



EZZ STEEL REPORTS CONSOLIDATED H1 2021 RESULTS

Cairo, 08 August 2021 – 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 2020. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	<u>H1 2021</u>	<u>H1 2020</u>
□ Net sales	30,417	17,826
of which Exports (US\$ Mn)	587	156
□ Gross profit	6,380	78
□ EBITDA*	5,988	(180)
□ Net profit before tax	2,878	(2,928)
□ Net profit	2,397	(2,772)
□ Earnings per share (EPS)**	2.91	(3.39)

* 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 the 6 months period ending 30 June

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Comment

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

- Ezz Steel is on the right track. In H1 2021, net profit after tax reached EGP 2,397 million, and exports USD 587 million. Results of Q2 2021 confirmed the upward trend with a net profit after tax of EGP 1,209 million and exports of USD 318 million.
- Revenues of H1 2021 reached EGP 30,417 million. Long products sales were 53%, and flat sales constituted 45%. Revenues reached EGP 16,919 million in Q2 2021.
- Exports in H1 2021 of USD 587 million comprised USD 477 millions of Hot Rolled Coils (HRC) and USD 110 millions of wire rods. Exports in Q2 2021 of USD 317 million comprised USD 269 million of HRC and USD 49 millions of wire rods.
- World consumption of steel increased to 1,004 million tons in H1 2021, a significant 14% over H1 2020. The upward trend continued in Q2 2021 as consumption reached 516 million tons, 6% over Q1 2021. China leads steel consumption driving iron ore and other raw materials prices to increase as well. The ability of manufacturers to reflect raw materials price increases on product prices -which was restored in Q4 2020- continued, reflecting the positive impact from COVID vaccination rollout and its accompanying economic recovery. This explains the increase in Ezz Steel's HRC average selling price per ton from USD 758 in Q1 2021 to USD 931 in Q2 2021 (23%).
- Local rebars consumption reached 3.36 million tons in H1 2021, an increase of 2% over H1 2020. However, consumption in Q2 2021 made an upward correction rising 24% above Q1 2021 with national projects gathering steam. Growth pace in private building consumption is still slow, but as clarifications on issuing building permits based on the new regulations are being given, consumption outlook is much better.
- The penetration of Ezz Steel's new product B500WDR high tensile steel is felt in the market. The company is marketing the product's advantages successfully, particularly the savings in quantity, and therefore cost, by approximately 10%. The initial marketing phase concentrated on introducing the new grade to large contractors, leading real-estate developers and integrated design firms: this is now expanded to small and middle size companies and design firms.
- The benefits of the group restructuring proved to have a positive impact on financial performance. Ezz Flat Steel (EFS) and Ezz Rolling Mills (ERM), both now fully owned by Al-Ezz Dekheila Steel Company, Alexandria (EZDK); together, in H1 2021, contributed EGP 512 million to the net profit after tax of EZDK and therefore to Ezz Steel upon consolidation.

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 2020, the Company produced 3.1 million tonnes of long products (typically used in construction) and 1.3 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 H1 2021 were EGP 30.42 billion.

<i>EGPMn*</i>	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	4,732	11,466	16,198
Flat	-	13,815	13,815
Others	-	404	404
Total	4,732	25,685	30,417

*after the elimination of intercompany transactions.

Long steel products accounted for EGP 16.20 billion, or 53% of sales in H1 2021, while flat steel products represented 45% of sales at EGP 13.81 billion. Long product exports accounted for 11% of total long sales. Flat product exports accounted for 54% of total flat sales.

Sales Value				
<i>EGPMn</i>	Domestic	%	Export	%
Long	14,464	89%	1,735	11%
Flat	6,301	46%	7,514	54%

During Q1 2021 and Q2 2021 the market began recovering from the impact of COVID-19 and the suspension of building permits as long sales volume increased 28% from 595 thousand tonnes in Q1 2021 to 760 thousand tonnes in Q2 2021. Long sales volumes were 1.35 million tonnes during H1 2021; flat sales were 1.04 million tonnes in H1 2021.

The group's consolidated sales volumes totalled 2.39 million tonnes in H1 2021.

Production

Long steel production volumes totalled 1.44 million tonnes during H1 2021.

Flat steel production volumes reached 1.05 million tonnes for the period.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2021 represented 79% of sales. Gross profit margin reached 21% in H1 2021.

Ezz Steel Standalone reported a COGS/Sales ratio of 88% for H1 2021.

