



# Q1 2022 Business and Financial Performance

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### **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 2022 Highlights

- Poland GDP growth consensus at 8.0% compared to a 0.9% decline in Q1 2021
- EU GDP in 2022 estimated positive at ca 4.0%, compared to a 0.1 % decrease in Q1 2021
- Polish steel production decreased by 2.0%.; in the EU it went down by 3.8%.
- Surge of prices of scrap metal, billets and finished products. Explosion of conversion spreads for finished products and billets. Fair 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 worse than BOF
- 64.7% increase of revenues while shipments slightly up by 2.2%
- PLN 6.0 million under CO2 compensation
- Reported EBIT, EBITDA and net profit at all-time high
- High utilization of capacities at 116.0%

	QUARTERLY CAPACITY Tonnes	UTILIZATION RATE	
		Q1 2022	Q1 2021
FERROSTAL	93 750	114.0%	112.2%
HSJ	65 250	118.9%	108.7%
<b>COMBINED</b>	<b>159 000</b>	<b>116.0%</b>	<b>110.8%</b>

# Business Overview | World's Steel Output

CRUDE STEEL PRODUCTION	Q1 2022	% YoY	Q1 2021	
<i>m tonnes</i>				
<b>Europe</b>	<b>72.7</b>	<b>-5.9%</b>	<b>77.3</b>	
UE (28)	36.8	-3.8%	38.2	
incl. Poland	2.1	-2.0%	2.1	Poland with 2.0% decline
CIS	24.0	-8.5%	26.2	
<b>North America</b>	<b>28.1</b>	<b>-0.9%</b>	<b>28.4</b>	
USA	20.3	-0.4%	20.4	USA with just 0.4% contraction
<b>South America</b>	<b>10.6</b>	<b>-3.6%</b>	<b>11.0</b>	
<b>Africa / Middle East</b>	<b>14.0</b>	<b>-2.8%</b>	<b>14.4</b>	
<b>Asia &amp; Oceania</b>	<b>331.1</b>	<b>-7.8%</b>	<b>359.3</b>	
China	243.4	10.5%	272.1	China suffered the most at 10.5%
Japan	23.0	-2.9%	23.7	
<b>Total</b>	<b>456.6</b>	<b>-6.8%</b>	<b>490.1</b>	

## 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

Q1 2022 - REBARS as of:	31.03.2022
period start	01.01.2022
period end	31.03.2022
period days	89
days remaining	0
<b>period advancement</b>	<b>100%</b>
<b>initial amount utilisation</b>	<b>92%</b>

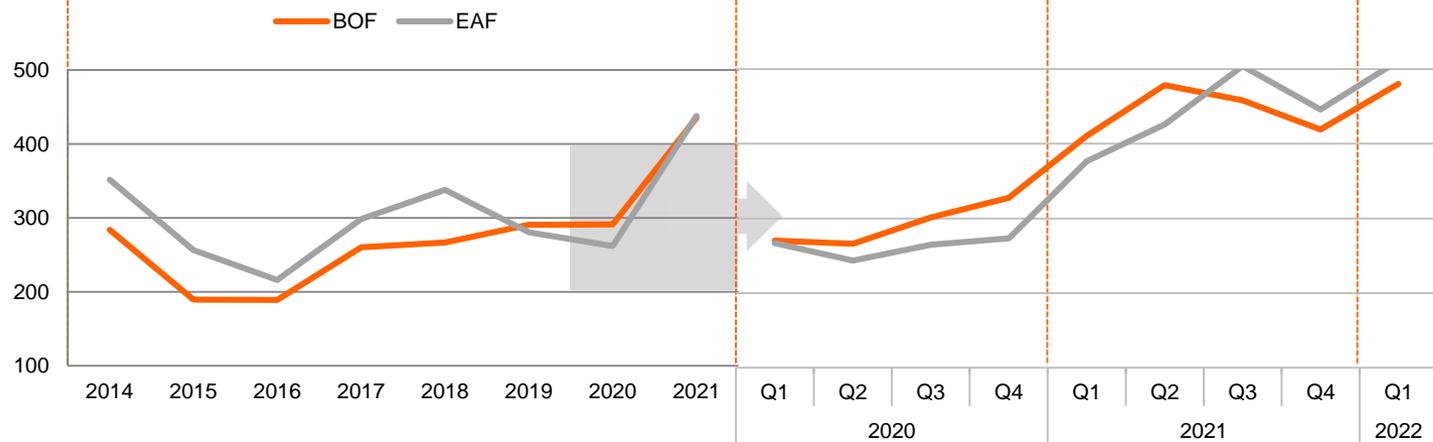
ORIGINS	Initial Amount	Q4 2021 transferred	Used in Q1 2022	Quota Available
Turkey	60 591 550	0	60 591 550	0
Russia	58 659 650	327 225	58 986 875	0
Ukraine	29 662 810	15 106 423	42 877 044	1 892 189
BiH	25 976 460	18 843 092	24 569 428	20 250 124
Moldova	18 668 860	2 100 679	14 125 236	6 644 303
Other countries	112 926 220	95 193	80 241 580	32 779 833
<b>TOTAL</b>	<b>306 485 550</b>	<b>36 472 612</b>	<b>281 391 713</b>	<b>61 566 449</b>

