

حديد الإمارات أركان  
emirates steel arkan

# INVESTOR PRESENTATION

May 2023

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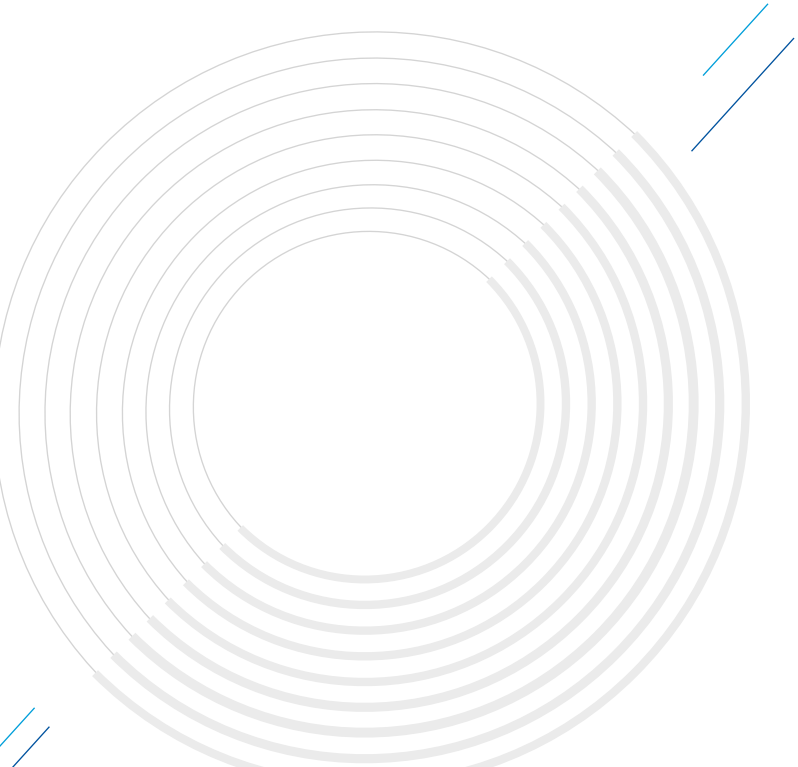
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# BUSINESS OVERVIEW





# QUICK FACTS ABOUT THE GROUP

**Crude steel production capacity:**  
3.5 mtpa

Steel assets utilizing latest DRI technology, 15 years old

Revenue split:  
➤ 90% Steel  
➤ 10% Building materials

**FY22**

**Revenue of AED 9.5 bn**

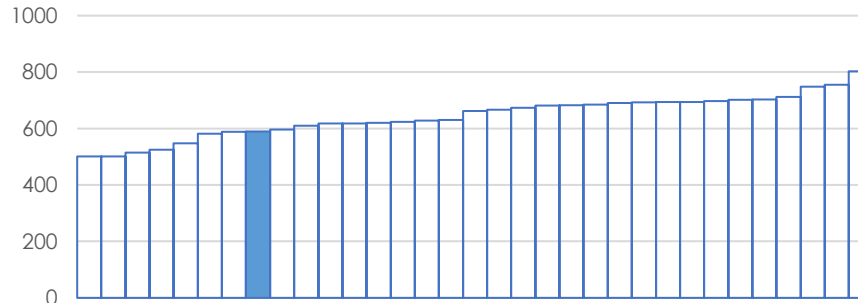
**EBITDA of AED 1.2 bn**

**Cement production capacity:**  
4.6 mtpa

Cement plant using gas for power generation, 10 years old

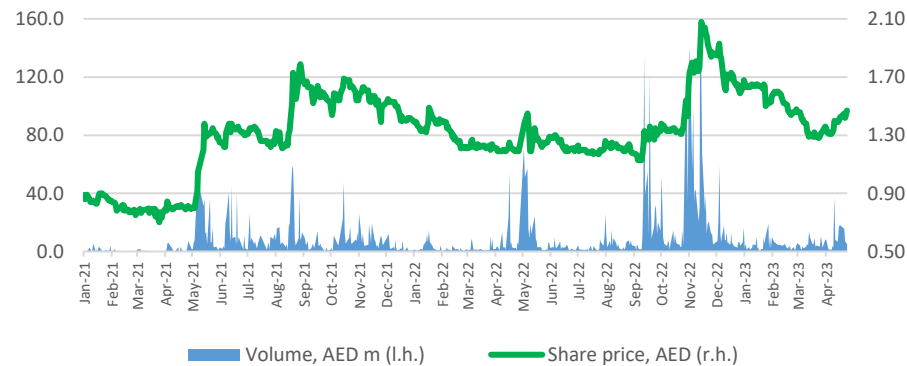
EMSTEEL is among the top 30% cheapest steel mills on the global cost curve

**Steel rebar production costs \$/t (2021 data)**



ADX: EMSTEEL

MCAP: AED 10bn\* // Daily Volume: AED 20m\*\*

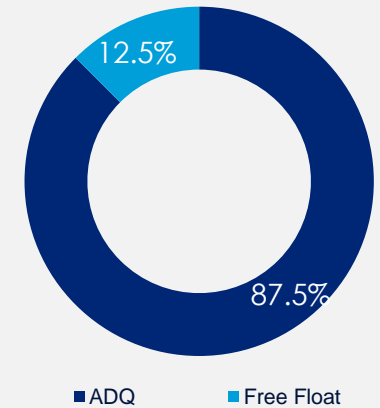


Merged in Oct 2021



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Ownership structure



\*Market CAP as of 27.04.2023

\*\*Daily trading Volume is calculated as an average over 2022

# GEOGRAPHIC FOOTPRINT

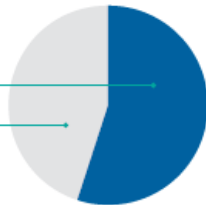
## Steel sales, FY22:

61%

Domestic sales volume

39%

Export sales volume



The Group exports steel products to more than **70** countries.

UAE steel market share: **60%** of rebar and wire rod **80%** of heavy sections and sheet piles.

United Arab Emirates

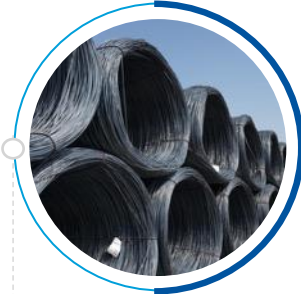
• Abu Dhabi (Steel Division)

• Al Ain (Cement Division)

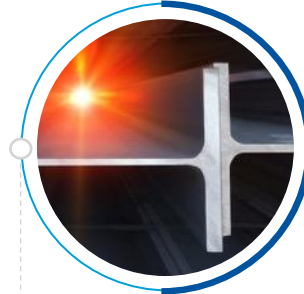
# OUR PRODUCT LINES



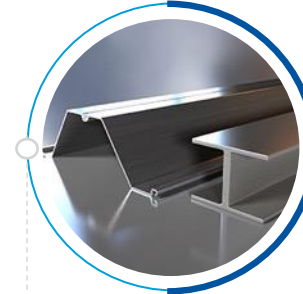
A leading producer of high-quality rebar with a production capacity of 2 million tonnes annually.



A prominent wire rod producer in the GCC with a production capacity of 550,000 tonnes annually.



The largest producer of heavy and jumbo sections in the GCC with a production capacity of 1 million tonnes annually.



The only producer of hot rolled sheet piles in the MENA region.



