



## EZZ STEEL REPORTS CONSOLIDATED 9M22 RESULTS

**Cairo, 30 November 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 30 September 2022. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key Highlights

EGP Mn

	<u>9M22</u>	<u>9M21</u>
Net sales	60,644	49,056
Gross profit	14,388	9,918
Net profit before tax*	7,843	4,866
Net profit	5,708	3,760
Earnings per share (EPS)**	6.91	4.65

\* After allowing for an FX loss of EGP 1,435mn.

\*\* EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 30 September 2022.

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**Comment**

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

- After the date of the financial statements, the following two important economic decrees were passed:
  - On 27 October 2022, CBE announced that it is moving to a durably flexible exchange rate regime, leaving the forces of supply and demand to determine the value of the EGP against other foreign currencies. Consequently, the Egyptian Pound devalued by 16% to the US Dollar in commercial banks on the same day, with further devaluation following. As at the date of this release, the USD/EGP rate reached 24.55, an increase of about 25.6% in the rate, what will impact the financial statements of 4Q22.
  - On 20 November 2022, the Prime Minister resolved to cancel the interest rate initiative which had been in effect since March 2020 to support industry at 8%. Accordingly, companies will now pay CBE's Corridor price (prevailing Lending Rate is 14.25%) plus a margin to be agreed with commercial banks' lenders.
- Sales amounted to EGP 60,644 million in 9M22, compared to EGP 49,056 million in 9M21. Rebars sales constituted 61% of total sales, and sales of hot-rolled flat steel (HRC) 37%.
- The local market witnessed an increase in consumption of both rebars and HRC in the first 9 months of 2022 compared to the same period in 2021. As the largest producer, and be a reliable supplier to the local market, Ezz Steel continues to increase sales of both products to meet the higher demand. The Company maintained its market share and balanced export goals with its local commitments.
- Export sales reached USD 656 million in 9M22, of which sales of HRC were USD 539 million and sales of Wire Rods and Rebars were USD 117 million. This compares to exports of USD 1,014 million in 9M21, of which Hot Rolled Coil (HRC) sales contributed USD 823 million and Wire Rod and rebars sales USD 191 million. The drop in export figures can be attributed to directing more quantities to satisfy the increasing local consumption, and also to a cooling down in the level of HRC prices.
- Forex loss reached EGP 1,435 million in 9M22, the majority of which was incurred in 1Q22 upon a devaluation of 17% in the EGP to the USD in March 2022, the remainder was a result of another 5% drop in 3Q22.

After the date of the financial period (on 30 September), the Company incurred additional Forex loss as a result of CBE's decision on 27 October to move to a flexible exchange rate. Please refer to the Company disclosure to EGX on 30 October 2022 in this respect. The full magnitude of the year's Forex loss will depend on the rate of EGP against USD and other major currencies by year end.

- Net profit before taxes amounted to EGP 7,843 million in 9M22, compared to EGP 4,866 million in 9M21. The income tax amounted to EGP 1,958 million and deferred tax (obligation) EGP 176 million. Thus, net profit after tax amounted to EGP 5,708 million in 9M22 compared to EGP 3,760 million in 9M21).
- According to World Steel Association statistics, global crude steel production decreased 4.3% in 9M22 to reach 1,405 million tonnes, down from 1,468 million tonnes in 9M21. This stems largely from a 3.4% decrease in China's production (which accounts for 56% of the world's figures), due to extended shutdowns to avoid another outspread of COVID, limiting credit to the real estate sector, and stricter environmental measures. Production in Europe was also hit by the war between Russia and Ukraine, as well as with the soaring energy prices. Notwithstanding, production increased in Asia (other than China), South America and the Middle East.
- Domestic consumption of rebars increased 15% to reach 6.017 million tonnes in 9M22 compared to 5.150 million tonnes in 9M21. National projects maintained their consumption, yet with a slightly lower trend in 3Q22. Private building consumption, on the other hand, is gaining momentum and continues to increase.
- The Company's local rebars sales increased 25% from 1,845 thousand tonnes in 9M21 to 2,316 thousand tonnes in 9M22. Ezz Steel's decision two years ago to fully upgrade its standard product to the high tensile rank (B500DWR) is bearing fruits. The high quality and proven savings strengthened the brand across all types of consumers.
- Local HRC consumption maintained its highs of last year. It reached 1,174 thousand tonnes in 9M22, above the 1,142 thousand tonnes of 9M21 by 2.8%. National projects continue to be an important consumer. As for downstream industries. Ezz Steel's HRC has been always the feedstock of choice for Egyptian consumers, given its quality and reliability.
- Ezz Steel's local HRC sales in 9M22 reached 773 thousand tonnes, 13% above 9M21 (682 thousand tonnes).
- The Company has been able to overcome the immediate effects of the Russia-Ukraine war, which is still ongoing since February 2022. Russian and Ukrainian suppliers of raw materials, consumables and spare parts were substituted with reliable and quality-assured international suppliers. With concern about availability of steel products fading, margins have normalised.

