



## EZZ STEEL REPORTS CONSOLIDATED 1H 2023 RESULTS

Cairo, 17 October 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 30 June 2023. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key Highlights

EGP Mn

	<u>1H23</u>	<u>1H22</u>
Net sales	62,262	38,497
Gross profit	16,901	10,258
Net profit before EBITDA*	15,216	8,947
Net profit before tax**	(481)	5,576
Net profit	(810)	4,130
Earnings per share (EPS)***	(1.21)	4.88

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

\*\* After allowing for an FX loss of EGP 13.1bn.

\*\*\* EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 30 June 2023.



**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 62,262 million in 1H23 compared to EGP 38,497 million in 1H22 (up 62%). Reinforcing steel bars and wire rod coils (rebars) sales accounted for 56% of total sales, and hot rolled coils (HRC) flat steel sales accounted for 43%.
- Export sales amounted to \$794 million in 1H23 (up 54% on 1H22 exports), of which HRC amounted to \$509 million, and rebars amounted to \$284 million. Exports in 1H22 amounted to \$514 million, divided into HRC (\$418 million) and rebars (\$96 million).
- In 1H23, 683 thousand tonnes of HRC were exported, representing 62% of total HRC sales. This is compared to 45% only in 1H22. As for rebars, exports in 1H23 reached 445 thousand tonnes representing 31% of rebar sales, compared to only 7% in 1H22.
- Forex losses amounted to EGP 13.1 billion in 1H23 as the Egyptian Pound continues to decrease against major currencies. This resulted in a net loss before taxes amounting to EGP 481 million in 1H23, compared to a net profit of EGP 5,576 million in 1H22. Income tax amounted to EGP 2.6 billion, and deferred tax (asset) EGP 2.3 billion. Net loss after tax accordingly reached EGP 810 million in 1H23, compared to a net profit of EGP 4,130 million in 1H22.
- Despite that inflation indicators globally appear to be contained; central banks worldwide are still increasing interest rates to limit any possibility. The US Federal Reserve raised the interest rate to 5.5% in July 2023 (the highest in 22 years), hinting to raise it further if needed. Worldwide central banks followed suit. In Egypt, CBE increased the lending rate by 1% in August 2023 to 20.25%. The upward interest rates trend led to higher interest and financing expenses of EGP 2,617 million in 1H23, an increase of 59% compared to 1H22 (EGP 1,642 million). Interest increases after the financial statements date will impact upcoming periods.
- According to World Steel Association, global crude steel production in H1 2023 decreased by 1.1% to 944m tons vis-a-vis the same period last year. The result of output decline in the World is the inflationary pressures, high interest rates and the fallouts from Russia - Ukraine conflict. The prime regions where output reduction was most prominent are EU (-10.9%), South America (-7%), North America (-3.5%), Russia and Ukraine combined (-3.4%) and other Europe (-14.1%). Although China's production grew by 6% in 1Q23, this rate couldn't be sustained in the 2Q23 (and 1H23 as a whole) due to credit issues facing the real estate sector and environmental considerations. Therefore, China's production growth in 1H23 was only 1.3% compared to the same period last year.



- An economic crunch and inflationary prices have reduced domestic consumption of rebars by 28% to 2.8 million tonnes in 1H23 compared to the same period last year. Actual output in 1H23 declined by 20% compared to the same period last year reaching 3,567 thousand tonnes. Rebars exports during 1H23 reached 753 thousand tonnes.
- The company's domestic sales of rebar went down from 1,503 thousand tonnes in 1H22 to 1,439 thousand tonnes in 1H23 (4%).
- Local HRC consumption in 1H23 decreased to 668 thousand tonnes, 22% below 1H22. Ezz Steel HRC product remains the first option for local manufacturing industries due to its high quality. Ezz Steel local HRC sales also decreased by 18% from 497 thousand tonnes in 1H22 to 410 thousand tonnes in 1H23.
- Production of EFS's second electric arc furnace (EAF) which started on May 17, 2023, reached 128 thousand tonnes in 2Q23 and planned to reach 600 thousand tonnes in the second half of 2023.
- On July 10<sup>th</sup>, 2023, after the financial statements' date, the Board of Directors of Al-Ezz Dekheila Steel Company - Alexandria (EZDK), in which Ezz Steel is a 64.063% shareholder, approved a voluntary delisting from EGX, and EZDK's buying the shares of those objecting and not willing to continue with the company after delisting at a price of EGP 1,250/share. The price is at a 52.4% premium over the stock market closing price the day prior to the decision (9/7). The company obtained its extraordinary general assembly approval on August 5<sup>th</sup>, 2023. Sales orders amounted to 35.626%, thus, the minority stake decreased to 0.311%. EGX delisted the company's shares from trading in the Primary Market and included it in the Orders Market as of October 9<sup>th</sup>, 2023.

### 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 2021 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 2022, the Company produced 3.27 million tonnes of long products (typically used in construction) and 1.79 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.





## Sales

Consolidated net sales for 1H23 were EGP 62.26 billion compared to EGP 38,50 billion in 1H22, representing a 62% increase.