Rebar in Coils provides greater efficiencies and cost savings.

Steel billets are processed into rebar, wire rod or coil in the Group's rolling mills.



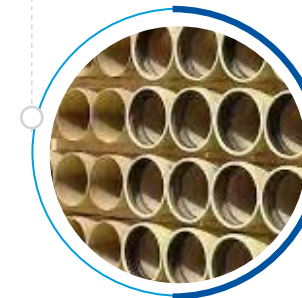
High-quality cement with a production capacity of 4.6 million tonnes and clinker with a production capacity of 3.1 million tonnes annually.



Concrete blocks with a production capacity of 85 million blocks annually and dry mortar used in local construction.



GRP and PVC Pipes largest centrifugal casting pipe factory in the world with 33 thousand tonnes annual capacity.



Bags with a production capacity of 62 million sacks annually.



# OUR STEEL DIVISION

## Plants, Production Process and Products



Three Direct Reduction Plants with a capacity of 4.2 MTPA

Three Steel Making Plants with a capacity of 3.6 MTPA

Heavy Section Mill, Three Rebar Mills and a Wire Rod Mill

Rebar, Wire Rod, Sheet Piles and Heavy Sections



**HEAVY SECTION MILL**  
with a capacity of 1.0 Mt

**THREE REBAR MILLS**  
with a capacity of 2.0 Mt

**WIRE ROD MILL**  
with a capacity of 0.5 Mt





# OUR CEMENT DIVISION

## Al Ain Cement Factory



### 1. EXTRACTION :

The raw materials used to manufacture cement (**limestone** and **clay**).

### 2. TRANSPORT :

The raw materials are loaded into a **dumper**.

### 3. CRUSHING AND TRANSPORTATION :

The raw materials, after **crushing**, are transported to the plant by conveyor.



### 1. RAW GRINDING :

The raw materials are very finely ground to produce the **raw mix**.

### 2. BURNING :

The raw mix is preheated before it goes into the kiln. The raw mix burns at 1500 °C producing **clinker**.



### 1. GRINDING :

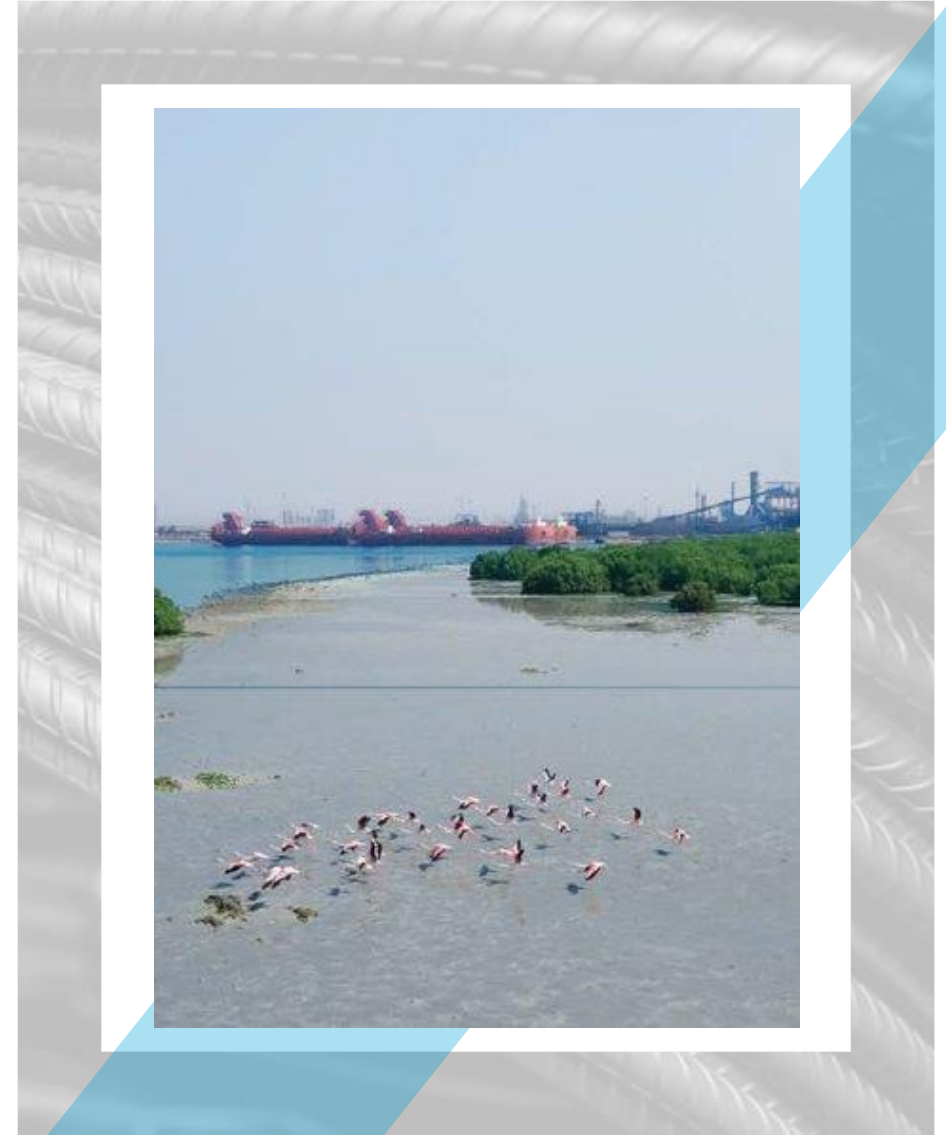
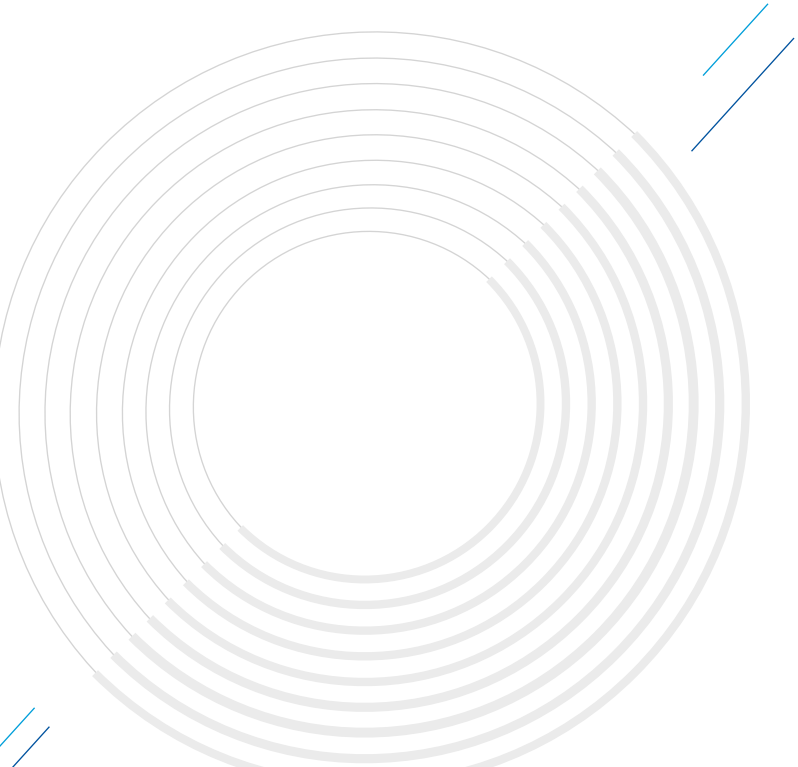
The clinker and the gypsum are very finely ground giving a "pure cement".

