



EZZ STEEL REPORTS CONSOLIDATED FY 2021 RESULTS

Cairo, 02 March 2022 – 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 December 2021. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	<u>FY 2021</u>	<u>FY 2020</u>
□ Net sales	67,819	38,625
of which Exports (US\$ Mn)	\$1,291	\$458
□ Gross profit	13,770	1,220
□ EBITDA*	12,870	535
□ Net profit before tax**	7,172	(4,963)
□ Net profit	5,398	(4,685)
□ Earnings per share (EPS)***	6.61	(5.85)

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

** Deferred Taxes amounted to EGP 844mn; and Income Taxes to EGP 930mn

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

For further information:**Ezz Steel**

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Comment

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

- Sales amounted to EGP 67,819 million compared to the EGP 38,625 million recorded in FY20. Rebar sales constituted 54% of total sales, and HRC sales 45%. Sales totalled EGP 18,763 million during 4Q21.
- Ezz Steel achieved a record export sales value in FY21. Exports amounted to USD 1,291 million, of which Hot Rolled Coil (HRC) sales contributed USD 1,079 million and Wire Rod sales USD 212 million. Exports sales during 4Q21 amounted to USD 277 million, of which HRC sales contributed USD 257 million and Wire Rod sales USD 20 million.
- Net profit before tax reached EGP 7,123 billion in FY21. This is compared to a loss of EGP 4,963 million in FY20. Deferred tax and income tax for FY21 were EGP 1,774 million; net profit after tax therefore reached EGP 5,432 million for the 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. Both companies achieved a combined net profit amounting to EGP 1,330 million during FY21 of which EGP 403 million during 4Q21. Their profits are reflected in the net profit of EZDK, and thus on the consolidated net profit of Ezz Steel.
- World production of steel increased to 1,911 million tons in FY21, 1.8% higher than FY20. Mainly due to China's stricter environmental measures and imposed credit limitations on its real estate sector, world production in 2H21 (909 Mn tons) was lower than that of 1H21 (1002 Mn tons).
- Local rebars consumption reached 7.344 million tons in 2021, an increase of 7% over the 6.865 million tons consumed in 2020. Worth noting that local consumption in 4Q21 made an upward correction rising 27% above 3Q21 with the momentum of national projects continuing. In particular "Decent Life Project" to upgrade over 4700 villages is progressing quickly and boosting demand. Growth pace in private building consumption is also picking up.
- With Ezz Steel once again assuming an important position as a flat steel exporter in 2021, it has become necessary to maximise flat production from Ezz Flat Steel (EFS) at the expense of rebars production. The company's rebar sales accordingly decreased from 3.175 million tons in FY20 to 2.936 million tons in FY21, in spite of an increasing local market consumption. This prompted Ezz Steel to build a second meltshop in EFS. Once operative, smooth simultaneous, rather than alternating, production of flat steel and rebars would be achieved enabling the company to seize a growth opportunity.

- Construction and erection of the second meltshop in EFS are making good progress. Start-up is scheduled in 4Q22 with full capacity to be reached in 1Q23. The 1.6 million ton per year meltshop will cost approximately EGP 3.2 billion, being financed from EGP 1 billion internally generated funds and a EGP 2.2 billion syndicated bank loan. The project will integrate with the downstream casting and rolling plants already in place.
- Ezz Steel efforts to increase the awareness and market its B500WDR high tensile steel rebars is paying off. In-house led market survey showed that not only the company's strong branding, but also the properties and cost savings such superior steel grade provides, contribute to the product's price premium in the market.
- Local flat steel consumption reached 1.421 million tons in 2021. Though this is lower than the 1.563 million tons of 2020, it remains at a higher level than recent years which hovered around the 1.2 million tons per year. Ezz Steel market share grew from 676k tons in 2020 to 906k tons in 2021 having substituted a portion of imports. As local consumption is considerably lower than Ezz Steel's flat production capacity, the company continues to balance its commitment as the anchor supplier to the local market, with its role as a leading exporter.
- In December 2021, EZDK's board approved the purchase of 18% of the total equity of "Egyptian Steel" for a total value of EGP 2.5 billion; to be paid from EZDK's own resources. The transaction was made in January 2022 (after the fiscal year); 50% the amount was paid, and the balance will be paid in two equal instalments after 12 and 24 months from the transaction date. This marks an important and strategic investment initiative by 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 2021, the Company produced 2.9 million tonnes of long products (typically used in construction) and 2.1 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 FY 2021 were EGP 67,819 million compared to EGP 38,625 million in FY2020.

<i>EGPMn*</i>	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	11,207	25,388	36,595
Flat	-	30,527	30,527
Others	-	697	697
Total	11,207	56,612	67,819

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 36.6 billion, or 54% of sales in FY 2021, while flat steel products represented 45% of sales at EGP 30.5 billion. Long product exports accounted for 9% of total long sales. Flat product exports accounted for 56% of total flat sales.

Sales Value EGPMn	Domestic	%	Export	%
Long	33,259	91%	3,336	9%
Flat	13,526	44%	17,001	56%

Long sales volumes were 2.9 million tonnes during FY 2021 and flat sales were 2 million tonnes. In 4Q21, long sales volume was 839 thousand tonnes, 3% below that of 4Q20 which was 863 million tonnes.

The group's consolidated sales volumes totalled 4.9 million tonnes in FY 2021.

