



EZZ STEEL REPORTS CONSOLIDATED 1H22 RESULTS

Cairo, 8 September 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 June 2022. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

| | <u>1H22</u> | <u>1H21</u> |
|----------------------------|-------------|-------------|
| Net sales | 38,497 | 30,417 |
| Gross profit | 10,258 | 6,380 |
| Net profit before tax* | 5,576 | 2,920 |
| Net profit | 4,130 | 2,397 |
| Earnings per share (EPS)** | 4.88 | 2.97 |

* After allowing for an FX loss of EGP 1,127mn.

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

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 38,497 million in 1H22, compared to EGP 30,417 million in 1H21. Rebars sales constituted 58% of total sales, and sales of hot-rolled flat steel (HRC) 40%.
- In 1H22, the Company – being Egypt’s largest producer- directed part of its flexible capacity in Suez to maximise rebars production; accordingly, HRC production and exports were reduced. This helped satisfy the growing local consumption and hence substituted potential imports. Meanwhile, the Company maintained the same level of HRC supply to the local market, especially during 1Q22 which witnessed a noticeable increase in local consumption, thus continuing to balance its export goals with its domestic commitments.
- Ezz Steel achieved an export sales value of USD 514 million in 1H22, of which sales of HRC reached USD 418 million and sales of Wire Rods reached USD 96 million. Comparatively, in 1H21 exports amounted to USD 587 million dollars, of which USD 477 million from HRC sales and USD 110 million from Wire Rods sales.
- Net profit before taxes amounted to EGP 5,576 million in 1H22, compared to EGP 2,920 million in 1H21. The income tax amounted to EGP 1,360 million and deferred tax (obligation) EGP 87 million. Thus, net profit after tax amounted to EGP 4,130 million in 1H22 (EGP 2,397 million in 1H21).
- According to World Steel Association statistics, global crude steel production decreased 3.3% in 1H22 to reach 972 million tonnes, compared to 1H21 consumption of 1005 million tonnes. China, which accounts for 54% of the world’s figures, is active in regulating its real estate sector, it also continues to enforce strict measures to reduce its environmental emission, its production decreased therefore by 6.4%. Worth noting that Russia’s production went down about 6%, while Ukraine is estimated to have lost over 60% of its production H-o-H.
- Domestic consumption of rebars increased 15% to reach 3.895 million tonnes in 1H22 compared to 3.398 million tonnes in 1H21. Both national projects which maintained its pace and private building’s elevated activity level are responsible for such increase.
- Coping with such domestic increase, the Company's rebars sales increased 11% from 1,355 thousand tonnes in 1H21 to 1,503 thousand tonnes in 1H22. High quality and proven savings are further establishing Ezz Steel’s high tensile product (B500DWR) as the product of choice, not only in technically-demanding mega projects, but also in private builders’ small projects.
- Local HRC consumption maintained its highs of last year. It reached 787 thousand tonnes in 1H22, slightly below the 802 thousand tonnes of 1H21 by 2%. Downstream industries continue to favour Ezz

Steel HRC products over imports for quality issues -especially for their export markets- as well as to overcome foreign currency constraints.

- Ezz Steel established itself, not only as the largest supplier, but also as a dependent and reliable source of quality material to local industries dependent on HRC. Local HRC sales in 1H22 reached 497 thousand tonnes, 5% above 1H21 (474 thousand tonnes).
- Forex loss reached EGP 1,127 million in 1H22, almost all of which incurred in 1Q22 upon a drop of 17% in the EGP to the USD in March 2022. The Egyptian Pound relaxed a further 5% to the USD in August 2022 (after the closing of 1H22). As steel is a dollar-based business, the devaluation strengthens the competitiveness of the Company's exports internationally.
- The Russia-Ukraine conflict still affects global economy, with no resolution in sight. Ezz Steel managed to overcome the immediate effect on its operations by substituting Russian and Ukrainian suppliers of raw materials, consumables and spare parts with reliable and quality-assured international suppliers. In spite of the dynamic price movements of both raw materials and products, the margin to manufacturers remains healthy.