### 2. STORAGE, PACKING, DISPATCH :

The cement is stored in **silos** before being dispatched, either in bulk or in bags.

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# KEY ESG CREDENTIALS



# EMSTEEL IS WELL POSITIONED FOR CO2-CONSCIOUS MARKET

On the **demand side**, there is growing momentum in CO2-related initiatives led by steel buyer coalitions, such as SteelZero in EU.



- SteelZero members commit to **procure 100% net zero steel by 2050**; Interim commitment - 50% responsibly produced steel by 2030.
- This sends a strong signal to steelmakers that there's an immediate commercial appetite for decarbonized steel products.

There is a **regulatory trend** to report and price GHG emissions at the border of large economic regions – main example CBAM

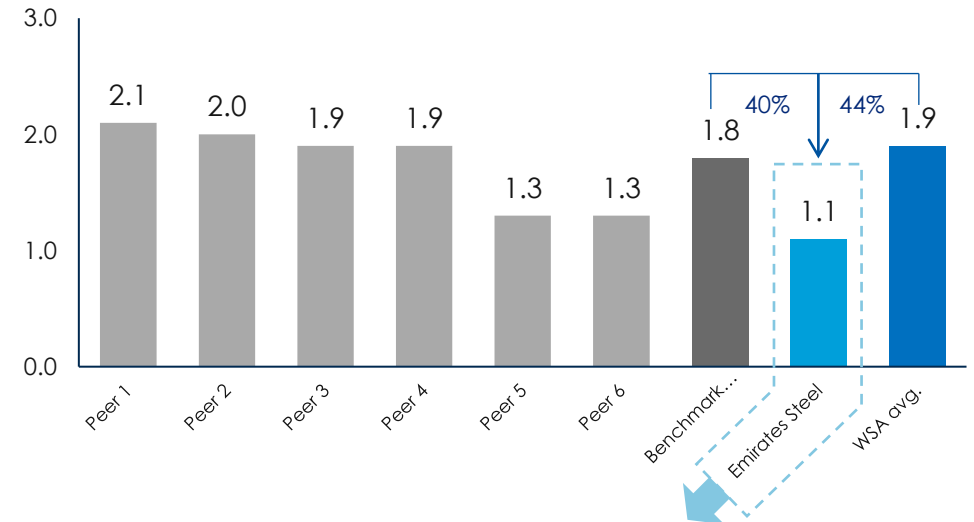
Objective	Mirror EU carbon tax (EU ETS) to avoid the risk of carbon leakage (i.e. European companies moving production to countries with no climate policies)
Operation	Companies importing goods to the EU will have to purchase CBAM certificates to cover emissions (Scope 1&2) embedded in products
Timeline	<div style="display: flex; align-items: center;"> <div style="flex: 1;"> <p><u>2023 - 2026:</u> Reporting obligation but no financial adjustment</p> </div> <div style="flex: 1; text-align: center; font-size: 2em;">➔</div> <div style="flex: 1;"> <p><u>Starting 2026:</u> CBAM is gradually phased in</p> </div> </div>
Price	<p>Estimated equivalent carbon price for domestic and imported production (i.e. CBAM price = EU ETS price):</p> <div style="border: 1px dashed black; padding: 5px; display: inline-block;"> <p><b>Until 2030: €60 to €100/tCO<sub>2</sub> / By 2050: up to €200/tCO<sub>2</sub>*</b></p> </div> <div style="font-size: 2em; margin-left: 10px;">➔</div>

**EMSTEEL is operating state-of-art, low-carbon-footprint production facilities based on direct-reduced iron (DRI)**



EMSTEEL's corporate carbon intensity is approximately **40% lower than benchmark average**, and **44% below World Steel Association average**

Sum of Scope 1&2 carbon emissions for steel making activities \*\* tCO<sub>2</sub>e/tonne of crude steel



**Low CO<sub>2</sub> footprint is a competitive advantage and can drive growth of EMSTEEL profitability**

\*According to various institutions (European Commission, International Energy Agency; Bloomberg, etc.

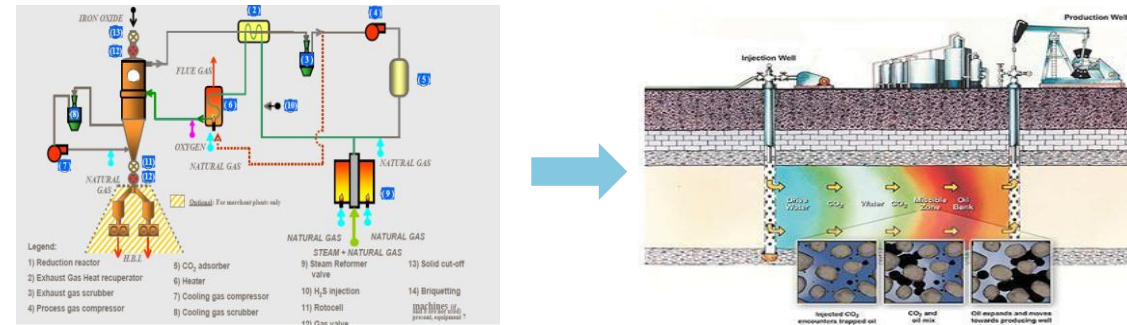
\*\*Peer Group includes: Posco, Thyssenkrupp, Tata Steel, Arcelor Mittal, SSAB and Qatar Steel; Sources: peer group assessment from the companies' CDP Climate change 2020 and companies' reports 2019-2020

# ... ACTIVELY IMPLEMENTING INDUSTRY-LEADING SUSTAINABILITY PROGRAM

EMSTEEL is **the world's first steel company to capture its CO2 emissions.**

Partnership with ADNOC and Masdar allows us to accumulate **up to 800 kt of CO<sub>2</sub>/year** as part of Carbon Capture Utilization and Storage (CCUS).

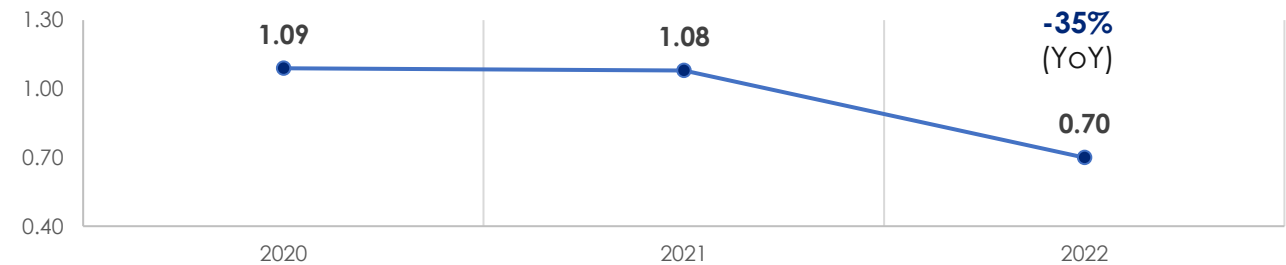
**This way around 30% of CO<sub>2</sub> generated from Direct Reduction Plants was captured in 2022.**



EMSTEEL is constantly working to deliver on its sustainability commitment. In 2022 it has **reduced Scope 1&2 emissions from steel business by 35% YoY.**

This was partially driven by **purchase of clean energy certificate for solar and nuclear energy** totalling 2 million MWh

**EMSTEEL // Sum of Scope 1&2 carbon emissions in steel business**  
tCO<sub>2</sub>e/tonne of crude steel



This represents more than 80% of EMSTEEL electricity consumption, contributing to the overall emissions reduction from our operations.