Production

Long steel production volumes totalled 2.9 million tonnes during FY 2021.

Flat steel production volumes reached 2.1 million tonnes for the period.

Cost of Goods Sold

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

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

<i>EGPM_n</i> *	ESR Standalone	EZDK Consolidated	Ezz Steel Consolidated
Sales	11,207	56,612	67,819
COGS	10,009	44,039	54,048
COGS/Sales	89%	78%	80%

*after the elimination of intercompany transactions

Gross profit

Gross profit of 13.8 billion was recorded for FY 2021 for Ezz Steel consolidated, compared to the EGP 1.2 billion recorded in FY 2020.

EBITDA

Ezz Steel consolidated EBITDA for FY 2021 amounted to EGP 12.9 billion compared to EGP 535 million in FY 2020.

Tax

During FY 2021, Ezz Steel had deferred taxes in the amount of EGP 844 million and income tax of EGP 930 million.

Net profit

Net profit reached EGP 5.4 billion in FY 2021.

Net result after tax and minority interests

Net result after tax and minority interests recorded a profit of EGP 3.5 billion for FY 2021.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 3.5 billion and net debt of EGP 31.4 billion.

Outlook

- Industry analysts forecast an increase in global steel production by 0.8% in 2022 to 1.933 billion tons. China's production in 2022, however, is forecasted to remain at the same level of 2021. As an exporter, Ezz Steel would benefit from an increasing demand and consumption as markets have opened up in the aftermath of the Corona pandemic. On the cost side, China's determination to maximise the use of scrap in steel production would reduce its iron ore consumption and, hence, dampen iron ore price increase.
- Domestic consumption of rebars is expected to continue to grow in 2022 as well. National projects, including "Decent Life Project" are progressing in a dynamic pace; private building is also picking up. Local rebar consumption in 2022 is forecasted to grow by 14% to 8.4 million tons. Local consumption of flat steel in 2022 is expected to grow by 7% to 1.5m tons, also supported by national projects.
- With the increase in crude steel output as EFS's new meltshop commences operation in Sokhna, Suez, Ezz Steel will be able to enhance its supply capacity – especially of rebars – and consolidate its market position, without compromising its flat exports.
- Ezz Steel follows closely the international inclination to apply the Carbon Tax, especially in Europe, and its effect on steel markets. The company looks forward to maximising the return on its exports in view of its distinctive position with a lower carbon footprint compared to most producers. This stems from the production technologies adopted by Ezz Steel, which rely primarily on reduction using natural gas and melting in electric arc furnaces. Carbon emissions are therefore considerably lower than that from blast furnaces which is responsible for about 72% of world production.

Divisional Overview

EZDK Standalone Sales (EGP):			FY 2021	FY 2020	Q3 2021	Q4 2021
Value:	Mn		47,931	34,409	12,804	15,375
Volume:						
Long:	000 Tonnes		2,059	2,126	524	610
Flat:	000 Tonnes		1,097	1,030	253	266
Exports as % of Sales:						
Long:			13%	12%	19%	4%
Flat:			51%	42%	57%	52%
EBITDA:	Mn		7,928	1,356	1,784	2,228
Production:						
Long Products:	000 Tonnes		1,859	1,590	471	424
Flat Products:	000 Tonnes		1,101	1,039	281	268
Billets:	000 Tonnes		2,090	1,687	527	543
Ezz Steel Standalone Sales (EGP):						
Value:	Mn		13,170	6,835	4,196	4,187
Volume:	000 Tonnes		905	777	246	261
Exports as % of Sales:			-	-	-	-
EBITDA:	Mn		905	59	227	236
Production:						
Long Products:	000 Tonnes		839	767	225	194
Billets:	000 Tonnes		867	802	208	218

EZDK Consolidated Sales (EGP):			FY 2021	FY 2020	Q3 2021	Q4 2021
Value:	Mn		61,218	33,967	17,322	17,384
Volume:						
Long:	000 Tonnes		2,106	2,413	521	619
Flat:	000 Tonnes		1,997	1,297	505	454
Exports as % of Sales:						
Long:			13%	10%	19%	4%
Flat:			56%	48%	61%	52%
EBITDA:	Mn		12,051	512	3,079	3,390
EBT	Mn		6,757	(4,288)	1,822	2,221
Net Profit	Mn		5,837	(4,676)	1,175	1,840
Production:						
Long Products:	000 Tonnes		2,065	2,358	501	539
Flat Products:	000 Tonnes		2,051	1,336	534	472
Billets:	000 Tonnes		2,125	2,393	527	543
Ezz Steel Consolidated Sales (EGP):			FY 2021	FY 2020	Q3 2021	Q4 2021
Value:	Mn		67,819	38,625	18,639	18,762
Volume:						
Long:	000 Tonnes		2,936	3,175	742	839
Flat:	000 Tonnes		1,997	1,297	505	454
Exports as % of Sales:						
Long:			9%	8%	14%	3%
Flat:			56%	48%	61%	52%
EBITDA:	Mn		12,870	535	3,303	3,579
EBT	Mn		7,172	(4,963)	1,946	2,306
Net Profit	Mn		5,398	(4,685)	1,363	1,638
Production:						
Long Products:	000 Tonnes		2,904	3,126	727	733
Flat Products:	000 Tonnes		2,051	1,336	534	472
Billets:	000 Tonnes		2,992	3,195	735	761

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 December 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.