



EZZ STEEL REPORTS CONSOLIDATED 1Q22 RESULTS

Cairo, 02 June 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 31 March 2022. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	<u>1Q22</u>	<u>1Q21</u>
Net sales	18,641	13,498
Gross profit	4,603	2,870
EBITDA*	4,337	2,701
Net profit before tax**	1,754	1,243
Net profit	1,217	1,188
Earnings per share (EPS)***	1.42	1.47

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

** After allowing for an FX loss of EGP 1,133mn.

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 31 March 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 18,641 million in 1Q22, compared to EGP 13,498 million in 1Q21. Rebars sales constituted 57% of total sales, and sales of hot-rolled flat steel (HRC) 42%.
- Ezz Steel achieved an export sales value of USD 212 million in 1Q22, of which sales of HRC reached USD 184 million and sales of Wire Rods reached USD 28 million. Comparatively, in 1Q21 exports amounted to USD 269 million dollars, of which USD 208 million from HRC sales and USD 61 million from Wire Rods sales. In 1Q22, the Company's domestic sales of HRC rose as local HRC consumption grew. Being the largest supplier of HRC to the local market, the Company continues to balance its export goals with its domestic commitments.
- Net profit before taxes amounted to EGP 1,754 million in 1Q22, compared to EGP 1,243 million in 1Q21. The income tax amounted to EGP 560 million and deferred tax (income) EGP 23 million. Thus, net profit after tax amounted to EGP 1,217 million in 1Q22, an increase of 2.4% compared to that of 1Q21 (EGP 1,188 million).
- Global steel consumption decreased 6.8% in 1Q22 to reach 457 million tonnes, compared to 1Q21 consumption of 490 million tonnes. China continues to enforce strict measures to reduce its environmental emission, consequently, its consumption decreased 10.5%, deeming it the chief reason for the decrease in global consumption.
- Domestic consumption of rebars increased 38% to reach 2.145 million tonnes in 1Q22 compared to 1.555 million tonnes in 1Q21, when the market was suffering from slow building permits procedures, and from the negative effect of COVID-19.
- The Company's rebars sales increased 33% from 595 thousand tonnes 1Q21 to 789 thousand tonnes in 1Q22. National projects continue to maintain demand at relatively high levels. Furthermore, the Company still sees opportunities for growth in its rebars production. The expected market growth coincides with the upcoming operation of EFS's second melt-shop, which has a capacity of 1.6 million tonnes per annum. The melt-shop is scheduled to commence operations in 4Q22.
- The local market is witnessing a significant growth in HRC consumption, increasing 37% to reach 512 thousand tonnes in 1Q22 compared to 373 thousand tonnes in 1Q21. The increase was driven by downstream industries - such as the engineering and cold-rolling industries – increasing local HRC supply (namely, from Ezz Steel) over imported HRC, in addition to increasing their product exports. Ezz Steel continues to support the local industries dependent on HRC as the largest supplier, with a 60% market share. Local HRC sales in 1Q22 amounted to 315 thousand tonnes, compared to 260 thousand tonnes in 1Q21.

- The Central Bank of Egypt adopted the necessary measures to tackle the economic challenges facing emerging markets, including Egypt. First, the interest rate was increased by 1% on 21 March 2022, and then by an additional 2% on 19 May 2022 (after the financial quarter). The impact of this on Ezz Steel is relatively limited given that the majority of Ezz Steel's local currency loans finance working capital, and therefore, benefit from the Central Bank's preferential 8% interest rate industry-support initiative, which remains unchanged. Second, the Egyptian Pound exchange rate was liberalized on 21 March 2022, consequently, the currency devalued against the US Dollar and other major currencies by c.17%. This economic development strengthens the competitiveness of the Company's exports in the global markets.
- In January 2022, EZDK acquired 18% of the total equity of Egyptian Steel. EZDK financed EGP 1.25 billion i.e. 50% of the investment value from its cashflow. The agreement between the two parties stipulates that the remaining 50% be paid in two equal instalments: the first in January 2023 and the second in January 2024.
- The Russia-Ukraine conflict has affected - and will continue to affect - the global economy, especially through the increased risk of limited commodity availability and inflation. Such risks led to an increase in the prices of raw materials of most industries, including iron and steel at the outset of the events. Russia and Ukraine are important suppliers of iron ore, billet, scrap, HRC, and rebars to Europe. As a result of the uncertainty, Russia and Ukraine's trading partners searched for alternative suppliers. Ezz Steel has succeeded in securing raw materials and consumable from other global sources. Additionally, the advanced technical flexibility of all of Ezz Steel's plants allows it to reduce its consumption of iron (DRI) in favour of scrap and vice versa, giving it greater resilience in managing different variables.

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 1Q22 were EGP 18,641 million compared to EGP 13,498 million in 1Q21, representing a 38% increase.

<i>EGPMn*</i>	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	2,995	7,620	10,615
Flat	-	7,778	7,778
Others	-	248	248
Total	2,995	15,646	18,641

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 10.6 billion, or 57% of sales in 1Q22, while flat steel products represented 42% of sales at EGP 7.8 billion. Flat product exports accounted for 39% of total flat sales.

Sales Value EGPMn	Domestic	%	Export	%
Long	10,160	96%	455	4%
Flat	4,740	61%	3,038	39%

Long sales volume increased 33% to reach 789 thousand tonnes during 1Q22. Flat sales volume increased 6% to reach 503 thousand tonnes.