Nuclear Volume (MWh)	Solar Volume (MWh)
<b>1,520,000</b>	<b>500,000</b>



# ... AND FIRMLY SET TO FURTHER IMPROVE ITS CO<sub>2</sub> FOOTPRINT IN FUTURE

EMSTEEL has joined the UAE Climate-Responsible Companies Pledge, an initiative by the Ministry of Climate Change and the Environment, which aims to drive the engagement of the private sector in advancing national decarbonization efforts to support the UAE Net Zero 2050 Strategic Initiative.

In 2022, our CEO signed the pledge which forms the basis of future collaboration between the private sector, NGOs and international organizations, in association with strategic partner, the World Wildlife Fund (WWF).



## 1<sup>st</sup> Green Steel Project in MENA region



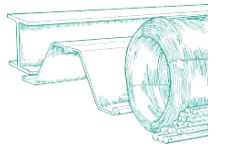
EMSTEEL has signed an MOU with TAQA, to develop a large-scale green hydrogen project enabling the first green steel produced in the MENA region. Emirates Steel and TAQA will consider utilizing green hydrogen to optimize clean steel production. The hydrogen will enable green and low carbon steel manufacturing, saving energy while creating a sustainable and clean manufacturing process.



Into Steel Making Process



To Produce Green Steel



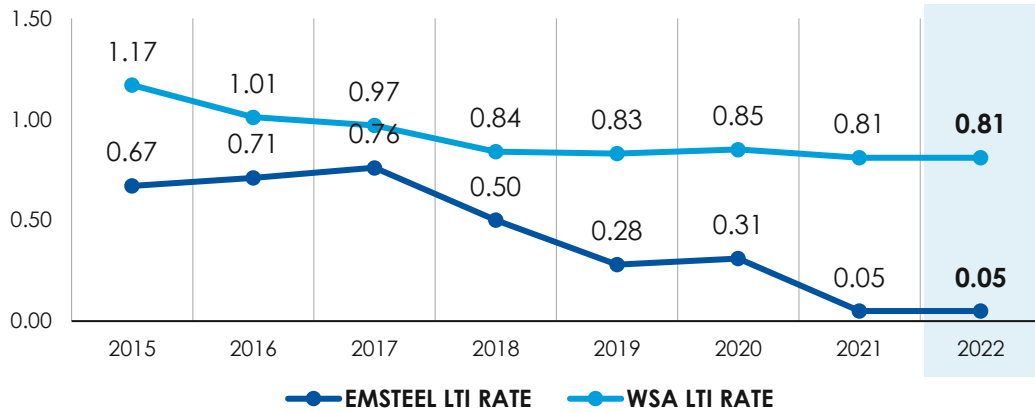
In 2022, EMSTEEL appointed ENGIE Impact. It is a global advisory firm dedicated to accelerating the sustainability transformation of companies.

Successful completion of ENGIE's project, followed by setup of precise framework of the Group's low-carbon vision, will allow **EMSTEEL to publish in 2023 a detailed decarbonization roadmap for the next 10-15 years.**



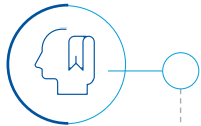
# FOCUS ON PEOPLE – THE BEDROCK OF EMSTEEL

World Steel Association Avg vs. EMSTEEL LTI Rate



EMSTEEL believes that health and safety of employees is one of the key indicators of a successful and balanced ESG program.

In **2022 Lost Time Injury Rate** remained at a **record level of 0.05**, significantly lower than **World Steel Association average of 0.81**.



We also cooperate with renowned educational institutions such as **Khalifa University, Abu Dhabi University, ACTVET**, for scholarship, R&D, Internships, etc.



EMSTEEL offers **training and coaching programs** such as Future Leaders and Masar.



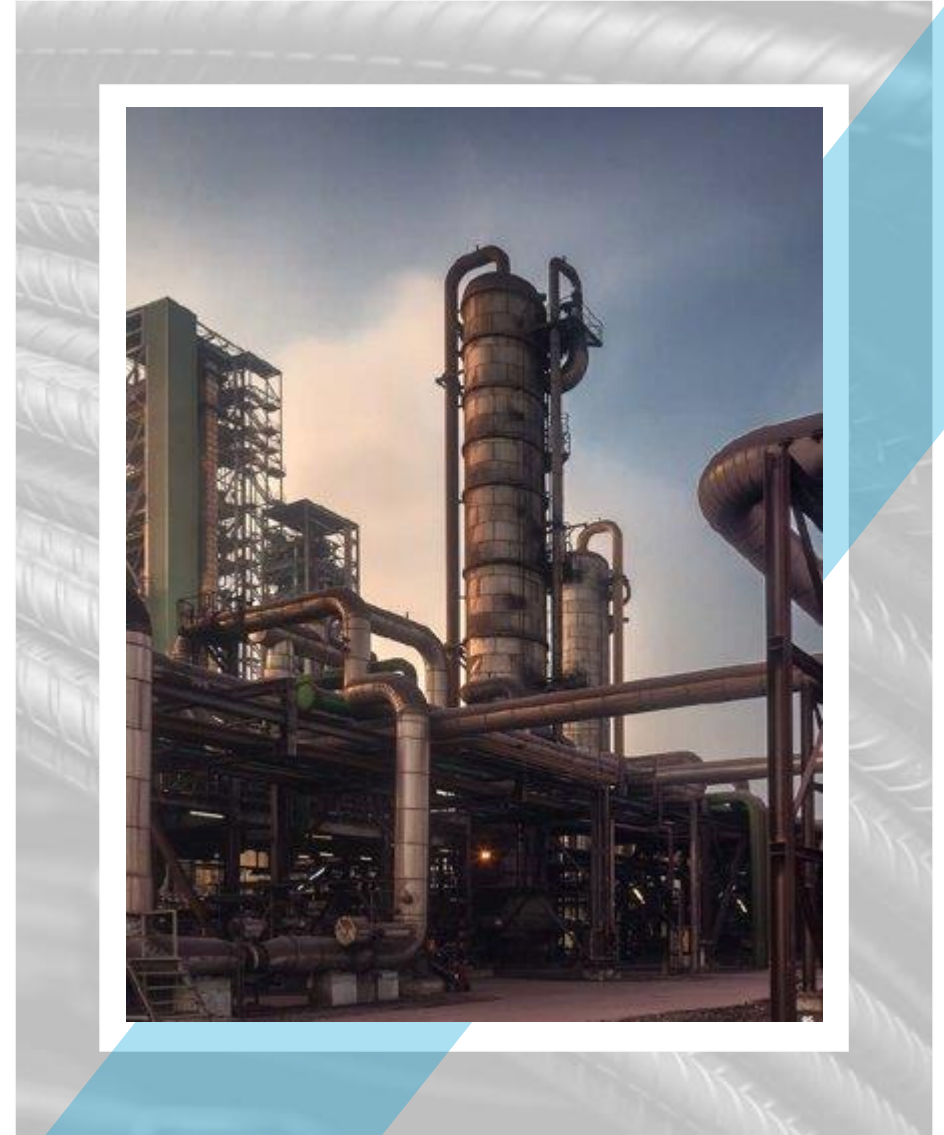
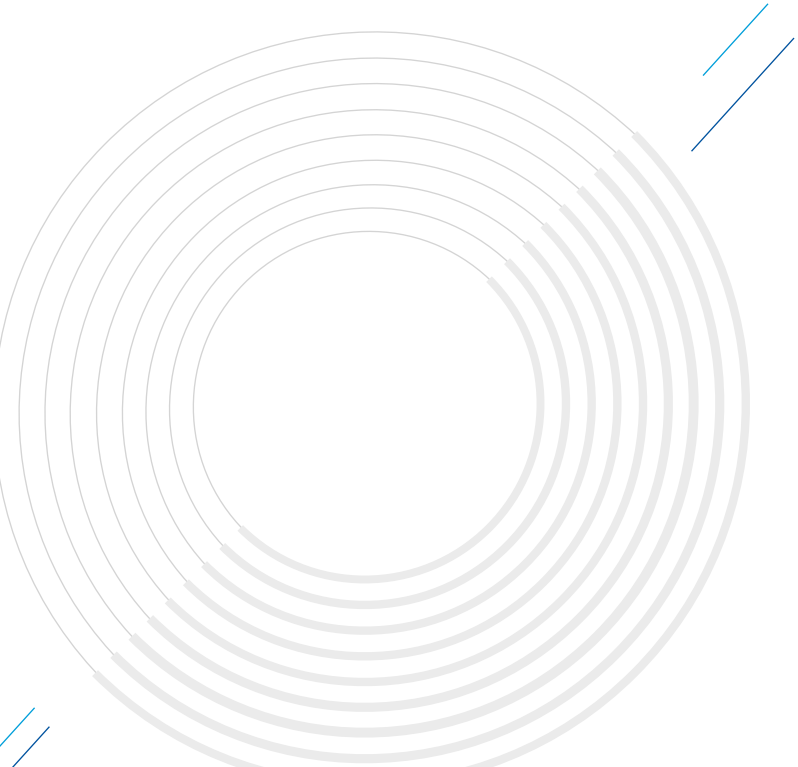
We established **Emirates Steel Youth Council and Women's Empowerment Committee**.



