



EZZ STEEL REPORTS CONSOLIDATED 9M 2021 RESULTS

Cairo, 14 November 2021 – 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 period ending 31 September 2021. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	<u>9M 2021</u>	<u>9M 2020</u>
□ Net sales	49,056	26,458
of which Exports (US\$ Mn)	\$1,014	\$275
□ Gross profit	9,918	263
□ EBITDA*	9,291	(213)
□ Net profit before tax**	4,866	(4,274)
□ Net profit	3,760	(4,111)
□ Earnings per share (EPS)***	4.65	(5.20)

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

** Deferred Taxes amounted to EGP 608mn; and Income Taxes to EGP 498mn

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the 6 months period ending 30 September

For further information:

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Comment

Commenting on the results, the board issued the following notes to the shareholders:

- Sales during 9M21 amounted to EGP 49,056 million compared to the EGP 26,458 million recorded during 9M20. Rebar sales constituted 52% of total sales, and HRC sales 46%. Sales totalled EGP 18,639 million during 3Q21.
- Ezz Steel achieved a record export sales value which exceeded USD 1 billion in the first nine months of 2021. Exports amounted to USD 1,014 million, of which Hot Rolled Coil (HRC) sales contributed USD 822 million and Wire Rod sales USD 191 million. Exports sales during 3Q21 amounted to USD 427 million, of which HRC sales contributed USD 346 million from and Wire Rod sales USD 81 million.
- Net profit after tax amounted to EGP 3,760 million during 9M21. The net profit after tax achieved during 3Q21 of EGP 1,363 million underscores the upward trend of the results during the current fiscal year.
- The positive contribution of Ezz Flat Steel (EFS) and Ezz Rolling Mills (ERM), wholly owned by Ezz Dekheila Steel, Alexandria (EZDK), continued following the group's restructuring. EFS and ERM achieved a combined net profit amounting to EGP 926 million during 9M21 and EGP 415 million during 3Q21. Their profits are reflected in the net profit of EZDK, and thus on the consolidated net profit of Ezz Steel.

About Ezz Steel

Ezz Steel is the largest steel producer in the Arab World and North Africa according to the World Top Steel Makers for 2020 published by World Steel Association (WSA). The Company is the Egyptian market leader with a total capacity of 7 million tonnes of finished steel products per annum. Ezz Steel was established on 2/4/1994 as an Egyptian joint stock company in accordance with the provisions of Law No. 159 for the year 1981.

In 2020, the Company produced 3.1 million tonnes of long products (typically used in construction) and 1.3 million tonnes of flat products (typically used in engineering industries, automotive, steel pipes and consumer products). 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 latter's acquisition of EFS/ERM, both are full subsidiaries of EZDK.

Sales

Consolidated net sales for 9M 2021 were EGP 49,056 million.

<i>EGPMn*</i>	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	7,874	17,800	25,674
Flat	-	22,743	22,743
Others	-	639	639
Total	7,874	41,183	49,056

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 25.7 billion, or 52% of sales in 9M 2021, while flat steel products represented 46% of sales at EGP 22.7 billion. Long product exports accounted for 12% of total long sales. Flat product exports accounted for 57% of total flat sales.

Sales Value EGPMn	Domestic	%	Export	%
Long	22,656	88%	3,018	12%
Flat	9,789	43%	12,953	57%

Long sales volume decreased 2% from 760 thousand tonnes in Q2 2021 to 742 thousand tonnes in Q3 2021. Long sales volumes were 2.10 million tonnes during 9M 2021; flat sales were 1.5 million tonnes in 9M 2020.

The group's consolidated sales volumes totalled 3.6 million tonnes in 9M 2021.

Production

Long steel production volumes totalled 2.2 million tonnes during 9M 2021.

Flat steel production volumes reached 1.6 million tonnes for the period.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2021 represented 80% of sales. Gross profit margin reached 20% in 9M 2021.

Ezz Steel Standalone reported a COGS/Sales ratio of 89% for 9M 2021.

<i>EGPM_n</i> *	ESR Standalone	EZDK Consolidated	Ezz Steel Consolidated
Sales	7,874	41,183	49,056
COGS	7,011	32,127	39,138
COGS/Sales	89%	78%	79.8%

*after the elimination of intercompany transactions.