## 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 9M22 were EGP 60,644 million compared to EGP 49,056 million in 9M21, representing a 24% increase.

<i>EGPMn*</i>	<b>Ezz Steel Standalone</b>	<b>EZDK Consolidated</b>	<b>Ezz Steel Consolidated</b>
Long	10,464	26,706	<b>37,170</b>
Flat	-	22,712	<b>22,712</b>
Others	-	762	<b>762</b>
<b>Total</b>	<b>10,464</b>	<b>50,180</b>	<b>60,644</b>

\*after the elimination of intercompany transactions.

Long steel products accounted for EGP 37.17 billion, or 61% of sales in 9M22, while flat steel products represented 37% of sales at EGP 22.71 billion. Flat product exports accounted for 43% of total flat sales.

<b>Sales Value EGPMn</b>	<b>Domestic</b>	<b>%</b>	<b>Export</b>	<b>%</b>
Long	35,041	94%	2,129	6%
Flat	12,999	57%	9,713	43%

Long sales volume increased 17% to reach 2.45 million tonnes during 9M22 compared to 2.1 million tonnes during 9M21. Flat sales volume decreased 14% to reach 1,33 million tonnes.

The group's consolidated sales volumes totalled 3.77 million tonnes in 9M22 compared to 3.64 million tonnes in 9M21, an increase of 4%.

### **Production**

Long steel production volumes totalled 2.49 million tonnes during 9M22 compared to 2.17 million tonnes in 9M21, an increase of 15%. Flat steel production volumes decreased 17% to reach 1.31 thousand tonnes in 9M22 compared to 1.58 million tonnes in 9M21.

### **Cost of Goods Sold**

Consolidated Cost of Goods Sold for 9M22 represented 76% of sales compared to 80% in 9M21. Consequently, gross profit margin increased to reach 24% in 9M22 compared to 20% in 9M21.

Ezz Steel Standalone reported a COGS/Sales ratio of 88% for 9M22.

<i>EGPMn*</i>	<b>ESR Standalone</b>	<b>EZDK Consolidated</b>	<b>Ezz Steel Consolidated</b>
Sales	10,464	50,180	60,644
COGS	9,238	37,019	46,256
<b>COGS/Sales</b>	<b>88%</b>	<b>74%</b>	<b>76%</b>

\*after the elimination of intercompany transactions

### **Gross profit**

Gross profit of EGP 14.39 billion was recorded for 9M22 for Ezz Steel consolidated, a 45% increase compared to the EGP 9.92 billion recorded in 9M21.

### **EBITDA**

Consolidated EBITDA for 9M22 amounted to EGP 12.7 billion, a 51% increase compared to the EGP 8.4 billion recorded in 9M21.

### **Foreign Exchange Loss**

The devaluation of the Egyptian Pound by c. 17% on March 21, 2022 resulted in an unrealized foreign exchange loss of EGP 1,435 million.

## **Tax**

During 9M22, Ezz Steel had an income tax of EGP 1,958 million and a deferred tax of EGP 176 million.

## **Net profit**

Net profit reached EGP 5,708 billion in 9M22.

## **Net profit after minority interests**

Net result after tax and minority interests recorded a profit of EGP 3,682 million for 9M22 compared to EGP 2,481 million in 9M21.

## **Liquidity and capital resources**

At the end of the period, Ezz Steel had cash on hand of EGP 6.8 billion and net debt of EGP 26.4 billion.

