

Press Release

Emirates Steel Arkan (EMSTEEL) Continues Solid Performance in H1 2023

Abu Dhabi, United Arab Emirates, 1 August 2023: Emirates Steel Arkan (ADX: EMSTEEL) (“the Group”), the largest publicly traded steel and building materials company in the UAE, today announces solid financial results for the first half of 2023.

The performance in H1 2023 demonstrated the resilience of the Group's Steel business in the face of market downturn, as well as a continued improvement of revenues and profits from the Building Materials division.

Financial highlights for H1 2023:

- EBITDA for the period was AED 612 million, up by 3% on the first half of 2022, and up 6% on the second half of 2022, a result of enhanced efficiency levels across the Group.
- The EBITDA margin for the period was 13.8% versus 12.9% reported in H1 2022.
- The combined business recorded six-month revenue of AED 4.43 billion compared to AED 4.61 billion during the same period in 2022. In the light of a global supply-demand imbalance that had temporarily pushed up the sales prices for Group's products during the first half of 2022, this is a remarkable achievement.
- Revenue from the Steel division totalled AED 3.95 billion for H1 2023 and profit from the division amounted to AED 224.8 million.
- Revenue from the Building Materials division was AED 475.8 million for the first six months of 2023, a 9% year-on-year increase. The profit was AED 56 million, a significant increase compared with AED 20 million for the same period in 2022, primarily driven by the growth in the UAE construction sector.
- The Group's net profit for the period was AED 280.5 million, compared to a net profit of AED 279.9 million in the first six months of 2022.
- Since 31 December 2022, the Group has further reduced its net bank debt by 41% from AED 1.1 billion to AED 643.9 million, resulting in a net debt-to-EBITDA ratio of 0.5 as of 30 June 2023.

Operational highlights for H1 2023:

- Achieved robust profitability in H1 associated with continued high demand for the Group's steel products, stable margins despite reductions in commodity steel prices, supported by a continuing increase in the manufacture and sale of value-added products for both the domestic and export markets and bolstered by steady construction activities.
- Implemented a new operating model that establishes two distinct business units: Emirates Steel and Building Materials. This strategic move aims to capitalize on the unique strengths of both the Steel and Building Materials divisions.

- Continued to build foundation for a new low-carbon iron supply chain - associated MoUs signed with Abu Dhabi Department of Economic Development, AD Ports Group, ITOCHU and JFE Steel.
- Introduced 'Namaa' 2.0 as the second stage of the Group's continuing transformation program to deliver greater efficiencies and EBITDA optimisation initiatives.
- Expanded into three new markets for steel and successfully exported Glass Fibre Reinforced Plastic (GRP) pipes to three projects in France.
- Successfully marketed the ES600 innovative low-carbon high tensile rebar steel, utilizing it in the foundations of two projects in Dubai.

Eng. Saeed Ghumran Al Remeithi, Group CEO, said, "Emirate Steel Arkan's overall performance continued to be strong in the first six months of 2023 with healthy profits in line with our expectations, further demonstrating our agility and resilience despite volatile market conditions. This performance was delivered by focusing on higher-value-added products with improved margins and enhanced efficiencies. Better capital control and targeted capital expenditure has also strengthened our balance sheet to support our ability to drive our growth strategy forward."

He added, "We also remain committed to achieving our decarbonization and sustainability goals by making our facilities run more efficiently, using less energy to produce our products, utilizing clean and renewable energy when possible, and forging partnerships with regional and global powerhouses to establish a new low-carbon iron supply chain here in the UAE. We have said that we will aim at reducing our carbon emissions by 40% by 2030 and achieve Net-Zero by 2050 and we are taking bold steps to make this ambition a reality."

Emirate Steel Arkan's solid performance in H1 2023 reflects its commitment to delivering value to stakeholders. With a focus on innovation, sustainability, and efficiency, the Group is determined to continue its growth in the steel and building materials sectors, further solidifying its position as an industry leader.

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For Media enquiries, please contact:

Mohammad Daggamseh
Manager of Media and Communications
Mobile: +971 56 414 4143
Email: mohammad.daggamseh@emiratessteel.com

For Investor enquiries, please contact:

Gleb Diachkov-Gertcev
Director of Investor Relations
Phone: +971 2 507 2158
Email: gleb.dg@emiratessteel.com

Asda'a BCW

Baha Haroun
Senior Vice President – Regional Office
Mobile: +971 50 819 2530
Email: baha.haroun@bcw-global.com

About Emirates Steel Arkan (ESA)

Emirates Steel Arkan (the Group) is a public joint stock company (ADX: EMSTEEL) and the UAE's largest steel and building materials manufacturer. The Group leverages cutting-edge technologies to supply both the local market and more than 70 international markets with high-quality finished products, creating a one-stop shop for the manufacturing and construction sectors.

Emirates Steel Arkan is committed to contributing to the UAE's industrial strategy 'Operation 300 billion' by delivering market-leading products to support local industries, creating job opportunities for UAE Nationals, and enhancing its sustainable practices. The Group is also among the leading decarbonized steel manufacturers in the world and is recognized for its world-class safety performance.

The Group's steel and building materials have been used in some of the UAE's most iconic construction projects, including the Burj Khalifa, Emirates Palace, Etihad Towers, Yas Island, and more.

Emirates Steel Arkan is majority owned by 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