



## EZZ STEEL REPORTS CONSOLIDATED FY22 RESULTS

**Cairo, 6 July 2023** – 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 March 2023. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key Highlights

EGP Mn

	<u>1Q23</u>	<u>1Q22</u>
Net sales	27,849	18,641
Gross profit	8,113	4,603
Net profit before tax*	(2,635)	1,754
Net profit	(2,489)	1,217
Earnings per share (EPS)**	(3.12)	1.42

\* After allowing for an FX loss of EGP 8,889mn.

\*\* EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 31 March 2023.

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**Comment**

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

- Sales amounted to EGP 27,849 million in 1Q23 compared to EGP 18,641 million in 1Q22 (increasing 49%). Reinforcing steel coils and bars (rebars) sales accounted for 55% of total sales, and hot rolled coils (HRC) flat steel sales accounted for 44%.
- Export sales amounted to \$285 million in 1Q23, of which sales of HRC amounted to \$191 million, and sales of rebars amounted to \$94 million. Exports in 1Q22 amounted to \$212 million, divided into sales of HRC (\$184 million) and rebars (\$28 million).
- The company continued to maximize its exports quantities to secure the foreign currency needed to import raw materials and consumables. In 1Q23, 285 thousand tonnes of HRC were exported, representing 53% of total HRC sales. This is compared to 37% only in 1Q22. As for rebars, exports in 1Q23 reached 147 thousand tonnes representing 22% of rebar sales, compared to only 4% in 1Q22.
- The economic slow-down in many regions around the world and concerns about recession are negatively affecting steel product prices. By way of background, prices had initially peaked around mid-2022 amid worries about possible supply chains interruptions -which affected a number of commodities- as a direct consequence of the Russian Ukrainian conflict. Since 3Q22, prices, together with margins, started to decrease gradually: especially that alternative suppliers were identified, and supply chains were again secured. International steel products prices decreased about \$40/ton in 1Q23 compared to 4Q22; prices continue to trend downwards.
- Forex losses amounted to EGP 8,889 million in 1Q23. The Egyptian Pound continues its downward trend compared to major currencies.
- Net loss before taxes amounted to EGP 2,635 million in 1Q23, compared to a net profit of EGP 1,754 million in 1Q22. Income tax amounted to EGP 1,192 million, and deferred tax (asset) EGP 1,338 million.
- Net loss after tax amounted to EGP 2,489 million in 1Q23, compared to a net profit of EGP 1,217 million in 1Q22.
- Central banks worldwide continue to increase interest rates to counter inflation. The US Federal Reserve raised the interest rate in the United States from 4.5% at the beginning of 2023 - following a series of increases in 2022 - to 5% (in two steps) by the end of the first quarter; then to 5.25% at the beginning of May 2023 (after the fiscal period). CBE also increased the lending rate by 2% to 19.25% on March 30, 2023. These consecutive interest increases -in addition to CBE's abolishment the interest rate initiative which had been in effect since March 2020 to support industry at 8%- affected the income statement. Interest and financing expenses amounted to EGP 1,203 million in 1Q23, an increase of 53% compared to 1Q22 (EGP 786 million). The recent increases in interest rates globally and locally will further effect 2Q23.

- According to the Worldsteel Association (WSA), global crude steel production remained stable in 1Q23 compared to the same period last year. This is the result of China growing by 6% through abandoning its zero Covid policy, in addition to the recovery of its real estate sector, on one hand, and on the other hand, the decline of global production (other than China) by 7% due to inflationary pressures, high interest rates and the repercussions of the Russian-Ukrainian conflict. The regions most affected by the decline in production were the European Union (-10%), North America (-4%), Russia and Ukraine together (-12%) and the Middle East (-11%).
- Domestic consumption of rebars decreased 33% to 1.4 million tonnes in 1Q23 compared to 2.1 million tonnes in 1Q22, as a result of high inflation rates which affected consumption negatively.
- The company's local rebar sales decreased by 32% from 755 thousand tonnes in 1Q22 to 517 thousand tonnes in 1Q23, due to the decrease in local consumption.
- Local HRC consumption in 1Q23 decreased to 396 thousand tonnes, 23% below 1Q22. In line with this, the company's local HRC sales also decreased by 20% from 315 thousand tonnes in 1Q22 to 251 thousand tonnes in 1Q23.

