



EZZ STEEL REPORTS CONSOLIDATED H1 2020 RESULTS

Cairo, 01 October 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 30 June 2020. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Paste the following link into your web browser to download a PDF of the full financial statements related to this announcement:

[insert link]

Key highlights

EGPMn

	<u>H1 2019</u>	<u>H1 2020</u>	<u>YoY % (+/-)</u>
□ Net sales	25,901	17,826	(31%)
□ Gross profit	810	78	(90%)
□ EBITDA*	660	(180)	(127%)
□ Net profit after tax and minority interest	(2,099)	(1,844)	
□ Earnings per share**	(3.86)	(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

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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	3,271	9,798	13,069
Flat	0	4,501	4,501
Others	0	256	256
Total	3,271	14,555	17,826

*Includes figures for ERM

Ezz Steel's consolidated net sales for H1 2020 were EGP 17.8 billion, representing a decrease of 31 per cent year on year. Long sales, in particular, were down 35 per cent year on year; the suspension of new building permits in particular and the drop-in construction activity in general contributed to this decrease. Flat sales were down 19% compare to H1 2019. Following the trend observed in Q1 2020, the protection measures worldwide continued to have a negative effect on export markets for long and flat products. Prices declined in Egypt and international market for both long and flat steel during H1 2020.

Long steel products accounted for EGP 13.1 billion, or 73 per cent of sales in H1 2020, while flat steel products represented 25 per cent of sales at EGP 4.5 billion. Long product exports accounted for 4 per cent of total long sales. Flat product exports accounted for 44 per cent of total flat sales.

Sales Value EGPMn	Domestic	per cent	Export	per cent
Long	12,564	96%	506	4%
Flat	2,522	56%	1,979	44%

Long sales volumes were 1.55 million tonnes during H1 2020, 22 per cent lower than the 1.98 million tonnes sold during the same period last year. Consolidated flat sales volumes decreased by 2 per cent to reach 537 thousand tonnes in H1 2020.

The group's consolidated sales volumes totalled 2.09 million in H1 2020, a decrease of 18 per cent from the 2.53 million tonnes in H1 2019.

Long steel production volumes totalled 1.41 million tonnes during H1 2020, down 24 per cent compared to H1 2019. Flat steel production volumes decreased by 41 per cent to 357 thousand tonnes for the period, compared to 609 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2020 represented 99.56 per cent of sales, leading to a decrease in gross profit margin from 3% in H1 2019 to 0.44% in H1 2020. High iron ore price compared to product prices, lower global demand during the height of the global pandemic, high utilities cost, and lack of sufficient local market protection continued to be factors that led to such decrease in gross profit. While interest rates and natural gas prices were reduced as part of the COVID-19-related stimulus package, this reduction was not sufficient.

Ezz Steel Standalone reported a COGS/Sales ratio of 96% for H1 2020, compared to 99% in H1 2019. At EZDK Consolidated the COGS/Sales ratio stood at 100%.

<i>EGPMn</i>	ESR Standalone	EZDK Consolidated*	Ezz Steel Consolidated
Sales	3,271	14,555	17,826
COGS	3,141	14,607	17,748
COGS/Sales	96%	100%	99.56%

*Includes figures for ERM

Gross profit

Gross profit of 77.7 million was recorded for H1 2020, a decline of 90 per cent from the 810 million in H1 2019.

EBITDA

EBITDA for H1 2020 amounted to a loss of EGP 180 million, compared to a positive EBITDA contribution of EGP 660 million in H1 2019.

Tax

During FY 2019, Ezz Steel had deferred taxes in the amount of EGP 172.3 million and income tax of EGP 16.1 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 1.84 billion for H1 2020, compared to a loss of EGP 2.1 billion during the same period in 2019.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 2.05 billion and net debt of EGP 31.5 billion.

Divisional Overview

EZDK Standalone Sales (EGP):	H1 2019	H1 2020	
Value:	18,687	14,007	Mn
Volume:			
Long:	1,290	1,057	Tonnes
Flat:	550	470	Tonnes
Exports as % of Sales:			
Long:	11%	6%	
Flat:	51%	42%	
EBITDA:	978	473	Mn
Production:			
Long Products:	979	814	Tonnes
Flat Products:	575	533	Tonnes
Billets:	1,067	978	Tonnes
Ezz Steel Standalone Sales (EGP):			
Value:	4,176	3,346	Mn
Volume:	397	390	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	(138)	(108)	Mn
Production:			
Long Products:	352	424	Tonnes
Billets:	339	432	Tonnes
EZDK Consolidated* Sales (EGP):			
Value:	21,842	14,555	Mn
Volume:			
Long:	1,583	1,169	Tonnes
Flat:	550	537	Tonnes
Exports as % of Sales:			
Long:	7%	6%	
Flat:	50%	44%	
Production:			
Long Products:	1,518	1,346	Tonnes
Flat Products:	609	602	Tonnes
Billets:	1,637	1,467	Tonnes

*Figures include ERM

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 6-month period ending 30 June 2020. 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.