We have launched **Career Aspiration Program (CAP)** to attract Emirati fresh graduates and prepare them to join the steel industry's workforce.

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# GROWTH STRATEGY



# EMSTEEL STRATEGY: VISION AND VALUE PILLARS

## Vision:

- To be the region's steel and building materials champion
  - To deliver value to our shareholders
- To invest in innovation enhancing customers possibilities
- To lead from the front towards a sustainable and circular economy

Maximize  
Current Business  
Value

Diversify  
product  
portfolio

Integrated Iron  
ore Value  
Chain

Develop and leverage Green Steel footprint





# STRATEGY: MAXIMIZE CURRENT BUSINESS VALUE

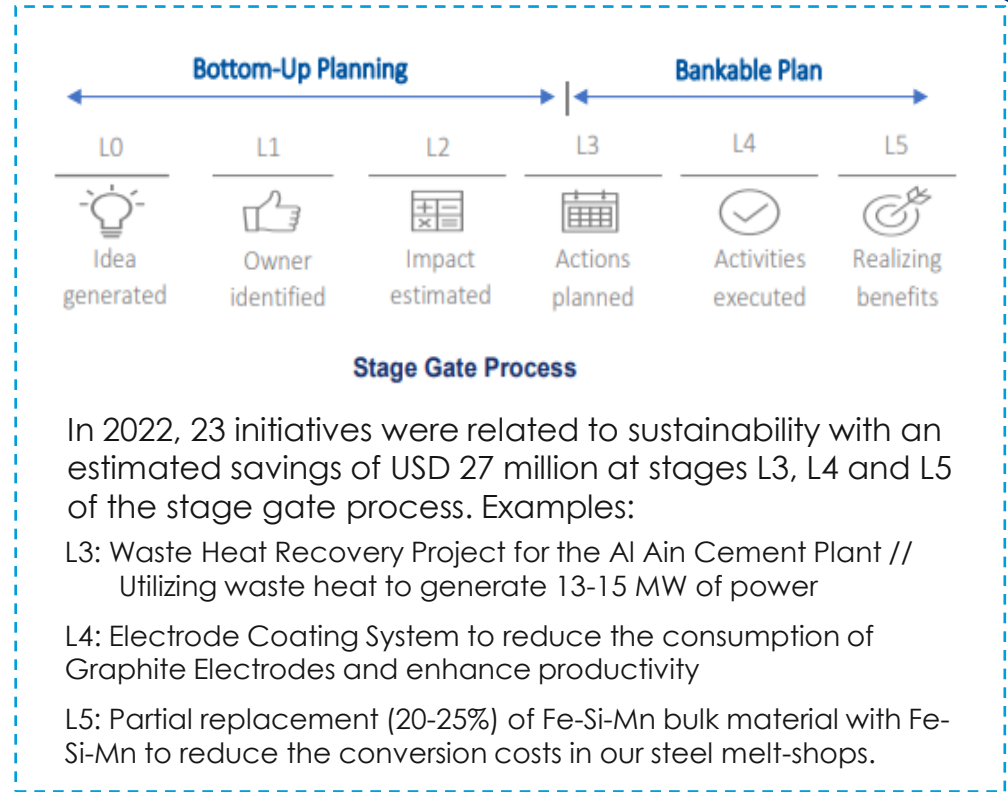


Vivid example of this Value Pillar is the Namaa' project:

- Namaa' project is part of business transformation process which consolidates all of company's business improvement ideas (operational and commercial) into one platform that can be controlled and monitored.
- This initiative, which is driven by suggestions and proposals from workforce, is adding real value to business, creating clearly documented and monitored links between the concerned departments to ultimately deliver commercial benefits.
- The objective of this project is to increase EMSTEEL's competitiveness by delivering a sustainable USD 200 million annual EBITDA uplift for the Emirates Steel and USD 25 million for the Building Materials Businesses; targets which will be delivered by transforming key business processes to enhance sustainability. The stage gate process followed is defined below:

**2022 EBITDA**  
**AED 1.2bn**  
**+51% YoY**

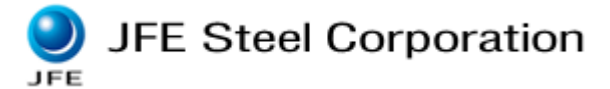
## Case study: Namaa' Sustainability projects in 2022



“Namaa” cost reduction and transformation program, launched in 2021, contributed around AED 400 million to the Group’s EBITDA in FY 2022

# STRATEGY: INTEGRATED IRON ORE VALUE CHAIN

EMSTEEL has partnered with **ITOCHU** and **JFE Steel** to carry out **feasibility studies** to consider the **construction of a ferrous raw material production facility** in Abu Dhabi.



