



EZZ STEEL REPORTS CONSOLIDATED FY 2020 RESULTS

Cairo, 01 April 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 31 December 2020. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>FY 2019</u>	<u>FY 2020</u>	<u>YoY %</u>
□ Net sales	45,714	38,625	(16)
□ Gross profit	(976)	1,220	(225)
□ EBITDA*	(1,518)	535	(135)
□ Net profit after tax and minority interest	(6,195)	(3,119)	
□ Earnings per share**	(11.40)	(5.74)	

*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 2020, the Company produced 2.3 million tonnes of long products (typically used in construction) and 1.3 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

Consolidated net sales for FY 2020 were EGP 38.6 billion, representing a decrease of 16% year on year. Global demand remained low with the continued effects of COVID-19, including a significant drop-in construction activity, contributing to this decrease. Local demand in Egypt was negatively affected due to the suspension of building permits for 6 months from May to November 2020. Compared to FY 2019, Flat sales were down 16% and long sales were down 28% respectively. Prices declined in Egypt and international markets for both long and flat steel on average in FY 2020.

Sales after elimination

EGPMn

	Ezz Steel Standalone	EZDK Consolidated	Ezz Steel Consolidated
Long	6,736	20,588	27,324
Flat	-	10,736	10,736
Others	-	565	565
Total	6,736	31,889	38,625

Long steel products accounted for EGP 27.32 billion, or 71% of sales in FY 2020, while flat steel products represented 28% of sales at EGP 10.74 billion. Long product exports accounted for 8% of total long sales. Flat product exports accounted for 48% of total flat sales.

Sales Value EGPMn	Domestic	%	Export	%
Long	25,180	92%	2,144	8%
Flat	5,627	52%	5,109	48%

Long sales volumes were 3.17 million tonnes during FY 2020, 10% lower than the 3.51 million tonnes sold in FY 2019. Over the same period, consolidated flat sales volumes increased by 12% to reach 1.3 million tonnes in FY 2020.

The group's consolidated sales volumes totalled 4.47 million tonnes in FY 2020, a decrease of 4% from the 4.67 million tonnes in FY 2019.

Long steel production volumes totalled 3.13 million tonnes during FY 2020, down 5% compared to FY 2019. Flat steel production volumes however increased by 18% to 1.34 million tonnes for the period, compared to 1.14 million tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2020 represented 96.8% of sales, leading to a gross profit margin of 3.2% in FY 2020. High iron ore price compared to decreased product prices, lower global demand, high utilities cost, and lack of sufficient local market protection, especially in flat steel, continued to be factors that had a significant impact on gross profit.

Ezz Steel Standalone reported a COGS/Sales ratio of 93% for FY 2020, compared to 99% in FY 2019. At EZDK Consolidated the COGS/Sales ratio stood at 98%.

<i>EGPMn</i>	ESR Standalone	EZDK Consolidated	Ezz Steel Consolidated
Sales	6,736	31,889	38,625
COGS	6,283	31,122	37,405
COGS/Sales	93%	98%	96.8%

Gross profit

Gross profit of 1.22 billion was recorded for FY 2020 for Ezz Steel consolidated, compared to a gross loss of 980 million in FY 2019 (-225%).

EBITDA

Ezz Steel consolidated EBITDA for FY 2020 amounted to EGP 535.3 million, compared to an EBITDA loss of EGP 1.5 billion in FY 2019.

Tax

During FY 2019, Ezz Steel had deferred taxes in the amount of EGP 314 million and income tax of EGP 35.5 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 3.1 billion for FY 2020, compared to a loss of EGP 6.2 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 2.22 billion and net debt of EGP 32.4 billion.

Divisional Overview

EZDK Standalone Sales (EGP):			FY 2019	FY 2020
Value:	Mn		34,955	34,409
Volume:				
Long:	000 Tonnes		2,519	2,126
Flat:	000 Tonnes		1,102	1,030
Exports as % of Sales:				
Long:			10%	13%
Flat:			49%	43%
EBITDA:	Mn		(206)	1,356
Production:				
Long Products:	000 Tonnes		1,778	1,590
Flat Products:	000 Tonnes		1,098	1,039
Billets:	000 Tonnes		2,047	1,687
Ezz Steel Standalone Sales (EGP):				
Value:	Mn		7,291	6,835
Volume:	000 Tonnes		726	777
Exports as % of Sales:				
EBITDA:	Mn		(310)	91
Production:				
Long Products:	000 Tonnes		689	767
Billets:	000 Tonnes		651	802
EZDK Consolidated* Sales (EGP):				
Value:	Mn		38,564	31,889
Volume:				
Long:	000 Tonnes		2,786	2,409
Flat:	000 Tonnes		1,162	1,297
Exports as % of Sales:				
Long:			6%	11%
Flat:			46%	48%
Production:				
Long Products:	000 Tonnes		2,615	2,358
Flat Products:	000 Tonnes		1,139	1,336
Billets:	000 Tonnes		2,797	2,393

*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 year ending 31 December 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.