

Emirates Steel Arkan Announces Q2 2022 Results

- Group Q2 net profit jumped 184% from Q1 to AED 207 million
 - Q2 revenues increased to AED 2.57 billion
- H1 net profit advanced to AED 280 million on revenue of AED 4.61 billion

Abu Dhabi, United Arab Emirates, 2nd August 2022: Emirates Steel Arkan (ADX: EMSTEEL) (the “Group”), the largest publicly traded steel and building materials company in the UAE, today announced its second quarter results.

The Group reported a net profit of AED 207 million in the second quarter compared to a pre-merger loss of AED 24 million in the same period of last year and a 184% gain from AED 73 million in Q1, driven by higher sales volumes and prices, enhanced operational efficiencies, and a supportive commodity market environment. Revenues rose to AED 2.57 billion in Q2 compared to AED 195 million in the corresponding quarter last year. Steel continued to contribute 90% of the Group’s revenues and building materials 10%.

Earnings per share for the quarter rose to AED 0.03 per share compared to a pre-merger loss of AED 0.014 per share in the same period last year. The Group’s net profit for the first six months of 2022 was AED 280 million compared to a pre-merger loss of AED 23 million in the first half of 2021 while revenues rose to AED 4.61 billion versus AED 418 million in the same time frame. During the first half of 2022, the Group enhanced the efficiency of its plants and put in place a process of prudent raw materials inventory management and maintained finished product volumes at low levels to take advantage of and manage the risks associated with increasing price volatility.

In addition, the Group’s balance sheet improved at the end of the first half, marked by a reduction in bank borrowings, which has enhanced the Group’s net debt to equity ratio to 21% at the end of June compared to 32% at the end of December 2021.

Hamad Abdulla Mohamed AlShorafa Alhammadi, Chairman, Emirates Steel Arkan, said: “During the second quarter, the management continued the integration of Arkan and Emirates Steel, creating increased opportunities for growth and employment. The Group is also actively supporting ‘Operation 300 bn,’ the UAE’s Industrial Strategy, which will enhance prospects for new business. Emirates Steel Arkan continues to invest in sustainable processes and harness the latest technologies to fully align with the Abu Dhabi Industrial Strategy. The strength of the results reflects how the creation of a national steel and building materials champion is supporting the UAE’s efforts to bringing about further economic diversification by nurturing the growth of the nation’s industrial base and increasing the competitiveness of Emirati goods and services in global markets. The measures the Group has taken in H1 to optimise its business will allow us to continue executing our strategy with increased confidence.”

On a stand-alone basis, the building materials business witnessed a robust turnaround in the first half, delivering EBITDA of AED 70 million compared to AED 39 million in the first half of 2021 as margins improved amid measures to increase sales volumes and prices across all product lines. The Group is currently preparing for its first exports of cement and clinker.

The Group's steel business reported an EBITDA of AED 524 million in the first half on a stand-alone basis, a substantial jump from AED 246 million in H1 2021. The increase was boosted by strong demand from Europe and the Americas for rebars, sections and sheet piles as the number of export markets increased to 60 from 56. Rebar sales rose by 8% year on year to 904,000 metric tonnes in the first half. At the same time, first half sheet pile revenue grew by 400% year on year.

As part of its strategy to broaden its customer base, the Group is expanding its sheet pile range, including the development of a range of U-shape piles, widely used in the construction industry. Work on a new U-shape range began during the second quarter and is expected to be brought to market in early 2023. During the quarter, the efficiencies of the current sheet pile production were enhanced, enabling the Group to capture full end-to-end margins.

In line with its commitment to minimise its carbon footprint, the Group plans in H2 2022 to launch ES600, a high tensile steel rebar that will support customers' efforts to become more environmentally friendly. The new light-weight ultra-high-strength ES600 will also help reduce the Group's carbon footprint for steel production, which is significantly lower than the global average carbon footprint of the Group's peers. The Group continues to work with partners to map out its comprehensive Net Zero plan, which is aligned to the UAE's carbon reduction targets. The building material business is also studying plans for green cement, which harnesses low-carbon production processes.

The Group noted that the outlook for the global economy remains uncertain for the remainder of the year amid China's Covid-19 resurgence and economic slowdown, higher inflation worldwide and elevated energy prices.

Eng. Saeed Ghumran Alremeithi, Group Chief Executive Officer, Emirates Steel Arkan, said: "The Group's solid second quarter earnings reflect favorable market conditions and demonstrate our greater operational efficiency as well as our ability to significantly reduce our debt and improve cash and inventory management. At the same time, an intensive marketing programme and prudent cost control during the quarter have also supported our profitability amid a backdrop of higher raw material prices. The enhanced strength of our financial position also allows us to pursue new product development opportunities. The organisational changes we have made and the new environmentally-friendly products we are introducing in the second half will help us navigate market volatility with greater resilience."

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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.arkan.ae.