## **Outlook**

- Although the Russian-Ukrainian war is taking its toll on world consumption causing a decrease in world steel consumption (estimated to reach 1,870 million tonnes), industry experts' outlook for 2023 is a 1% increase to reach 1,889 million tonnes; as for China, experts forecast no further deterioration in 2023.
- Egypt's rebars consumption is estimated to increase by 10% Y-o-Y in 2022 to reach 8.05 million tons. The sustained positive trend and recent demand build-up imply an opportunity for more growth in 2023. Local consumption of HRC in 2022 is also estimated to reach c. 1.67 million tonnes, a Y-o-Y increase of 18%. Consumption level in Egypt has good potential: it comes from a very low base level, whether as a developing country relying on reinforced concrete for much of its construction and development, or on per capita basis.
- Central banks worldwide continue to increase interest rates to curb inflation. Demand-side inflation continues as consumers are making up for two years of COVID restrictions. Furthermore, elevated prices of many commodities, drive supply-side inflation. The ongoing Russian-Ukrainian war is a main cause for the supply-side inflation. This is casting a degree of ambiguity on the world's economic outlook and there are some fears of recession. With respect to the steel sector, the price margin between raw material and product prices -which managed to maintain high grounds up to mid-2022- have normalised. Hopefully, the political efforts that are being exerted succeed in reaching a prompt and swift resolution for the conflict.
- Ezz Steel's share and leading role in the local market gives it an edge in absorbing some of the pressure on steel sector. Furthermore, the second meltshop of EFS is scheduled to start operations in 1Q23. This will allow the Company to increase export quantities – enabling it to secure the foreign currency component needed for operations - without compromising supplies to local market.

### Divisional Overview

<b>EZDK Standalone Sales (EGP):</b>		<b>9M22</b>	<b>9M21</b>	<b>3Q22</b>	<b>2Q22</b>
Value:	Mn	43,511	32,555	16,509	13,331
Volume:					
Long:	000 Tonnes	1,680	1,449	602	490
Flat:	000 Tonnes	808	830	306	237
Exports as % of Sales:					
Long:		8%	17%	4%	15%
Flat:		44%	50%	36%	52%
EBITDA:	Mn	8,621	4,784	2,638	3,457
<b>Production:</b>					
Long Products:	000 Tonnes	1,456	1,435	455	521
Flat Products:	000 Tonnes	857	833	297	282
Billets:	000 Tonnes	1,638	1,548	560	537
<b>Ezz Steel Standalone Sales (EGP):</b>		<b>9M22</b>	<b>9M21</b>	<b>3Q22</b>	<b>2Q22</b>
Value:	Mn	11,787	8,983	4,978	3,416
Volume:	000 Tonnes	703	644	268	204
Exports as % of Sales:		-		-	
EBITDA:	Mn	964	718	462	259
<b>Production:</b>					
Long Products:	000 Tonnes	672	644	232	225
Billets:	000 Tonnes	625	649	204	227

<b>EZDK Consolidated Sales (EGP):</b>		<b>9M22</b>	<b>9M21</b>	<b>3Q22</b>	<b>2Q22</b>
Value:	Mn	54,208	43,834	19,660	17,386
Volume:					
Long:	000 Tonnes	1,791	1,488	690	513
Flat:	000 Tonnes	1,325	1,543	419	404
Exports as % of Sales:					
Long:		8%	17%	4%	15%
Flat:		43%	57%	32%	56%
EBITDA:	Mn	11,690	7,654	3,244	4,709
EBT	Mn	7,390	4,535	1,953	3,704
Net Profit	Mn	5,503	3,235	1,417	2,896
<b>Production:</b>					
Long Products:	000 Tonnes	1,822	1,526	602	627
Flat Products:	000 Tonnes	1,310	1,579	398	437
Billets:	000 Tonnes	1,875	1,582	635	627
<b>Ezz Steel Consolidated Sales (EGP):</b>		<b>9M22</b>	<b>9M21</b>	<b>3Q22</b>	<b>2Q22</b>
Value:	Mn	60,644	49,056	22,147	19,856
Volume:					
Long:	000 Tonnes	2,449	2,096	946	714
Flat:	000 Tonnes	1,325	1,543	419	404
Exports as % of Sales:					
Long:		6%	12%	3%	11%
Flat:		43%	57%	32%	56%
EBITDA:	Mn	12,658	8,389	3,712	4,966
EBT	Mn	7,843	4,866	2,266	3,822
Net Profit	Mn	5,708	3,760	1,579	2,913
<b>Production:</b>					
Long Products:	000 Tonnes	2,494	2,171	834	852
Flat Products:	000 Tonnes	1,310	1,579	398	437
Billets:	000 Tonnes	2,500	2,231	838	853

**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.