<i>EGPMn*</i>	ESR Standalone	EZDK Consolidated	Ezz Steel Consolidated
Sales	4,732	25,685	30,417
COGS	4,160	19,877	24,037
COGS/Sales	88%	77%	79%

*after the elimination of intercompany transactions.

Gross profit

Gross profit of 6.4 billion was recorded for H1 2021 for Ezz Steel consolidated.

EBITDA

Ezz Steel consolidated EBITDA for H1 2021 amounted to EGP 6 billion.

Tax

During H1 2020, Ezz Steel had deferred taxes in the amount of EGP 332 million and income tax of EGP 191 million.

Net profit

Net profit after tax reached EGP 2.40 billion in H1 2021.

Net result after tax and minority interests

Net result after tax and minority interests recorded a profit of EGP 1.58 billion for H1 2021.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 2.12 billion and net debt of EGP 34.5 billion.

Outlook

Locally, the new building regulations of 18 December 2020 were the first major overhaul in the permits system for decades, authorities needed relatively long period to address inquiries about their implementation. Towards the end of Q2 2021, all governorates announced that they will commence issuing new building permits. The effect on market consumption of rebars in light of this will be tested by the end of the year. On average Egypt issues 66,000 building permits annually, it is believed that the latent demand caused by suspending building permits will manifest itself in an increase in consumption. Going forward, Egypt's GDP growth is forecast to arrive at the pre-COVID levels ranging between 5.5% and 5.8%. This would continue to support rebound in consumption of rebars.

Internationally, the strong recovery in global economic growth, particularly in the US and EU, is firming higher consumption levels of steel. The effect of higher oil prices, in addition to its positive effect on GCC economies, tend to strengthen commodities prices in general.

Ezz Steel has proven its ability to make a strong mark on international flat steel markets. The Company plans to maintain its competitive edge and target higher exports. Taking advantage of its wide distribution network, with exports to about 25 countries since 2020, Ezz Steel aims to emphasize its presence in the world's major import markets.

Divisional Overview

EZDK Standalone Sales (EGP):			H1 2021	H1 2020	Q2 2021	Q1 2021
Value:	Mn		19,751	14,007	10,904	8,847
Volume:						
Long:	000 Tonnes		925	1,057	535	390
Flat:	000 Tonnes		577	470	267	311
Exports as % of Sales:						
Long:			16%	6%	12%	21%
Flat:			47%	41%	52%	41%
EBITDA:	Mn		3,916	473	2,057	1,859
Production:						
Long Products:	000 Tonnes		964	814	477	487
Flat Products:	000 Tonnes		553	533	273	280
Billets:	000 Tonnes		1,020	978	521	500
Ezz Steel Standalone Sales (EGP):						
Value:	Mn		4,786	3,346	2,694	2,092
Volume:	000 Tonnes		398	390	222	176
Exports as % of Sales:						
EBITDA:	Mn		442	(83)	229	213
Production:						
Long Products:	000 Tonnes		419	424	225	194
Billets:	000 Tonnes		441	423	217	224
EZDK Consolidated Sales (EGP):						
Value:	Mn		26,512	15,233	14,793	11,719
Volume:						
Long:	000 Tonnes		966	1,173	540	427
Flat:	000 Tonnes		1,038	537	503	535
Exports as % of Sales:						
Long:			15%	5%	12%	19%
Flat:			54%	44%	57%	52%
EBITDA:	Mn		5,575	31	3,075	2,500
EBT	Mn		2,714	(2,455)	1,568	1,023
Net Profit	Mn		2,047	(2,303)	1,030	1,017
Production:						
Long Products:	000 Tonnes		1,025	1,346	503	522
Flat Products:	000 Tonnes		1,045	602	545	500
Billets:	000 Tonnes		1,055	1,467	523	532

Ezz Steel Consolidated Sales (EGP):			H1 2021	H1 2020	Q2 2021	Q1 2021
Value:	Mn		30,417	17,826	16,919	13,498
Volume:						
Long:	000 Tonnes		1,355	1,550	760	595
Flat:	000 Tonnes		1,038	537	503	535
Exports as % of Sales:						
Long:			11%	4%	8%	14%
Flat:			54%	44%	57%	52%
EBITDA:	Mn		5,988	(180)	3,288	2,701
EBT	Mn		2,920	(2,928)	1,676	1,243
Net Profit	Mn		2,397	(2,772)	1,209	1,188
Production:						
Long Products:	000 Tonnes		1,444	1,770	728	715
Flat Products:	000 Tonnes		1,045	602	545	500
Billets:	000 Tonnes		1,496	1,890	740	756

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 30 June 2021. 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.