/(losses) – net	3 823	-2 106	344
Other expenses	-1 005	-819	-1 476
EBIT	148 922	101 048	9 028
Financial income	3 467	2 529	0
Financial expenses	-13 171	-4 939	-7 470
Net financing costs	-9 704	-2 410	-7 470
Share of profits of associates	117	-172	43
Excess in fair value of acquired assets over cost	0	0	0
Profit before tax	139 335	98 466	1 601
Income tax expense	-25 855	-19 629	-61
Profit/loss for the period from discontinued operations	0	0	0
Profit for the period	113 480	78 837	1 540
Depreciation and amortization	-12 624	-13 043	-12 211
EBITDA	161 546	114 091	21 239

Revenues up by	92.6%
- shipments up by	4.5%
Gross profit up by	580.6%
- spreads broadening gain of PLN 132.4m	
- estimated FIFO gain of PLN 13.8m	
EBIT up by	1,549.6%
- CO2 compensation of PLN 10.5m + PLN 12.1m	
- FX loss regarding debt of PLN 0.2m	
- Financial instruments gain of PLN 2.3m	
Net result up by	7,268.8%
Adjusted net result PLN	100.7m
EBITDA up by	660.6%
Adjusted EBITDA PLN	145.8m

Financials

ASSETS	Q3 2021	Q2 2021	Q3 2020
	'000 PLN		
A. TOTAL NON-CURRENT ASSETS	530 752	500 115	492 502
I. Intangible assets	15 550	15 917	17 637
II. Property, plant and equipment	442 581	407 966	386 665
III. Other receivables	12 409	10 083	6 981
IV. Investment property and other investments	1 036	1 089	8 336
V. Prepaid perpetual usufruct of land	30 414	30 574	26 140
VI. Deferred tax assets	28 762	34 486	46 743
B. TOTAL CURRENT ASSETS	827 435	674 215	488 501
I. Inventories	415 694	343 692	252 697
II. Receivables	306 915	245 556	166 552
1. Trade receivables	306 773	245 397	166 247
2. Current income tax receivable	38	38	183
3. Other investments	104	121	122
III. Cash and cash equivalents	97 826	77 962	69 252
IV. Prepayments	0	0	0
V. Assets classified as held for sale	7 000	7 005	0
Total	1 358 187	1 174 330	981 003

Fixed assets up by 7.8%
 - CAPEX increase of PLN 103.1m
 - D&A charges of PLN 51.2m
 - Utilisation of a tax shield of PLN 18.0m

Inventories up by 64.5%
 Receivables up by 84.3%
 Trade receivables sold (net) PLN 165.4m
 In Q3 2020 (net) PLN 75.4m

Total assets up by 38.4%

Financials

EQUITY AND LIABILITIES	Q3 2021	Q2 2021	Q3 2020
	'000 PLN		
A. EQUITY	519 302	406 990	299 629
I. Issued share capital	257 131	257 131	185 911
II. Reserves and retained earnings	229 188	123 404	94 774
III. Minority interest	32 983	26 455	18 944
B. LIABILITIES	838 885	767 340	681 374
I. Non-current liabilities	254 408	196 344	241 652
1. <i>Employee benefits obligation</i>	12 189	11 963	12 655
2. <i>Interest-bearing loans and borrowings</i>	238 979	181 348	208 341
3. <i>Other</i>	3 240	3 033	20 656
II. Current liabilities	582 951	569 449	439 722
1. <i>Interest-bearing loans and borrowings</i>	64 863	65 102	69 722
2. <i>Bank overdraft</i>	0	8 227	9 459
3. <i>Trade payables</i>	507 368	480 451	347 141
4. <i>Deferred government grants</i>	3 897	6 173	4 833
5. <i>Liability under financial instruments</i>	184	2 521	6 436
6. <i>Employee benefits obligation</i>	1 295	1 352	2 106
7. <i>Current income tax payable</i>	5 319	5 598	0
8. <i>Provisions for payables</i>	25	25	25
III. Liabilities of disposal assets	1 526	1 547	0
Total	1 358 187	1 174 330	981 003

Equity up by PLN 219.7m
 - LTM net result increase of PLN 245.6m
 - Adoption of dividend at PLN 25.7m

Gross debt up by PLN 16.3m

Net debt down by PLN 12.3m



1

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

2

Demand stable at high level in Poland and in the EU. Possible further softening in China

3

Poland's and the EU crude steel production further up; BOF mills in trouble due to high CO2 prices; EAF producers at high utilization rates. Polish and the EU steel consumption growth to continue

4

Prices of billets and finished products slightly down; EAF conversion spreads weaker due to the relatively stronger scrap metal price

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

Healthy Q4 2021 results; very strong yoy but unlikely to outperform the record breaking Q3 2021. No positive FIFO contribution. Inventory build-up ahead of Q1 2022 CAPEX downtime at Gliwice melting shop and Kraków rolling mill

Together reach more



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