

Press Release

Emirates Steel Arkan Announces 3Q 2022 Results

- Group strengthens financial position post-merger and continues successful expansion strategy
- 3Q22 revenues rose 29% year-on-year to AED 2.51bn compared to 3Q21 pro-forma AED 1.94bn
 - 3Q22 EBITDA advanced to AED 269m versus pro-forma AED 83m during 3Q21
 - 3Q22 net profit increased to AED 103m against pro-forma loss of AED 79m in 3Q21

Group pro-forma Financial Results, 3Q21 and 9M21 numbers including pre-merger Emirates Steel performance						
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AED, million	3Q22	3Q21	Change, %	9M22	9M21	Change, %
Revenue	2,510	1,944	29%	7,123	6,199	15%
EBITDA	269	83	224%	863	369	134%
Net Profit	103	(79)	n/a	383	(119)	n/a

Group Reported Financial Results, 3Q21 and 9M21 numbers indicate Arkan PJSC published data only						
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AED, million	3Q22	3Q21	Change, %	9M22	9M21	Change, %
Revenue	2,510	173	n/a	7,123	591	n/a
EBITDA	269	22	n/a	863	62	n/a
Net Profit	103	(6)	n/a	383	(29)	n/a

Abu Dhabi, United Arab Emirates, 1 November 2022: Emirates Steel Arkan (ADX: EMSTEEL) (the “Group”), the largest publicly traded steel and building materials company in the UAE, today announced its third quarter results.

In 3Q22 revenues rose 29% to AED 2.51 billion, compared to pro-forma AED 1.94 billion in the corresponding quarter last year. The Group’s 3Q22 EBITDA gained 224% year-on-year (“YoY”) to AED 269 million.

The Group reported a net profit of AED 103 million in the third quarter compared to a pre-merger pro-forma loss of AED 79 million in the same period of last year. The gains were driven by the Group’s strategy to diversify revenues through increased exports to over 70 markets, prudent cost control and an increase in operational efficiencies.

Revenues for the first nine months of 2022 rose to AED 7.12 billion versus pro-forma AED 6.20 billion in the same period last year. The Group reported EBITDA of AED 863 million, a 134% YoY increase from pro-forma AED 369 million in 9M21. Net profit in the first nine months of 2022 was AED 383 million compared to a pre-merger pro-forma loss of AED 119 million in 9M21.

Following the merger, in the final quarter of 2021, the Group's steel business continued to contribute 90% of revenues while building materials comprised 10%. Revenue from the steel business during 9M22 rose to AED 6.45 billion compared to an unconsolidated pre-acquisition revenue of AED 5.6 billion for 9M21, bolstered both by strong sales into Europe and the Americas and increased volume of orders in the UAE.

On a stand-alone basis, the building materials business continued to perform robustly amid proactive marketing campaigns, higher prices and enhancements to the Group's low-cost production base. The division produced a 9M net profit of AED 48.9 million compared to a 9M21 loss of AED 29.2 million, a turnaround of AED 78.1 million.

The Group's balance sheet also significantly improved at the end of the nine-month period, reflecting the success of the Group's "Namaa" cost reduction and transformation program as well as the enhanced volume of sales and price increases during the period. Net borrowings decreased 41% to AED 1.34 billion as at 30 September 2022 compared to AED 2.28 billion as at 31 December 2021.

Hamad A. AlHammadi, Chairman, Emirates Steel Arkan, said: "The Group's robust third-quarter earnings demonstrate the success of its strategy of focusing on new opportunities in its 70 international export markets. The Group also remains committed to its home market and supporting Abu Dhabi's Industrial Strategy. To that end, it is accelerating efforts to aid the growth of local industries and to enhance the 'Make it in the Emirates' brand and is studying options for producing flat steel for manufacturing industry customers. The UAE economy is forecast to maintain its strong growth despite the expected global downturn, providing a dynamic backdrop for the Group to continue implementing its expansion plans. During the quarter, the Group announced that it had partnered with ITOCHU Corporation and JFE Steel Corporation to study the construction of a ferrous raw material production facility in Abu Dhabi."

If approved, the plant would become an integral part of the global low carbon emission steel supply chain, further aligning the Group's strategy with the UAE's decarbonization targets. The ferrous raw materials produced will be supplied to customers primarily operating in Asia, including JFE Steel.

Eng. Saeed Ghumran Alremeithi, Group Chief Executive Officer, Emirates Steel Arkan, said: "As we celebrate the first anniversary of the merger the Group continues to take initiatives to enhance output and reduce costs, while ensuring rigorous health and safety protocols across our operations. These measures have enabled us to continue strengthening the financial position of the Group, as reflected in our higher year-on-year profitability and significantly lower level of debt. Our solid financial position provides us with increased confidence to execute our growth strategy as we introduce new products and implement our expansion plans. Even though the outlook for raw material markets and the global economy remains uncertain, the growth

prospects for the UAE are encouraging and our increasingly diversified business model will allow us to take advantage of opportunities as they arise.”

Despite the increasing global economic headwinds amid high inflation, a slowdown in Chinese economic growth and heightened geopolitical tensions, the Group highlighted that the UAE remained a bright spot. The Group noted that International Monetary Fund is predicting that the UAE’s GDP will grow 4.2% in 2023, outpacing its 2.7% global growth forecast, a macroeconomic backdrop that would be supportive of the Group’s performance next year.

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About Emirates Steel Arkan Group

Emirates Steel Arkan Group is a public joint stock company (ADX: EMSTEEL) and the UAE’s largest steel and building materials manufacturer. The Group leverages cutting-edge rolling mill technologies to supply the domestic and international markets with high-quality finished products including wire rods, rebars, heavy sections and sheet piles. Additionally, the Group produces premium cement, blocks, pipes, and dry mortar, creating a one-stop shop for the manufacturing and construction sectors.

Emirates Steel Arkan is the largest producer of heavy and jumbo sections, the only producer of hot rolled sheet piles in the region and the fourth steelmaker in the world to receive the ASME accreditation to produce nuclear grade rebar. The Group is also the first steelmaker in the world to capture its CO2 emissions and the first manufacturing company in the Middle East to be verified for (LEED) green building system documentation.

The Group is actively contributing to the UAE's industrial strategy ‘Operation 300bn’ by delivering market-leading products to local industries, creating job opportunities for UAE nationals, and enhancing its sustainable practices. Through Senaat, Emirates Steel Arkan is part of ADQ, one of the region’s largest holding companies with a broad portfolio of major enterprises spanning key sectors of Abu Dhabi’s diversified economy.

For more information, please visit our website: www.emiratessteelarkan.com