Q2 2022 - REBARS as of:	28.04.2022
period start	01.04.2022
period end	30.06.2022
period days	90
days remaining	63
<b>period advancement</b>	<b>30%</b>
<b>initial amount utilisation</b>	<b>93%</b>

ORIGINS	Initial Amount	Q1 2022 transferred	Used in Q1 2022	Quota Available
Turkey	61 264 790	0	61 264 790	0
Russia	0	0	0	0
Ukraine	29 992 400	1 892 189	2 436 968	29 447 621
BiH	26 265 090	20 250 124	20 529 722	25 985 492
Moldova	18 876 290	6 644 303	2 070 632	23 449 961
Other countries	114 180 960	32 779 833	146 960 793	0
<b>TOTAL</b>	<b>250 579 530</b>	<b>61 566 449</b>	<b>233 262 905</b>	<b>78 883 074</b>

## 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	
<i>USD / Tonne</i>																		
BOF	284	190	189	260	267	291	291	436	270	266	301	327	410	479	458	419	480	
EAF	352	257	216	299	338	281	262	438	267	244	265	273	377	426	504	446	511	
<b>difference</b>	<b>-68</b>	<b>-67</b>	<b>-27</b>	<b>-38</b>	<b>-71</b>	<b>10</b>	<b>29</b>	<b>-2</b>	<b>4</b>	<b>22</b>	<b>37</b>	<b>54</b>	<b>34</b>	<b>53</b>	<b>-46</b>	<b>-27</b>	<b>-31</b>	



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	261	398
Q1 2022	143	261*	457

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,  
\* Q1 estimate based on Q4 2021

## Prices & Spreads

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
(pln/ tonne)					
<b>FERROSTAL</b>					
<b>SCRAP METAL</b> - average purchase price	1 883	1 608	1 734	1 431	1 269
<b>BILLETS</b> - average price	4 325	3 800	3 595	2 656	2 362
<i>volume</i>	19 912	19 079	20 757	17 615	22 835
<b>BILLET SPREAD</b>	<b>2 442</b>	<b>2 192</b>	<b>1 853</b>	<b>1 224</b>	<b>1 093</b>
<b>FINISHED PRODUCTS</b> – average price	4 037	3 685	3 880	3 073	2 624
<i>total volume</i>	77 776	95 586	66 210	90 092	73 979
<i>- plain bars</i>	4 104	3 917	3 957	3 213	2 841
<i>volume</i>	11 003	10 450	7 185	8 592	8 107
<i>- flat bars</i>	4 096	3 895	3 833	3 175	2 774
<i>volume</i>	16 924	11 774	9 214	12 061	9 765
<i>-squares</i>	4 136	3 793	3 895	3 338	2 822
<i>volume</i>	2 461	1 429	1 111	2 029	1 955
<i>-rebars</i>	3 963	3 593	3 865	3 002	2 548
<i>volume</i>	39 741	67 048	45 122	61 193	49 276
<i>-angles</i>	4 153	3 902	3 932	3 285	2 665
<i>volume</i>	7 314	4 702	3 416	5 904	4 439
<i>-other</i>	4 227	4 055	6 205	3 512	2 592
<i>volume</i>	333	213	162	253	437
<b>PRODUCT SPREAD</b>	<b>2 153</b>	<b>2 077</b>	<b>2 137</b>	<b>1 641</b>	<b>1 355</b>
<i>- plain bars</i>	2 221	2 309	2 214	1 781	1 572
<i>- flat bars</i>	2 213	2 287	2 090	1 743	1 505
<i>- squares</i>	2 253	2 184	2 154	1 907	1 552
<i>- rebars</i>	2 080	1 985	2 122	1 570	1 279
<i>- angles</i>	2 270	2 249	2 189	1 854	1 395
<i>- other</i>	2 344	2 447	4 463	2 080	1 323