TYO : 8001	Subsidiary of JFE Holdings, Inc. – TYO: 5411
One of the largest Japanese corporations engaged in trading, textiles, machinery, metals & mining, etc.	Leading steel manufacturer in Japan, producing wide range of steel products including sheets, pipes, tubes & bars, etc.
Employees: ~100k (incl. subsidiaries)	Employees: ~46k

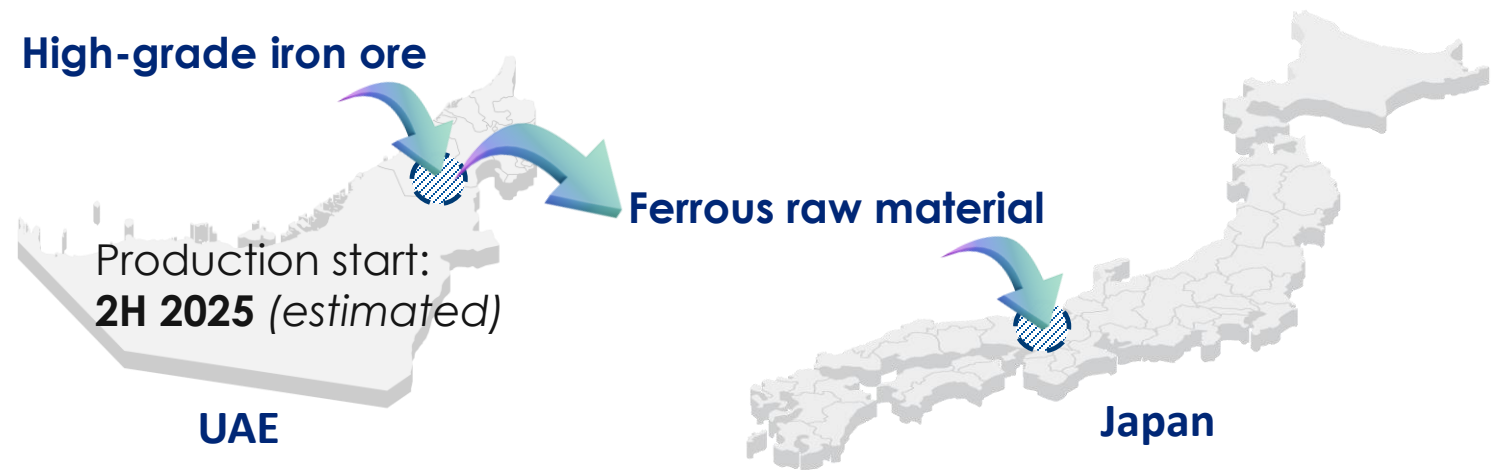
## Envisioned split of mandates

**ITOCHU:** sourcing high-grade iron ore through established trading network

**EMSTEEL:** production of ferrous raw material, capitalizing on vast DRI and CCUS experience  
(potential future transition from gas to hydrogen)

**JFE Steel:** conversion of the ferrous raw material into steel in Japan

## High-grade iron ore



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# BOARD AND EXECUTIVE COMMITTEE



# BOARD OF DIRECTORS



Hamad Abdulla  
Mohamed  
AlShorafa Alhammadi

CHAIRMAN

- Alhammadi brings a wealth of expertise in the energy, utilities, and industrial sectors to the Group.
- At ADQ, he manages a \$70bn portfolio, including flagship companies such as TAQA and ENEC.
- Prior to this, Alhammadi managed a \$220bn portfolio of more than 90 companies at Mubadala.



Jamal  
Salem Al  
Dhaheeri

VICE CHAIRMAN

- Al Dhaheeri has more than 25 years of experience in management positions across key economic sectors.
- He currently sits as the CEO of Abu Dhabi Airports.



Eng. Saeed  
Ghumran  
Alremeithi

BOARD MEMBER  
GROUP CEO

- Alremeithi has extensive experience spanning over 20 years in the steel manufacturing sector.
- He has been instrumental in growing EMSTEEL's manufacturing capability & product range, expanding exports to 60+ global markets.
- Alremeithi started his career at SENAAT before joining Emirates Steel in 2002.



Nabeel  
Qadir

BOARD MEMBER

- Qadir is a seasoned investment professional with 19 years of buy-side and sell-side experience in portfolio management,
- He has further been involved in M&A and equity research across North America, Europe, MENA & Asia.



Abdulaziz  
Abdulla Ismail  
Mohamed Alhajri

BOARD MEMBER

- Alhajri has over 33 years of experience with ADNOC and its group of companies.
- Alhajri also currently serves as a board member at ADNOC Distribution, Adnoc Refining and Borouge.



Fatima Abdulla  
Mohamed Sharif  
Abdulla Alfahim

BOARD MEMBER

- Alfahim has an extensive experience within the metals and mining sector.
- She is currently the senior vice president within the industrials team at the Mubadala Investment Company.



Farah Abdulla  
Mohamed Ali  
Almazrui

BOARD MEMBER

- Almazrui is currently the Head of Investments for Aliph Capital, where she is focused on helping traditional businesses transition to a tech enabled future.
- She has over a decade of experience in the asset management industry at several leading investment institutions.



# EXECUTIVE COMMITTEE



Eng. Saeed  
Ghumran  
Alremeithi

GROUP CEO

- Alremeithi has a vast experience spanning over 20 years in the steel manufacturing sector.
- He has been instrumental in growing EMSTEEL's manufacturing capability and product range and expanding its exports to 50+ global markets.
- Alremeithi started his career at SENAAT before joining Emirates Steel in 2002.



Stephen  
J Pope

CHIEF FINANCIAL  
OFFICER

- Pope brings a wealth of experience spanning 37 years in the professional services and industrial sectors.
- Prior to joining Emirates Steel, he was a partner at KPMG's Abu Dhabi office, managing audit and corporate finance engagements for clients in the industrial, oil and gas and financial services sectors.



Jasem  
Mohamed Al  
Khateri

CHIEF HUMAN  
CAPITAL  
OFFICER

- Al Khateri brings 21 years of professional experience to his role and holds notable expertise in strategic planning management.
- Prior to joining Emirates Steel, he served as Director of Human Resources at the Department of Economic Development in Abu Dhabi.



Eng. Hassan Salim  
Shashaa

CHIEF STRATEGY &  
TRANSFORMATION  
OFFICER

- Shashaa brings 40 years in the heavy industry sector experience and holds proven expertise in leading production related functions.
- He is an expert in building teams to achieve set targets and ensure sustainability.



Eng. Saeed  
Khalfan Al  
Ghafri

CHIEF  
COMMERCIAL  
OFFICER

- Al Ghafri brings to his role more than 17 years of industry and executive managerial experience.
- Prior to this, Al Ghafri was Chief Supply Chain & Planning Officer where he was responsible for managing the company's procurement, logistics and warehouse management.