### **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 1Q23 were EGP 27,849 million compared to EGP 18,641 million in 1Q22, representing a 49% increase.

<i>EGPMn*</i>	<b>Ezz Steel Standalone</b>	<b>EZDK Consolidated</b>	<b>Ezz Steel Consolidated</b>
Long	4,061	11,171	<b>15,232</b>
Flat	-	12,327	<b>12,327</b>
Others	-	290	<b>290</b>
<b>Total</b>	<b>4,061</b>	<b>23,788</b>	<b>27,849</b>

\*After the elimination of intercompany transactions.

Long steel products accounted for EGP 15.23 billion, or 55% of sales in 1Q23, while flat steel products represented 44% of sales at EGP 12.33 billion. Long steel product exports accounted 19% of its total sales ,while flat product exports accounted for 48% of total flat sales.

<b>Sales Value EGPMn</b>	<b>Domestic</b>	<b>%</b>	<b>Export</b>	<b>%</b>
Long	12,360	81%	2,872	19%
Flat	6,465	52%	5,862	48%

Long sales volume decreased 16% to reach 663 thousand tonnes during 1Q23 compared to 789 thousand tonnes during 1Q22. Flat sales volume increased 7% to reach 536 thousand tonnes.

The group's consolidated sales volumes totalled 1.20 million tonnes in 1Q23 compared to 1.29 million tonnes in 1Q22, a decrease of 7%.

## Production

Long steel production volumes totalled 716 thousand tonnes during 1Q23 compared to 808 thousand tonnes in 1Q22, a decrease of 11%. Flat steel production volumes increased 19% to reach 566 thousand tonnes in 1Q23 compared to 475 thousand tonnes in 1Q22.

## Cost of Goods Sold

Consolidated Cost of Goods Sold in 1Q23 represented 71% of sales compared to 75% in 1Q22. Consequently, gross profit margin increased to reach 29% in 1Q23 compared to 25% in 1Q22.

<i>EGPM<sub>n</sub></i> *	<b>ESR Standalone</b>	<b>EZDK Consolidated</b>	<b>Ezz Steel Consolidated</b>
Sales	4,061	23,788	27,849
COGS	3,242	16,494	19,736
<b>COGS/Sales</b>	<b>80%</b>	<b>69%</b>	<b>71%</b>

\*After the elimination of intercompany transactions

## Gross profit

Gross profit of EGP 8.11 billion was recorded for 1Q23 for Ezz Steel consolidated, a 76% increase compared to the EGP 4.60 billion recorded in 1Q22.

## EBITDA

Consolidated EBITDA for 1Q23 amounted to EGP 7.5 billion, a 88% increase compared to the EGP 4.0 billion recorded in 1Q22.

## Foreign Exchange Loss

Foreign exchange loss amounted to EGP 8,889 million in 1Q23.

## Tax

During 1Q23, Ezz Steel had an income tax of EGP 1.192 billion and a deferred tax of EGP 1.338 billion.

## Net profit/loss

Net profit reached EGP 2.489 billion 1Q23, compared to EGP 1.217 billion in 1Q22.

## Net profit after minority interests

Net result after tax and minority interests recorded a loss of EGP 1,660 million for 1Q23 compared to a profit of EGP 759 million in 1Q22.

## Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 20.2 billion and net debt of EGP 22.7 billion.