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 1H22 were EGP 38,497 million compared to EGP 30,417 million in 1H21, representing a 27% increase.

| <i>EGPMn</i> * | Ezz Steel Standalone | EZDK Consolidated | Ezz Steel Consolidated |
|----------------|---------------------------------|------------------------------|-----------------------------------|
| Long | 6,346 | 16,161 | 22,507 |
| Flat | - | 15,531 | 15,531 |
| Others | - | 459 | 459 |
| Total | 6,346 | 32,151 | 38,497 |

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 22.5 billion, or 58% of sales in 1H22, while flat steel products represented 40% of sales at EGP 15.5 billion. Flat product exports accounted for 48% of total flat sales.

| Sales Value <i>EGPMn</i> | Domestic | % | Export | % |
|-------------------------------------|-----------------|----------|---------------|----------|
| Long | 20,789 | 92% | 1,717 | 8% |
| Flat | 8,127 | 52% | 7,404 | 48% |

Long sales volume increased 11% to reach 1.5 million tonnes during 1H22. Flat sales volume decreased 13% to reach 907 thousand tonnes.

The group's consolidated sales volumes totalled 2.41 million tonnes in 1H22 compared to 2.39 million tonnes in 1H21, an increase of 1%.

Production

Long steel production volumes totalled 1.66 million tonnes during 1H22 compared to 1.44 million tonnes in 1H21, an increase of 15%. Flat steel production volumes decreased 13% to reach 912 thousand tonnes in 1H22 compared to 1.05 million tonnes in 1H21.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 1H22 represented 73% of sales compared to 79% in 1H21. Consequently, gross profit margin increased to reach 27% in 1H22 compared to 21% in 1H21.

Ezz Steel Standalone reported a COGS/Sales ratio of 89% for 1H22.

| <i>EGPMn*</i> | ESR Standalone | EZDK Consolidated | Ezz Steel Consolidated |
|-------------------|---------------------------|------------------------------|-----------------------------------|
| Sales | 6,346 | 32,151 | 38,497 |
| COGS | 5,665 | 22,573 | 28,238 |
| COGS/Sales | 89% | 70% | 73% |

*after the elimination of intercompany transactions

Gross profit

Gross profit of EGP 10.26 billion was recorded for 1H22 for Ezz Steel consolidated, a 61% increase compared to the EGP 6.38 billion recorded in 1H21.

EBITDA

Consolidated EBITDA for 1H22 amounted to EGP 8.95 billion compared to the EGP 5.27 billion recorded in 1H21.

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 1,127 million.

Tax

During 1H22, Ezz Steel had an income tax of EGP 1,360 million and a deferred tax of EGP 87 million.

Net profit

Net profit reached EGP 4,130 million in 1H22 compared to EGP 2,397 million in 1H21.

Net profit after minority interests

Net result after tax and minority interests recorded a profit of EGP 2,601 million for 1H22 compared to EGP 1,584 million in 1H21.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 4.4 billion and net debt of EGP 31.5 billion.

Outlook

- In spite of the Russian-Ukrainian war effect, World Steel Association's updated outlook forecast a growth in world steel consumption -albeit limited- of 0.4% in 2022 to reach 1,960 million tonnes, followed by a significant 2.2% growth in 2023 to reach 2,003 million tonnes, an increase of 43 million tonnes. As for China, WSA forecasts no-change in its consumption in 2022, then a 1% increase in 2023.
- Building on actual domestic market consumption so far this year, Egypt's rebars consumption is estimated to increase by 10% Y-o-Y in 2022 to reach 8.1 million tons.
- The domestic market for HRC is expected to hold closely to the high grounds it achieved last year. Consumption in 2022 is also estimated to reach c. 1.5 million tonnes. As with rebars, Ezz Steel plans to serve the needs of the market and continues as the reliable supplier of choice.
- The possible consequences of the on-going Russian-Ukrainian war on the world cannot be underestimated. Supply-side inflation is fuelled by substantial increase in energy prices, particularly natural gas; heating requirements for the approaching winter will emphasize the problem. Many commodity prices, especially agricultural food products, increased as well, as a reaction to availability and logistics risks. Central banks are increasing interest rates to curb inflation, but without losing track of possible recession and unemployment. With fears of economic shrinkage in mind, as well as slowness in China, the iron and steel sector has been witnessing some softening in the prices of both raw materials and products, however, so far, the margin between raw material prices and product prices remains acceptable.

The conflict has been lingering far longer than the worst expectations. The whole world can only hope for a peaceful and swift resolution.