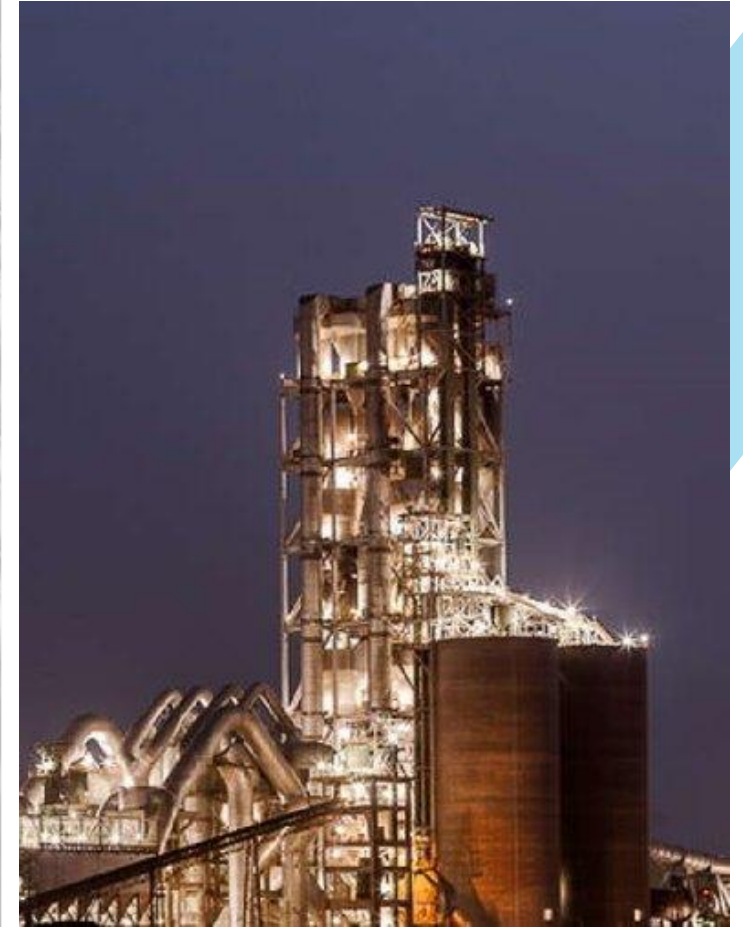
Eng. Medhat  
Hashem

ACTING CHIEF  
OPERATING  
OFFICER

- Hashem brings to his role a wealth of experience spanning 25 years in steel industry and holds proven expertise in production and operations.
- Prior to joining Emirates Steel, he worked for 10 years at Al-Ezz Steel Rebar Company in Egypt.

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# FINANCIAL AND OPERATIONAL RESULTS FY22



# OVERVIEW OF FY 2022 RESULTS

**Revenue**  
AED **9.5bn**  
**+10%** YoY

The growth of Group's Revenue was supported by efforts to diversify sources of income, driven by an expansion of Company's international footprint to 70 countries from 56 in 2021, a 25% increase

**EBITDA**  
AED **1.2bn**  
**+51%** YoY

"Namac" cost reduction and transformation program, launched in 2021, contributed some AED 400 million to the Group's EBITDA in FY22

**Net Profit**  
AED **508m**  
**vs AED 637m**  
**FY21 Net Loss**

In 2022 significant turnaround in profitability was driven by:

- Higher steel, cement and clinker selling prices;
- A tighter control on costs and enhancements in operational efficiencies;
- Low comparison base due to impairment loss of AED 750m in FY 2021

**Net Debt**  
AED **1.1bn**  
**-52%** YoY

Increased profitability and strict working capital control allowed a significant Net Debt reduction

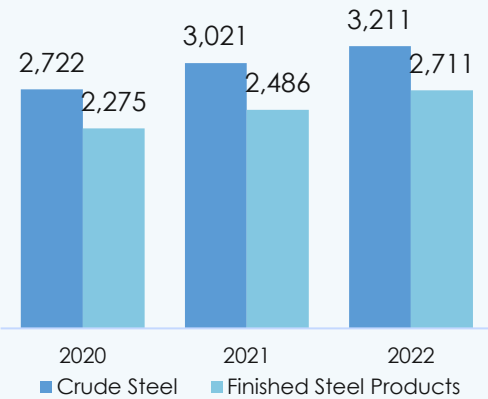
**LTIFR**  
**0.05, unchanged** YoY  
vs. WSA\* average of 0.81

\*WSA = World Steel Association

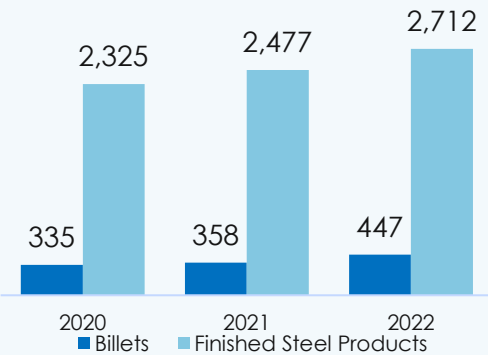
# FY 2022 OPERATIONAL & FINANCIAL RESULTS

## STEEL

Production, kt

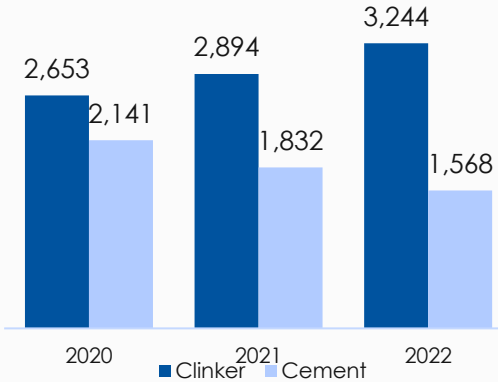


Sales, kt

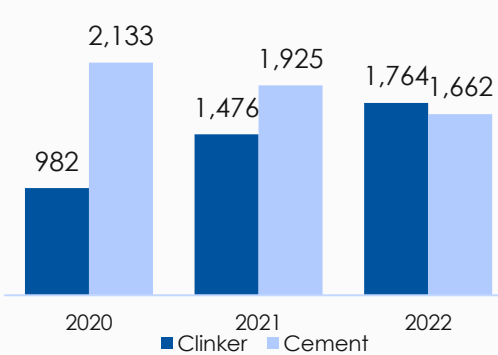


## CEMENT & CLINKER

Production, kt

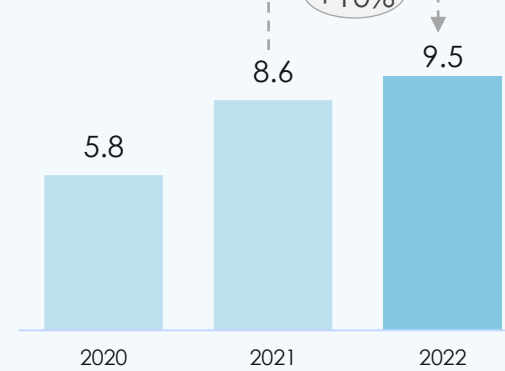


Sales, kt

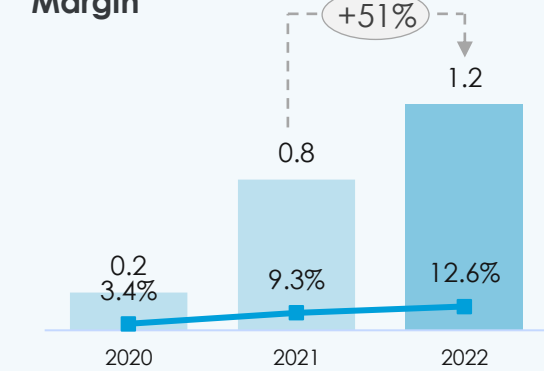


## FINANCIAL RESULTS

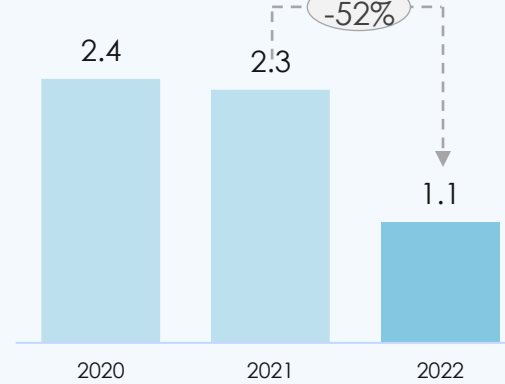
Revenue, AED bn



EBITDA (AED mn) & EBITDA Margin



Net Debt, AED bn



**Net Debt/  
EBITDA  
FY2022  
0.9**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets, AED mn	2022	2021
<b>Non-current assets</b>		
PPE	6,904	7,239
Goodwill	-	14
Right-of-use assets	381	451
Other non-current assets	107	99
<b>Total non-current assets</b>	<b>7,392</b>	<b>7,802</b>
<b>Current assets</b>		
Inventories	2,067	2,289
Trade and other receivables	1,656	1,637
Amounts due from related parties	-	0
Cash and cash equivalents	357	336
<b>Total current assets</b>	<b>4,080</b>	<b>4,261</b>
<b>Total assets</b>	<b>11,471</b>	<b>12,064</b>

