



EZZ STEEL REPORTS CONSOLIDATED FY 2019 RESULTS

Cairo, 17 June 2020 – 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 2019. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

| | <u>FY 2018</u> | <u>FY 2019</u> | <u>YoY % (+/-)</u> |
|---|----------------|----------------|--------------------|
| □ Net sales | 49,162 | 45,715 | (7%) |
| □ Gross profit | 5,578 | (976) | (117%) |
| □ EBITDA* | 5,437 | (1,518) | (128%) |
| □ Net profit after tax and minority interest | (1,643) | (6,195) | |
| □ Earnings per share** | (3.03) | (11.40) | |

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

**EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period

For further information:

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Comment

Commenting on the results, Mr Paul Chekaiban, Chairman and Managing Director of Ezz Steel, said: “The compounded effect of adverse conditions facing the steel sector in 2019 was exceptional. Internationally, steel continued to be among the most affected by trade wars and different protectionist measures. Concerns about iron ore availability, due to the collapse of one of Vale’s tailings dam in a Brazilian mine, resulted in raw materials price spikes throughout most of the year. Locally the exceptionally high interest rates took an additional toll. Utilities prices remain very high compared to international prices. Safeguard measures on steel products are insufficient; flat steel local markets are left unprotected altogether.

Amid these challenges, Ezz Steel group was able to accomplish an important restructuring. In November 2019 EZDK concluded the full acquisition of EFS and ERM, which will allow Ezz Steel to increase its equity stake in EZDK to 64%. This restructuring further emphasises the size and strength of EZDK as an integrated steel company and is a confident step forward towards unleashing the potentials of EFS/ERM.

In the beginning of 2020, the COVID-19 pandemic started to cast its shadow over the world. Economies contracted worldwide, and with them steel consumption. This will delay the positive value added of the restructuring. While several countries around the world have started easing lockdown measures, uncertainty remains as to the full economic impact of the global crisis. We expect that the situation may gradually start improving in the second half of the year.

About Ezz Steel

Ezz Steel (formerly: Al Ezz Steel Rebars) is the largest independent steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 7 million tonnes of finished steel per annum.

In 2019, the Company produced 3.3 million tonnes of long products (typically used in construction) and 1.1 million tonnes of flat products (typically used in consumer / industrial goods). 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 successful acquisition of EFS/ERM, both are full subsidiaries of EZDK.

Sales & Production

Sales after elimination

EGPMn

| | Ezz Steel Standalone | EZDK Consolidated* | Ezz Steel Consolidated |
|--------------|---------------------------------|-------------------------------|-----------------------------------|
| Long | 7,150 | 26,988 | 34,138 |
| Flat | - | 10,992 | 10,992 |
| Others | - | 584 | 584 |
| Total | 7,150 | 38,564 | 25,258 |

*Includes figures for ERM

Ezz Steel's consolidated net sales for FY 2019 were EGP 45.7 billion, representing a decrease of 7 per cent year on year. This decrease was driven by a 26 per cent decrease in flat sales; long sales increased by 1 per cent. The decline in flat sales was particularly evident in the export market as protection measures worldwide continued to have a negative effect. Prices declined in Egypt and international market for both long and flat steel during 2019.

Long steel products accounted for EGP 34.14 billion, or 75 per cent of sales in FY 2019, while flat steel products represented 24 per cent of sales at EGP 10.99 billion. Long product exports accounted for 6 per cent of total long sales. Flat product exports accounted for 46 per cent of total flat sales.

| Sales Value EGPMn | Domestic | per cent | Export | per cent |
|------------------------------|-----------------|-----------------|---------------|-----------------|
| Long | 32,003 | 94% | 2,134 | 6% |
| Flat | 5,941 | 54% | 5,051 | 50% |

Long sales volumes were 3.51 million tonnes during FY 2019, 12 per cent higher than the 3.14 million tonnes sold during the same period last year. The introduction of safeguard measures in Egypt, although insufficient, enabled the company to increase its market share and substitute part of the imports. Consolidated flat sales volumes declined by 13 per cent to 1.16 million tonnes in FY 2019.