The group's consolidated sales volumes totalled 1.29 million tonnes in 1Q22 compared to 1.13 million tonnes in 1Q21, an increase of 14%.

Production

Long steel production volumes totalled 808 thousand tonnes during 1Q22 compared to 715 thousand tonnes in 1Q21, an increase of 13%. Flat steel production volumes decreased 5% to reach 475 thousand tonnes compared to 500 thousand tonnes in 1Q21.

Cost of Goods Sold

Consolidated Cost of Goods Sold for 1Q22 represented 75% of sales compared to 79% in 1Q21. Consequently, gross profit margin reached 25% in 1Q22 compared to 21% in 1Q21.

Ezz Steel Standalone reported a COGS/Sales ratio of 90% for 1Q22.

<i>EGPM_n</i> *	ESR Standalone	EZDK Consolidated	Ezz Steel Consolidated
Sales	2,995	15,645	18,641
COGS	2,685	11,352	14,037
COGS/Sales	90%	73%	75%

*after the elimination of intercompany transactions

Gross profit

Gross profit of EGP 4.6 billion was recorded for 1Q22 for Ezz Steel consolidated, a 60% increase compared to the EGP 2.9 billion recorded in 1Q21.

EBITDA

Consolidated EBITDA for 1Q22 amounted to EGP 4.3 billion an increase of 61% compared to the EGP 2.7 billion recorded in 1Q21.

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 1,133 million.

Tax

During 1Q22, Ezz Steel had an income tax of EGP 560 million and a deferred tax (income) of EGP 23 million.

Net profit

Net profit reached EGP 1.2 billion in 1Q22.

Net result after tax and minority interests

Net result after tax and minority interests recorded a profit of EGP 759 million for 1Q22 compared to EGP 784 million in 1Q21.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 5.7 billion and net debt of EGP 29.5 billion.

Outlook

- Industry experts, led by the World Steel Association, updated their forecast for 2022 consumption to a marginal growth of c. 0.4% should the Russia-Ukraine conflict continue. Previously, experts forecasted a growth between 2% and 3%. Raw material and finished product prices increased noticeably at the beginning of the conflict, however prices are currently witnessing a downward correction. That said, the healthy margin between raw material and finished product prices- which continues from 3Q20- allows manufacturers to compete while maintaining good returns.
- Egypt has adopted important measures to address the rising inflation and to revitalize the local market. Such measures include stimulating industry and industrial investment, and planning to achieve a higher export benchmark of USD 100 billion. In the context of the State's commitment to this ambitious development program, banks continue to extend working capital facilities to industry at a preferential interest rate of 8% annually, despite the rise in lending and discount rates. Furthermore, the government is taking measures to encourage private sector investment while carrying on with national projects. In this context, domestic consumption of rebars is expected to reach 7.7 million tonnes in 2022, an increase of c. 5% compared to 2021. Similarly, the domestic consumption of flat steel is expected to rise c. 10% over last year's.
- The Company is in the process of obtaining certification for international sustainability and expects to receive it in 3Q22. Additionally, in response to the global rollout of the carbon tax, the Company is considering obtaining an Environmental Product Declaration (EPD) certificate to capitalize on its low carbon footprint compared to that of competitors.

Divisional Overview

EZDK Standalone Sales (EGP):			1Q22	1Q21	4Q21
Value:	Mn		13,671	8,847	15,375
Volume:					
Long:	000 Tonnes		588	390	610
Flat:	000 Tonnes		265	311	266
Exports as % of Sales:					
Long:			6%	21%	4%
Flat:			44%	41%	52%
EBITDA:	Mn		2,876	1,859	2,228
Production:					
Long Products:	000 Tonnes		481	487	424
Flat Products:	000 Tonnes		278	280	268
Billets:	000 Tonnes		541	500	543
Ezz Steel Standalone Sales (EGP):					
Value:	Mn		3,393	2,092	4,187
Volume:	000 Tonnes		231	176	261
Exports as % of Sales:			-	-	-
EBITDA:	Mn		226	213	236
Production:					
Long Products:	000 Tonnes		216	194	194
Billets:	000 Tonnes		194	224	218

EZDK Consolidated Sales (EGP):			1Q22	1Q21	4Q21
Value:	Mn		17,161	11,719	17,384
Volume:					
Long:	000 Tonnes		588	427	619
Flat:	000 Tonnes		503	535	454
Exports as % of Sales:					
Long:			6%	19%	4%
Flat:			39%	52%	52%
EBITDA:	Mn		4,136	2,501	3,390
EBT	Mn		1,734	1,822	2,221
Net Profit	Mn		1,190	1,175	1,840
Production:					
Long Products:	000 Tonnes		592	522	539
Flat Products:	000 Tonnes		475	500	472
Billets:	000 Tonnes		614	532	543
Ezz Steel Consolidated Sales (EGP):			1Q22	1Q21	4Q21
Value:	Mn		18,641	13,498	18,762
Volume:					
Long:	000 Tonnes		789	595	839
Flat:	000 Tonnes		503	535	454
Exports as % of Sales:					
Long:			4%	14%	3%
Flat:			39%	52%	52%
EBITDA:	Mn		4,337	2,701	3,579
EBT	Mn		1,754	1,243	2,306
Net Profit	Mn		1,217	1,188	1,638
Production:					
Long Products:	000 Tonnes		808	715	733
Flat Products:	000 Tonnes		475	500	472
Billets:	000 Tonnes		808	756	761

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.