## Outlook

- Industry experts still predict that world steel consumption in 2023 would preserve its same level as 2022 (1,885 million tonnes). Earlier market forecasts indicating the beginning of regaining strength associated with limited growth was not achieved; inflation negatively affected the United States, Europe and Japan, furthermore, the Russian Ukrainian conflict affected the consumption of both countries. Balancing this is 2% expected growth in Chinese consumption in 2023. It is also noted that Turkey requires considerably higher quantities for the reconstruction of the misfortunate areas hit by the February 2023 earthquake.
- Short term projections indicate that the trend of international steel products prices is expected to be decreasing till year end. This would constitute a challenge to producers. To contain the possible negative effect on financial performance, the company stands to benefit from the technical capabilities of its plants in maximizing production and sales of thin-gauges HRC, and other value-added grades of HRC. With respect to rebars, the company continues to produce the high tensile B500DWR grade (suitable also for earthquake codes of design) which is successful both locally and in export markets. Furthermore, there is an increase in the planned quantities of production and sales with the second meltshop of EFS starting production in 2Q23.
- As expected, the local market suffered a shrinkage in consumption as a result of inflation, prices increase and devaluation of currency. Consequently, consumption forecasts are tentatively revised to a 20% decrease in Rebar and HRC consumption compared to 2022. The company is closely following local market consumption to plan its export and domestic sales directions accordingly.
- Production of the second meltshop of EFS started on May 17, 2023. Operations finetuning is successfully underway. The company is benefiting from its accumulated technical expertise to accelerate ramp-up to capacity, thus achieving its objectives to maximize exports and meet local demand. The electric arc furnace (EAF) capacity is 1.6 million tonnes annually, production reached 120 thousand tonnes in the second quarter, and is expected to reach 500 thousand tonnes in the second half of 2023 will. Danieli, the world's renown steel technology and equipment supplier, provided engineering, machinery & equipment, advised on installation and conducted commissioning tests. This expansion cost is EGP 4.2 billion, financed by a EGP 2.2 billion loan with the balance from the group's internal resources.
- The world is following the development of the Russian-Ukrainian war in its second year. Despite hopes for a settlement, or for the conflict to calm-down, the ambiguity of the current situation projects fears that the confrontation worsens, and possibilities of recession. This affects global economy, and in particular the steel sector - due to the active presence of the two countries as suppliers of raw materials and as exporters of products.

## Divisional Overview

<b>EZDK Standalone Sales (EGP):</b>		<b>1Q23</b>	<b>4Q22</b>	<b>1Q22</b>
Value:	Mn	20,559	18,200	13,671
Volume:				
Long:	000 Tonnes	489	557	588
Flat:	000 Tonnes	303	318	265
Exports as % of Sales:				
Long:		24%	10%	6%
Flat:		44%	32%	44%
EBITDA:	Mn	4,881	2,918	2,527
<b>Production:</b>				
Long Products:	000 Tonnes	475	459	481
Flat Products:	000 Tonnes	311	290	278
Billets:	000 Tonnes	558	545	541
<b>Ezz Steel Standalone Sales (EGP):</b>		<b>1Q23</b>	<b>4Q 2022</b>	<b>1Q22</b>
Value:	Mn	4,574	4,879	3,393
Volume:	000 Tonnes	165	231	231
Exports as % of Sales:		-	-	
EBITDA:	Mn	724	343	243
<b>Production:</b>				
Long Products:	000 Tonnes	187	223	216
Billets:	000 Tonnes	187	220	194

<b>EZDK Consolidated Sales (EGP):</b>		<b>1Q23</b>	<b>4Q 2022</b>	<b>1Q22</b>
Value:	Mn	25,037	21,241	17,161
Volume:				
Long:	000 Tonnes	492	576	588
Flat:	000 Tonnes	536	498	503
Exports as % of Sales:				
Long:		24%	10%	6%
Flat:		48%	26%	39%
EBITDA:	Mn	6,729	3,782	3,738
EBT	Mn	(2,428)	1,026	1,734
Net Profit	Mn	(2,351)	924	1,190
<b>Production:</b>				
Long Products:	000 Tonnes	529	557	592
Flat Products:	000 Tonnes	566	478	475
Billets:	000 Tonnes	558	579	614
<b>Ezz Steel Consolidated Sales (EGP):</b>		<b>1Q23</b>	<b>4Q 2022</b>	<b>1Q22</b>
Value:	Mn	27,849	23,341	18,641
Volume:				
Long:	000 Tonnes	663	799	789
Flat:	000 Tonnes	536	498	503
Exports as % of Sales:				
Long:		19%	7%	4%
Flat:		48%	26%	39%
EBITDA:	Mn	7,490	4,152	3,981
EBT	Mn	(2,635)	1,083	1,754
Net Profit	Mn	(2,489)	939	1,217
<b>Production:</b>				
Long Products:	000 Tonnes	716	780	808
Flat Products:	000 Tonnes	566	478	475
Billets:	000 Tonnes	745	799	808

**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 March 2022. 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.