Gross profit

Gross profit of 9.9 billion was recorded for 9M 2021 for Ezz Steel consolidated.

EBITDA

Ezz Steel consolidated EBITDA for 9M 2021 amounted to EGP 9.3 billion.

Tax

During 9M 2021, Ezz Steel had deferred taxes in the amount of EGP 608 million and income tax of EGP 498 million.

Net profit

Net profit after tax reached EGP 3.8 billion in 9M 2021.

Net result after tax and minority interests

Net result after tax and minority interests recorded a profit of EGP 2.5 billion for 9M 2021.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 3.3 billion and net debt of EGP 34.7 billion.

Outlook

Global steel consumption continues to increase annually. It reached 1,461 million tons during 9M21, a significant increase of 8% compared to 9M20. Iron & Steel analysts estimate that 2021 consumption will reach 1.95 billion tons, an increase of 6% over 2020, then to 2 billion tons in 2022, an increase of 2.6% over 2021. This growth would positively affect Ezz Steel's ability to maintain its export momentum.

Domestic consumption, of both rebar and flat steel, is expected to witness healthy growth in 2022. This is attributable to the unrealized latent demand that resulted from the suspension of the issuance of building permits in 2020, and then the implementation of the new building regulations that took time for the different parties to become acquainted with its application details. Furthermore, the elevated level of national projects' activities is maintained. Worth noting in particular the "Decent Life Project", which begins in 4Q21, and aims to develop the 4,700 villages in the Egyptian countryside.

Divisional Overview

EZDK Standalone Sales (EGP):			9M 2021	9M 2020	Q3 2021	Q2 2021
Value:	Mn		32,555	24,876	12,804	10,904
Volume:						
Long:	000 Tonnes		1,449	1,559	524	535
Flat:	000 Tonnes		830	743	253	267
Exports as % of Sales:						
Long:			17%	11%	19%	12%
Flat:			50%	43%	57%	52%
EBITDA:	Mn		5,700	687	1,784	2,057
Production:						
Long Products:	000 Tonnes		1,435	1,180	471	477
Flat Products:	000 Tonnes		833	770	281	273
Billets:	000 Tonnes		1,548	1,291	527	521
Ezz Steel Standalone Sales (EGP):						
Value:	Mn		8,983	4,703	4,196	2,694
Volume:	000 Tonnes		644	551	246	222
Exports as % of Sales:			-	-	-	-
EBITDA:	Mn		669	(101)	227	229
Production:						
Long Products:	000 Tonnes		644	570	225	225
Billets:	000 Tonnes		649	591	208	217

EZDK Consolidated Sales (EGP):			9M 2021	9M 2020	Q3 2021	Q2 2021
Value:	Mn		43,834	22,982	17,322	14,793
Volume:						
Long:	000 Tonnes		1,488	1,774	521	540
Flat:	000 Tonnes		1,543	819	505	503
Exports as % of Sales:						
Long:			17%	10%	19%	12%
Flat:			57%	44%	61%	57%
EBITDA:	Mn		8,658	(84)	3,079	3,057
EBT	Mn		4,535	(3,656)	1,822	1,568
Net Profit	Mn		3,235	(3,471)	1,175	1,030
Production:						
Long Products:	000 Tonnes		1,526	1,845	501	503
Flat Products:	000 Tonnes		1,579	902	534	545
Billets:	000 Tonnes		1,582	1,926	527	523
Ezz Steel Consolidated Sales (EGP):			9M 2021	9M 2020	Q3 2021	Q2 2021
Value:	Mn		49,056	26,458	18,639	16,919
Volume:						
Long:	000 Tonnes		2,096	2,321	742	760
Flat:	000 Tonnes		1,542	819	504	505
Exports as % of Sales:						
Long:			12%	7%	14%	8%
Flat:			57%	44%	61%	57%
EBITDA:	Mn		9,291	(213)	3,303	3,287
EBT	Mn		4,866	(4,274)	1,946	1,676
Net Profit	Mn		3,760	(4,111)	1,363	1,209
Production:						
Long Products:	000 Tonnes		2,171	2,415	727	728
Flat Products:	000 Tonnes		1,579	902	534	545
Billets:	000 Tonnes		2,231	2,518	735	740

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 quarter ending 31 September 2021. 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.