scrap metal price up by **452 & 35.6%**  
 billet sales price up by **1 963 & 83.1%**

**billet spread up by 1 349 & 123.4%**

finished product sales price up by **1 412 & 53.8%**

**product spread up by 798 & 58.9%**

## Prices & Spreads

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
(pln/ tonne)					
<b>HSJ</b>					
<b>SCRAP METAL</b> - average purchase price	2 278	1 875	1 912	1 623	1 438
<b>BILLETS</b> - average price	4 036	3 633	3 742	3 084	2 640
<i>volume</i>	23 238	19 681	12 270	19 037	17 101
<b>BILLET SPREAD</b>	<b>1 758</b>	<b>1 758</b>	<b>1 830</b>	<b>1 461</b>	<b>1 202</b>
<b>FINISHED PRODUCTS</b> – average price	5 344	4 843	4 479	3 734	3 214
total volume	56 595	42 661	43 122	49 776	54 663
- SQ bars	5 350	4 826	4 443	3 690	3 184
<i>volume</i>	56 195	42 281	42 843	49 311	53 626
- thick sheets	6 139	6 009	7 519	6 048	4 171
<i>volume</i>	249	243	179	292	301
- thin sheets	18 400	15 206	12 905	12 644	12 638
<i>volume</i>	2	63	88	112	158
- other	25 036	18 222	25 501	11 848	14 924
<i>volume</i>	10	8	12	61	112
<b>PRODUCT SPREAD</b>	<b>3 066</b>	<b>2 968</b>	<b>2 567</b>	<b>2 111</b>	<b>1 776</b>
- SQ bars	3 057	2 938	2 529	2 066	1 725
- thick sheets	3 861	4 044	5 607	4 425	2 733
- thin sheets	16 122	11 382	10 993	11 021	11 200
- other	22 758	16 347	23 589	10 255	13 486

scrap metal price up by **840 & 58.4%**  
 billet sales price up by **1 396 & 52.9%**

**billet spread up by 556 & 46.2%**  
 finished product sales price up by **2 130 & 66.3%**

**product spread up by 1 290 & 72.7%**

## Segments

SCRAP METAL		Q1 2022	Q4 2021	Q1 2021	
<b>PURCHASES FROM EXTERNAL SUPPLIERS</b>	<i>Tonnes</i>				
FERROSTAL		102 066	78 259	96 147	
ZŁOMREX		103 077	73 492	92 110	ZŁOMREX purchases up by 11.9%
HSJ		61 712	19 737	52 090	
<b>INTERNAL USE</b>	<i>Tonnes</i>				
FERROSTAL		119 746	124 610	118 938	
HSJ		87 400	86 486	80 397	
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>				
ZŁOMREX		35 935	36 916	39 981	
OTHER		0	0	0	
<b>SALES</b>	<i>'000 PLN</i>				
CONSOLIDATED		74 839	61 319	52 419	
<b>TOTAL PURCHASES in TONNES</b>		<b>266 855</b>	<b>171 488</b>	<b>240 347</b>	
<b>TOTAL INTERNAL USE in TONNES</b>		<b>207 146</b>	<b>211 096</b>	<b>199 335</b>	Internal use up by 3.9%
<b>TOTAL SALES in TONNES</b>		<b>35 935</b>	<b>36 916</b>	<b>39 981</b>	Shipments down by 10.1%
<b>TOTAL SALES in '000 PLN</b>		<b>74 839</b>	<b>61 319</b>	<b>52 419</b>	Sales up by 42.8%