Equity and Liabilities, AED mn	2022	2021
<b>Net equity</b>	<b>7,728</b>	<b>7,179</b>
<b>Non-current liabilities</b>		
Lease liabilities	461	480
Provision for employees' end of service benefits	189	217
Bank borrowings	135	270
<b>Total non-current liabilities</b>	<b>785</b>	<b>967</b>
<b>Current liabilities</b>		
Bank borrowings	1,316	2,354
Trade and other payables	1,610	1,515
Loan from a related party	18	18
Lease liabilities	14	31
<b>Total current liabilities</b>	<b>2,958</b>	<b>3,918</b>
<b>Total liabilities</b>	<b>3,743</b>	<b>4,885</b>
<b>Total equity and liabilities</b>	<b>11,471</b>	<b>12,064</b>



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AED mn	2022	2021
<b>Revenue</b>	<b>9,453</b>	<b>3,022</b>
Cost of sales	(8,483)	(2,745)
<b>Gross profit</b>	<b>969</b>	<b>277</b>
Selling and distribution expenses	(53)	(51)
General and administrative expenses	(358)	(163)
Other income	28	8
Share of profit/(loss) of associates	8	(23)
Impairment of losses on non-financial assets (net)	0	(750)
Finance income	5	0
Finance cost	(90)	(42)
<b>Profit/(loss) for the year</b>	<b>510</b>	<b>(745)</b>
Basic and diluted profit/(loss) per share (AED)	0.074	(0,245)

# CONSOLIDATED STATEMENT OF CASH FLOWS

AED mn	2022	2021
Cash flows from operating activities		
Operating cash flows before movements in working capital	1,179	316
Net movements in working capital	303	513
Cash generated from operations	1,482	829
Employees' end of service benefit paid	(12)	(6)
Net cash generated from operating activities	1,470	823
Net cash used in investing activities	(157)	(67)
Net cash used in financing activities	(1,292)	(752)
<b>Net increase in cash and cash equivalents</b>	<b>21</b>	<b>4</b>

حديد الإمارات أركان  
emirates steel arkan

# APPENDIX



# MERGER RECAP

In October 2021, Emirates Steel and Arkan merged to create the UAE's largest listed steel and building materials group with potential for growth internationally.

The Group leverages cutting-edge rolling mill technologies to supply the domestic and international markets with high quality finished steel products including wire rods, rebars, heavy sections and sheet piles.

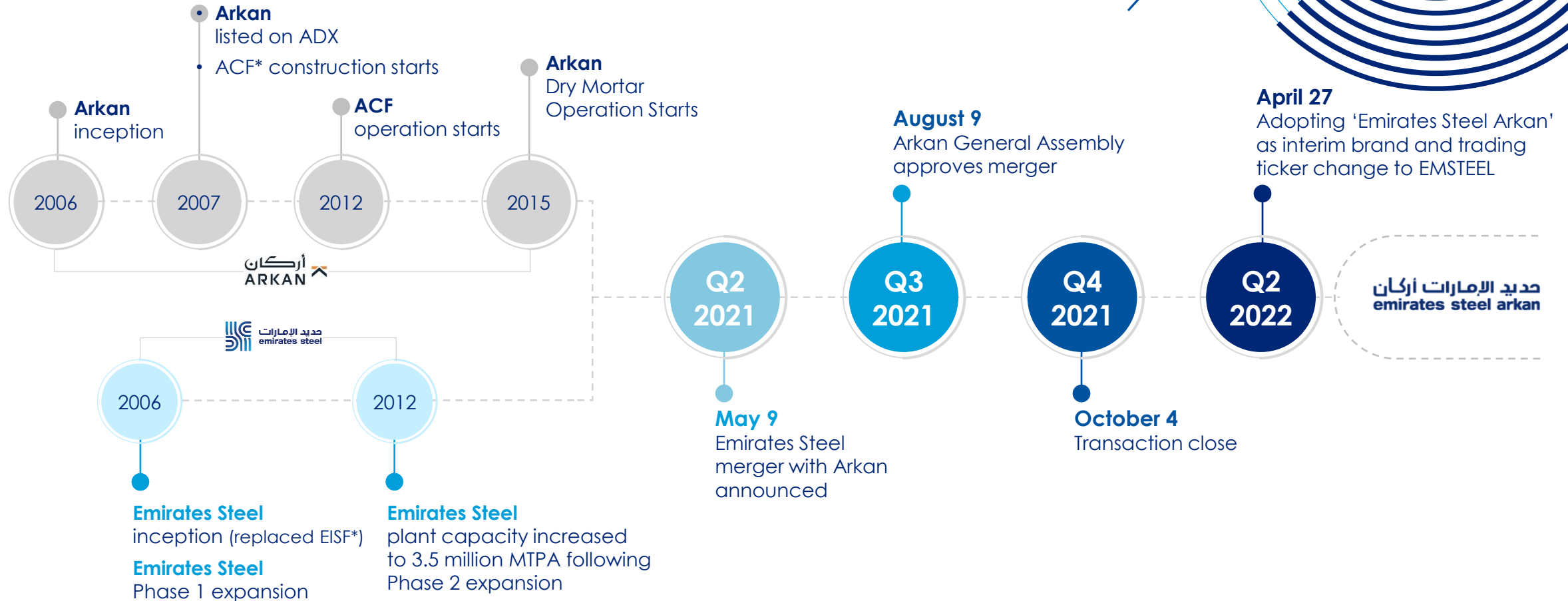
Additionally, the Group produces premium cement, blocks, pipes, and dry mortar, creating a one-stop shop for the manufacturing and construction sectors.

**TODAY, THE REVENUE SPLIT OF THE GROUP IS  
90% STEEL AND 10% BUILDING MATERIALS.**





# MERGER RECAP: KEY MILESTONES



From the time of the announcement of the merger to its completion, shares of ESA increased 75% to AED 1.4 from AED 0.8.

\*EISF = Emirates Iron & Steel Factory  
\*ACF = Al Ain Cement Factory



# SOME OF THE PROJECTS WE ARE PROUD OF



Burj Khalifa



Sheikh Zayed Bridge



Dubai Metro



Khalifa Port



Suez Canal



Fulham Football Ground



Louvre Abu Dhabi



Yas Island



Emirates Palace



Ferrari World



AD International Airport



Guggenheim Museum



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THANK YOU



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