Long steel products accounted for EGP 34.67 billion, or 56% of sales in 1H23, while flat steel products represented 43% of sales at EGP 27.02 billion. Long steel product exports accounted for 25% of its sales, while flat product exports accounted for 58% of its sales.

Sales Value EGPMn	Domestic	%	Export	%
Long	25,900	75%	8,769	25%
Flat	11,337	42%	15,685	58%

Long sales volume decreased 4% to reach 1.4 million tonnes during 1H23 compared to 1.5 million tonnes during 1H22. Flat sales volume increased 21% to reach 1.09 million tonnes compared to 907 thousand tonnes during 1H22.

Ezz Steel's consolidated sales volumes totalled 2.53 million tonnes in 1H23 compared to 2.41 million tonnes in 1H22, an increase of 5%.

## Production

Long steel production volumes totalled 1.49 million tonnes during 1H23 compared to 1.66 million tonnes in 1H22, a decrease of 10%. Flat steel production volumes increased 25% to reach 1.14 million tonnes in 1H23 compared to 912 thousand tonnes in 1H22.

## Cost of Goods Sold

Consolidated Cost of Goods Sold in 1H23 represented 73% of sales realizing a gross profit margin of 27%, almost the same percentages realized during 1H22.

## Gross profit

Gross profit of EGP 16.90 billion was recorded in 1H23 for Ezz Steel consolidated, a 65% increase compared to the EGP 10.26 billion recorded in 1H22.

## EBITDA

Consolidated EBITDA for 1H23 amounted to EGP 15.2 billion, a 70% increase compared to the EGP 8.9 billion recorded in 1H22.



### Foreign Exchange Loss

Foreign exchange loss amounted to EGP 13.1 billion in 1H23.

### Tax

During 1H23, Ezz Steel incurred an income tax of EGP 2.6 billion and a deferred tax (asset) of EGP 2.3 billion.

### Net profit/loss

Net loss reached EGP 810 million 1H23.

### Net profit after minority interests

Net result after tax and minority interests recorded a loss of EGP 643.3 million for 1H23.

### 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 27.5 billion.

### Outlook

- Industry experts expect that global steel consumption in 2023 would maintain the same level as 2022 (1,885 million tonnes). Initial forecasts indicated that the market would start regaining its strength and could witness limited growth. However, global inflation is affecting consumption negatively, especially in the United States, Europe and Japan. Naturally, the Russian Ukrainian conflict is affecting the consumption of both countries. Balancing this is 2% expected growth in Chinese consumption in 2023.
- Consumption in Egypt suffers from high inflation. In view of this, consumption estimates for 2023 have been revised. It is expected that the consumption of rebars will decrease from 7,916 thousand tonnes in 2022 to about 6,650 thousand tonnes in 2023 (-19%), and the consumption of HRC will also decrease from 1,700 thousand tons in 2022 to about 1,450 thousand tons (-17%). Worth noting that the reduction in market size to a relatively low-level following currency devaluation is usually temporary. The company continues to closely follow up and review market developments.
- Global steel producers face geopolitical and economic risks which impact must be carefully studied and considered. Growth rates in the region will undoubtedly decline, at least in the short term, as one of the consequences of renewing the Palestinian-Israeli confrontations. Globally, the Russian-Ukrainian conflict still exists without signs of a solution; this renews fears of a global economy recession. It should be noted that both Russia and Ukraine have important presence in the steel sector. As for China, the credit problems of major real estate companies, which keeps popping up, may drive the state to take decisions that limit their activities thus also negatively affecting steel consumption. This would reflect on the global steel sector: production, consumption, raw materials and consumables. Amid these challenges, the company continues to reliably supply the local market, maximize exports and cautiously consider its strategic growth, taking into account all these variables, while always maintaining sufficient flexibility in making and implementing decisions.

## Divisional Overview

<b>Ezz Steel Standalone Sales (EGP):</b>		<b>1H 2023</b>	<b>1H 2022</b>	<b>2Q 2023</b>	<b>1Q 2023</b>
Value:	Mn	10,806	6,809	6,232	4,574
Volume:	000 Tonnes	398	435	225	173
Exports as % of Sales:		15%	-	22%	5%
EBITDA:	Mn	1,637	502	912	724
<b>Production:</b>					
Long Products:	000 Tonnes	415	440	228	187
Billets:	000 Tonnes	407	421	221	187
		<b>1H23</b>	<b>1H 2022</b>	<b>2Q23</b>	<b>1Q23</b>
<b>Ezz Steel Consolidated Sales (EGP):</b>					
Value:	Mn	62,262	38,497	34,413	27,849
Volume:					
Long:	000 Tonnes	1,439	1,503	775	663
Flat:	000 Tonnes	1,093	907	557	536
Exports as % of Sales:					
Long:		25%	8%	30%	19%
Flat:		58%	48%	67%	48%
EBITDA:	Mn	15,216	8,947	7,726	7,490
EBT	Mn	(481)	5,576	2,154	(2,635)
Net Profit	Mn	(810)	4,130	1,680	(2,489)
<b>Production:</b>					
Long Products:	000 Tonnes	1,492	1,660	776	716
Flat Products:	000 Tonnes	1,138	912	572	566
Billets:	000 Tonnes	1,530	1,661	785	745





**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.