## Segments

BILLETS		Q1 2022	Q4 2021	Q1 2021
<b>PURCHASES</b>	<i>Tonnes</i>			
FERR		0	0	0
<b>PRODUCTION</b>	<i>Tonnes</i>			
FERR		106 848	111 164	105 204
HSJ		77 569	76 726	70 952
<b>INTERNAL USE</b>	<i>Tonnes</i>			
FERR		76 127	94 472	92 077
HSJ		57 913	65 184	58 838
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERR		23 494	27 218	27 822
HSJ		19 656	11 542	12 114
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		179 907	113 497	99 099
<b>TOTAL PURCHASES in TONNES</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL PRODUCTION in TONNES</b>		<b>184 417</b>	<b>187 890</b>	<b>176 156</b>
<b>TOTAL INTERNAL USE in TONNES</b>		<b>134 040</b>	<b>159 656</b>	<b>150 915</b>
<b>TOTAL SALES in TONNES</b>		<b>43 150</b>	<b>38 760</b>	<b>39 936</b>
<b>TOTAL SALES in '000 PLN</b>		<b>179 907</b>	<b>113 497</b>	<b>99 099</b>

Production up by 4.7%  
 Internal use down by 11.2%  
 Shipments up by 8.0%  
 Sales up by 81.5%

## Segments

FINISHED PRODUCTS		Q1 2022	Q4 2021	Q1 2021
<b>PURCHASES</b>	<i>Tonnes</i>			
ALL ENTITES		1 061	0	999
<b>PRODUCTION</b>	<i>Tonnes</i>			
ZWWB		20 428	21 452	22 195
HSJ		53 977	52 405	48 753
PROFIL		51 948	68 958	65 507
<b>SALES TO EXTERNAL CUSTOMERS</b>	<i>Tonnes</i>			
FERROSTAL		74 238	89 451	72 380
HSJ		60 862	48 796	57 261
<b>SALES</b>	<i>'000 PLN</i>			
CONSOLIDATED		620 158	558 527	372 620
<b>TOTAL PURCHASES in TONNES</b>		<b>1 061</b>	<b>0</b>	<b>999</b>
<b>TOTAL PRODUCTION in TONNES</b>		<b>126 353</b>	<b>142 815</b>	<b>136 455</b>
<b>TOTAL SALES TO EXTERNAL CUSTOMERS in TONNES</b>		<b>135 100</b>	<b>138 247</b>	<b>129 641</b>
<b>TOTAL SALES in '000 PLN</b>		<b>620 158</b>	<b>558 527</b>	<b>372 620</b>

Production down by 7.4%  
 Shipments up by 4.2%  
 Sales up by 66.4%

# Financials

STATEMENT OF PROFIT OR LOSS	Q1 2022	Q4 2021	Q1 2021
	'000 PLN		
Sales revenue	962 036	794 048	584 076
Cost of sales	-735 701	-602 877	-487 108
<b>Gross profit</b>	<b>226 335</b>	<b>191 171</b>	<b>96 968</b>
Other income	8 040	10 729	6 173
Distribution expenses	-31 483	-26 541	-25 223
Administrative expenses	-18 998	-18 339	-14 365
Other gains/(losses) – net	-627	-3 430	4 194
Other expenses	-1 992	-2 578	-975
<b>EBIT</b>	<b>181 275</b>	<b>151 012</b>	<b>66 772</b>
Financial income	21 045	17 779	827
Financial expenses	-8 946	-12 715	-8 931
<b>Net financing costs</b>	<b>12 099</b>	<b>5 063</b>	<b>-8 104</b>
Share of profits of associates	-44	138	-53
Excess in fair value of acquired assets over cost	0	0	0
<b>Profit before tax</b>	<b>193 330</b>	<b>156 214</b>	<b>58 615</b>
Income tax expense	-36 550	-30 862	-12 758
Profit/loss for the period from discontinued operations	0	0	0
<b>Profit for the period</b>	<b>156 780</b>	<b>125 352</b>	<b>45 857</b>
Depreciation and amortization	-11 127	-12 849	-13 312
<b>EBITDA</b>	<b>192 402</b>	<b>163 861</b>	<b>80 084</b>