The group's consolidated sales volumes totalled 4.67 million tonnes in FY 2019, an increase of 4 per cent from the 4.48 million tonnes in FY 2018.

Long steel production volumes totalled 3.30 million tonnes during FY 2019, down 5 per cent compared to FY 2018. Flat steel production volumes decreased by 19 per cent to 1.14 million tonnes for the period, compared to 1.41 million tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2019 represented 102 per cent of sales, leading to a decrease in gross profit margin from 11 per cent in FY 2018 to -2 per cent in FY 2019. High iron ore price compared to product prices, high utilities cost, and lack of sufficient local market protection were the main factors that led to such decrease in gross profit.

Ezz Steel Standalone reported a COGS/Sales ratio of 99% for FY 2019, compared to 94% in FY 2018. At EZDK Consolidated the COGS/Sales ratio stood at 103%.

| <i>EGPMn</i> | ESR Standalone | EZDK Consolidated* | Ezz Steel Consolidated |
|-------------------|---------------------------|-------------------------------|-----------------------------------|
| Sales | 7,150 | 38,564 | 45,714 |
| COGS | 7,055 | 39,634 | 46,689 |
| COGS/Sales | 99% | 103% | 102% |

*Includes figures for ERM

Gross profit

A loss of EGP 976 million was recorded for FY 2019, compared to a profit of EGP 5.6 billion recorded in FY 2018.

EBITDA

EBITDA for FY 2019 amounted to EGP –1.5 billion, compared to EGP 5.4 billion in FY 2018.

Tax

During FY 2019, Ezz Steel had deferred taxes in the amount of EGP 126.4 million and income tax of EGP 228.2 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 6.2 billion for FY 2019, compared to a loss of EGP 1.6 billion during the same period in 2018.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 1.85 billion and net debt of EGP 29.5 billion.

Outlook

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Divisional Overview

The below figures represent sales before eliminations

| EZDK Standalone Sales (EGP): | FY 2018 | FY 2019 | |
|--|----------------|----------------|--------|
| Value: | 36,099 | 34,955 | Mn |
| Volume: | | | |
| Long: | 2,248 | 2,519 | Tonnes |
| Flat: | 1,025 | 1,102 | Tonnes |
| Exports as % of Sales: | | | |
| Long: | 10% | 10% | |
| Flat: | 48% | 49% | |
| EBITDA: | 5,279 | (206) | Mn |
| Production: | | | |
| Long Products: | 2,033 | 1,778 | Tonnes |
| Flat Products: | 1,081 | 1,098 | Tonnes |
| Billets: | 2,071 | 2,047 | Tonnes |
| Ezz Steel Standalone Sales (EGP): | | | |
| Value: | 7,854 | 7,291 | Mn |
| Volume: | 720 | 726 | Tonnes |
| Exports as % of Sales: | 0% | 0% | |
| EBITDA: | (28) | (310) | Mn |
| Production: | | | |
| Long Products: | 756 | 689 | Tonnes |
| Billets: | 684 | 651 | Tonnes |
| EZDK Consolidated* Sales (EGP): | | | |
| Value: | 41,435 | 38,564 | Mn |
| Volume: | | | |
| Long: | 2,425 | 2,786 | Tonnes |
| Flat: | 1,340 | 1,162 | Tonnes |
| Exports as % of Sales: | | | |
| Long: | 7% | 9% | |
| Flat: | 53% | 46% | |
| EBITDA: | 4,863 | (863) | Mn |
| Production: | | | |
| Long Products: | 2,708 | 2,615 | Tonnes |
| Flat Products: | 1,410 | 1,139 | Tonnes |
| Billets: | 2,669 | 2,797 | Tonnes |

*Includes figures for ERM

– Ends –

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 12-month period ending 31 December 2019. 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.