- Ezz Steel is well aware of the economic and sectorial challenges. Pouring in the Company's favour are a) the growth in local market -especially rebars: market consumption is coming from a low per capita base and has been revived recently with private building. And, b) the ability to capitalize on the flexible industrial configuration: Ezz Steel can control the make-up of the charge mix (between DRI and scrap) to optimise returns and can change that as often as necessary to cope with price dynamics of raw materials.

Divisional Overview

| EZDK Standalone Sales (EGP): | | | 1H22 | 1H21 | 2Q22 | 1Q22 |
|--|------------|--|-------------|-------------|-------------|-------------|
| Value: | Mn | | 27,002 | 19,751 | 13,331 | 13,671 |
| Volume: | | | | | | |
| Long: | 000 Tonnes | | 1,079 | 925 | 490 | 588 |
| Flat: | 000 Tonnes | | 502 | 577 | 237 | 265 |
| Exports as % of Sales: | | | | | | |
| Long: | | | 11% | 16% | 15% | 6% |
| Flat: | | | 48% | 47% | 52% | 44% |
| EBITDA: | Mn | | 6,573 | 3,916 | 3,697 | 2,876 |
| Production: | | | | | | |
| Long Products: | 000 Tonnes | | 1,002 | 964 | 521 | 481 |
| Flat Products: | 000 Tonnes | | 560 | 553 | 282 | 278 |
| Billets: | 000 Tonnes | | 1,078 | 1,020 | 537 | 541 |
| | | | | | | |
| Ezz Steel Standalone Sales (EGP): | | | 1H22 | 1H21 | 2Q22 | 1Q22 |
| Value: | Mn | | 6,809 | 4,786 | 3,416 | 3,393 |
| Volume: | 000 Tonnes | | 435 | 398 | 204 | 231 |
| Exports as % of Sales: | | | - | | | - |
| EBITDA: | Mn | | 480 | 442 | 254 | 226 |
| Production: | | | | | | |
| Long Products: | 000 Tonnes | | 440 | 419 | 225 | 216 |
| Billets: | 000 Tonnes | | 421 | 441 | 227 | 194 |

| EZDK Consolidated Sales (EGP): | | | 1Q22 | 1H21 | 2Q22 | 1Q22 |
|--|------------|--|-------------|-------------|-------------|-------------|
| Value: | Mn | | 34,547 | 26,512 | 17,386 | 17,161 |
| Volume: | | | | | | |
| Long: | 000 Tonnes | | 1,101 | 966 | 513 | 588 |
| Flat: | 000 Tonnes | | 907 | 1,038 | 404 | 503 |
| Exports as % of Sales: | | | | | | |
| Long: | | | 10% | 15% | 15% | 6% |
| Flat: | | | 48% | 54% | 56% | 39% |
| EBITDA: | Mn | | 8,446 | 4,802 | 4,709 | 3,738 |
| EBT: | Mn | | 5,437 | 2,714 | 3,704 | 1,734 |
| Net Profit: | Mn | | 4,087 | 2,060 | 2,896 | 1,190 |
| Production: | | | | | | |
| Long Products: | 000 Tonnes | | 1,220 | 1,025 | 627 | 592 |
| Flat Products: | 000 Tonnes | | 912 | 1,045 | 437 | 475 |
| Billets: | 000 Tonnes | | 1,240 | 1,055 | 627 | 614 |
| Ezz Steel Consolidated Sales (EGP): | | | 1H22 | 1H21 | 2Q22 | 1Q22 |
| Value: | Mn | | 38,497 | 30,417 | 19,856 | 18,641 |
| Volume: | | | | | | |
| Long: | 000 Tonnes | | 1,503 | 1,355 | 714 | 789 |
| Flat: | 000 Tonnes | | 907 | 1,038 | 404 | 503 |
| Exports as % of Sales: | | | | | | |
| Long: | | | 8% | 11% | 11% | 4% |
| Flat: | | | 48% | 54% | 56% | 39% |
| EBITDA: | Mn | | 8,947 | 5,273 | 4,966 | 3,981 |
| EBT: | Mn | | 5,576 | 2,920 | 3,822 | 1,754 |
| Net Profit: | Mn | | 4,130 | 2,397 | 2,913 | 1,217 |
| Production: | | | | | | |
| Long Products: | 000 Tonnes | | 1,660 | 1,444 | 852 | 808 |
| Flat Products: | 000 Tonnes | | 912 | 1,045 | 437 | 475 |
| Billets: | 000 Tonnes | | 1,661 | 1,496 | 853 | 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.