Revenues up by	378m & 64.7%
- shipments up by 2.2%	
Gross profit up by	129m & 133.4%
- FIFO gain of PLN 26.1m	
- increase of production costs	
EBIT up by	115m % 171.5%
- CO2 compensation of PLN 6.0m	
Financial income at	21m
- hedge valuation at 20.3m	
- FX gain at 0.7m	
Financial expenses flat	
Net result up by	111m & 241.9%
Adjusted net result PLN	141m
EBITDA up by	112m & 140.3%
Adjusted EBITDA PLN	194m

# Financials

ASSETS	Q1 2022	Q4 2021	Q1 2021
	<i>'000 PLN</i>		
<b>A. TOTAL NON-CURRENT ASSETS</b>	<b>666 055</b>	<b>564 496</b>	<b>508 846</b>
I. Intangible assets	14 924	15 139	18 096
II. Property, plant and equipment	563 782	439 220	398 563
III. Other receivables	31 639	14 777	9 405
IV. Investment property and other investments	1 089	1 134	8 271
V. Financial instruments assets	34 843	15 689	
VI. Prepaid perpetual usufruct of land	0	0	31 010
VII. Deferred tax assets	19 778	24 537	43 501
<b>B. TOTAL CURRENT ASSETS</b>	<b>1 337 280</b>	<b>940 676</b>	<b>686 890</b>
I. Inventories	546 481	425 801	331 236
II. Receivables	503 698	398 227	226 562
1. Trade receivables	503 587	398 095	226 403
2. Current income tax receivable	38	38	38
3. Other investments	73	94	121
III. Financial instruments assets	2 894	1 845	
IV. Cash and cash equivalents	277 219	107 810	129 092
V. Prepayments	0	0	0
VI. Assets classified as held for sale	6998	6 993	0
<b>Total</b>	<b>2 003 335</b>	<b>1 505 172</b>	<b>1 195 736</b>

Fixed assets up by **157m & 30.9%**  
 - CAPEX & valuation increase of PLN 134.2m  
 - financial instruments valuation at PLN 34.8m  
 - D&A charges of PLN 49.6m  
 - utilization of tax shield at PLN 23.7m

Current assets up by **650m & 94.7%**  
 Inventories up by **215m & 65.0%**  
 Receivables up by **277m % 122.3%**  
 Trade receivables sold (net) PLN **291.0m**  
 In Q1 2021 (net) PLN **196.1m**

Cash up by **148m % 114.7%**  
 includes PLN 126m under an L/C

# Financials

EQUITY AND LIABILITIES	Q1 2022	Q4 2021	Q1 2021
	'000 PLN		
<b>A. EQUITY</b>	<b>800 561</b>	<b>643 869</b>	<b>354 661</b>
I. Issued share capital	257 131	257 131	254 431
II. Reserves and retained earnings	494 708	346 754	78 156
III. Minority interest	48 722	39 984	22 074
<b>B. LIABILITIES</b>	<b>1 202 774</b>	<b>861 303</b>	<b>841 075</b>
I. Non-current liabilities	326 564	269 631	223 965
1. Employee benefits obligation	12 705	14 343	12 580
2. Interest-bearing loans and borrowings	308 800	249 987	198 430
3. Other	5 059	5 301	12 955
II. Current liabilities	874 730	590 124	617 110
1. Interest-bearing loans and borrowings	61 111	70 816	56 885
2. Bank overdraft	49 908	17 200	0
3. Trade payables	741 536	490 695	544 001
4. Deferred government grants	4 582	4 538	5 056
5. Liability under financial instruments	0	0	3 183
6. Employee benefits obligation	2 213	2 139	1 330
7. Current income tax payable	14 080	2 936	6 630
8. Provisions for payables	1 300	1 800	25
III. Liabilities of disposal group	1 480	1 548	0
<b>Total</b>	<b>2 003 335</b>	<b>1 505 172</b>	<b>1 195 736</b>

Equity up by PLN 446m & 125.7%  
 - net result increase of PLN 474.4m  
 - dividend decrease of PLN 25.7m

Gross debt up by PLN 165m & 64.4%  
 Net debt up by PLN 16m & 13.0%





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 peak; conversion spreads to peak too**

5

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

6

**Q2 2022 could see another record in terms of revenues and profitability due to peaking prices and spreads**

*Together reach more*



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