



EZZ STEEL REPORTS CONSOLIDATED 9M 2020 RESULTS

Cairo, 07 December 2020 – Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the 9-month period ending 30 September 2020. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>9M 2019</u>	<u>9M 2020</u>	<u>YoY % (+/-)</u>
□ Net sales	35,258	26,458	(25)
□ Gross profit	529	263	(50)
□ EBITDA*	246	(213)	(187)
□ Net profit after tax and minority interest	(3,590)	(2,773)	
□ Earnings per share**	(6.61)	(5.10)	

*EBITDA = sales – cost of goods sold – selling & marketing expense – G&A expense + depreciation and amortisation

**EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period

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About Ezz Steel

Ezz Steel (formerly: Al Ezz Steel Rebars) is the largest independent steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 7 million tonnes of finished steel per annum.

In 2019, the Company produced 3.3 million tonnes of long products (typically used in construction) and 1.1 million tonnes of flat products (typically used in consumer / industrial goods). Ezz Steel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

All of the below financial breakdowns are based on Ezz Steel's consolidated financials, which include the consolidated financial performance of EZDK. Following the successful acquisition of EFS/ERM, both are full subsidiaries of EZDK.

Sales & Production

Consolidated net sales for 9M 2020 were EGP 26.5 billion, representing a decrease of 25 per cent year on year. Global demand remained low with the continued effects of COVID-19, including a significant drop-in construction activity, contributing to this decrease. Compared to 9M 2019, Flat sales were down 16% and long sales were down 28% respectively. Prices declined in Egypt and international markets for both long and flat steel during 9M 2020.

Sales after elimination

EGPMn

	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	4,628	14,712	19,340
Flat	0	6,732	6,732
Others	0	385	385
Total	4,628	21,829	26,457

Long steel products accounted for EGP 19.3 billion, or 74 per cent of sales in 9M 2020, while flat steel products represented 26 per cent of sales at EGP 6.7 billion. Long product exports accounted for 7 per cent of total long sales. Flat product exports accounted for 44 per cent of total flat sales.

Sales Value EGPMn	Domestic	per cent	Export	per cent
Long	17,922	93%	1,418	7%
Flat	3,776	56%	2,956	44%

Long sales volumes were 2.41 million tonnes during 9M 2020, 5 per cent lower than the 2.55 million tonnes sold in 9M 2019. Over the same period, consolidated flat sales volumes improved by 1 per cent to reach 819 thousand tonnes in 9M 2020. However, third quarter sales volumes increased significantly compared to the previous quarter.

The group's consolidated sales volumes totalled 3.13 million tonnes in 9M 2020, a decrease of 10 per cent from the 3.47 million tonnes in 9M 2019.

Long steel production volumes totalled 2.27 million tonnes during 9M 2020, down 11 per cent compared to 9M 2019. Flat steel production volumes slightly increased by 2 per cent to 902 thousand tonnes for the period, compared to 888 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2020 represented 99 per cent of sales, leading to a gross profit margin of 1% in 9M 2020. High iron ore price compared to decreased product prices, lower global demand, high utilities cost, and lack of sufficient local market protection continued to be factors that had a significant impact on gross profit.

Ezz Steel Standalone reported a COGS/Sales ratio of 96% for 9M 2020, compared to 98.5% in 9M 2019. At EZDK Consolidated the COGS/Sales ratio stood at 100%.

<i>EGPMn</i>	ESR Standalone	EZDK Consolidated	Ezz Steel Consolidated
Sales	4,628	21,839	26,458
COGS	4,440	21,755	26,195
COGS/Sales	96%	100%	99%

Gross profit

Gross profit of 263 million was recorded for 9M 2020, a decline of 50 per cent from the 529 million in 9M 2019.

EBITDA

EBITDA for 9M 2020 amounted to a loss of EGP 213 million, compared to a positive EBITDA contribution of EGP 246 million in 9M 2019.

Tax

During FY 2019, Ezz Steel had deferred taxes in the amount of EGP 189.5 million and income tax of EGP 25.9 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 2.77 billion for 9M 2020, compared to a loss of EGP 3.59 billion during the same period in 2019.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 2.55 billion and net debt of EGP 31.7 billion.

Divisional Overview

EZDK Standalone Sales (EGP):		9M 2019	9M 2020	
	Value:	26,472	24,876	Mn
	Volume:			
	Long:	1,819	1,559	Tonnes
	Flat:	813	743	Tonnes
	Exports as % of Sales:			
	Long:	9%	12%	
	Flat:	50%	44%	
	EBITDA:	1,038	687	Mn
Production:				
	Long Products:	1,405	1,180	Tonnes
	Flat Products:	853	770	Tonnes
	Billets:	1,562	1,291	Tonnes
Ezz Steel Standalone Sales (EGP):				
	Value:	5,519	4,703	Mn
	Volume:	530	551	Tonnes
	Exports as % of Sales:			
	EBITDA:	(187)	(101)	Mn
Production:				
	Long Products:	499	570	Tonnes
	Billets:	487	591	Tonnes
EZDK Consolidated* Sales (EGP):				
	Value:	29,856	21,829	Mn
	Volume:			
	Long:	2,129	1,770	Tonnes
	Flat:	813	819	Tonnes
	Exports as % of Sales:			
	Long:	6%	11%	
	Flat:	50%	44%	
Production:				
	Long Products:	2,048	1,845	Tonnes
	Flat Products:	888	902	Tonnes
	Billets:	2,179	1,926	Tonnes

*Figures include ERM

Disclaimer:

This press release is issued by Ezz Steel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 9-month period ending 30 September 2020. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company’s strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company’s actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East, changes in the business strategy of the Company, and various other factors. These forward-looking statements reflect the Company’s judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of Ezz Steel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, no such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to Ezz Steel’s actual results.