

Egypt Kuwait Holding Co. Releases 1H 2023 Earnings Results

EKH closed the first half of 2023 with revenues of USD 387.0 million, EBITDA of USD 170.6 million, and attributable net income of USD 100.5 million. Profitability levels remained strong with a gross profit margin of 45%, an EBITDA margin of 44%, and a net income margin of 31%. Sprea and Natenergy outperform expectations, while AlexFert returned to normalized levels of revenues and profitability as urea prices reverted to historical averages.

14 August 2023 | Cairo | Egypt Kuwait Holding Company (EKHO.CA and EKHOA.CA on the Egyptian Exchange and EKH.KW on Boursa Kuwait), one of the MENA region's leading investment companies, reported today its consolidated results for the period ended 30 June 2023.

EKH ended the first half of 2023 with revenues of USD 387.0 million. Sprea and NatEnergy both outperformed expectations and reported year-on-year revenue increases of 49.5% and 38.5%, in EGP terms respectively. However, the decrease in urea prices, which reverted to normalized levels from the exceptionally high level that exceeded USD 1,000 per ton in 2Q22 to a trough of USD 287 per ton during 2Q23, along with the EGP devaluation impacted the Group's top-line. Improved profitability at both Sprea and NatEnergy provided a buffer against the impact of the drop in Urea prices at the Group level, and EKH closed the quarter with bottom-line at USD 120.9 million. Attributable net income ended the quarter at USD 100.5 million, down by 30% y-o-y.

During 2Q23 EKH's revenues stood at USD 162.2 million. Meanwhile, profitability margins also remained strong with gross profit margin standing at 42% and EBITDA margin recording 43% during the quarter. EKH's net income stood at USD 49.8 million in 2Q23, and attributable net income ended the quarter at USD 40.0 million.

Commenting on the Group's performance, EKH Chairman Mr. Loay Jassim Al-Kharafi said: "I am pleased with EKH's continued resilience in the face of a difficult and uncertain macroeconomic environment. EKH continues to leverage a solid investments portfolio with promising growth prospects, strong balance sheets and experienced management teams, enabling the Group to continue performing and delivering sustainable returns to investors. We are continuing to push forward with our growth and expansion strategy, targeting investment opportunities with strong cash flow generation potential, USD denominated income flows, and sustainable levels of profitability. As I look towards the future, I remain confident that EKH is well positioned to reap the rewards of the various investments and expansions being implemented across our portfolio companies."

"I would like to extend my sincerest gratitude to our c. 6,500 employees, who continue to be the backbone of our Group. Furthermore, our continued success would not have been possible without the efforts of our forward-thinking executive management, and the guidance of our highly experienced Board of Directors."

EKH's Chief Executive Officer Mr. Sherif El-Zayat further added: "I am proud of the results achieved by our portfolio companies during the first half of 2023. Despite the macroeconomic challenges faced during the six-month period, EKH succeeded in maintaining superior levels of profitability, delivering a group-wide gross profit margin of 45%, an EBITDA margin of 44%, and a net income margin of 31%."

"During the first half of the year, Sprea and NatEnergy both outperformed expectations, recording year-on-year top-line increases of 49.5% and 38.5%, respectively, in EGP terms. Despite the 64% devaluation of the EGP against the USD that occurred between 1H22 and 1H23 dampened revenue growth, the two companies' bottom-line figures grew strongly, with Sprea and Natenergy's net income increasing by 154% y-o-y and 57% y-o-y, respectively, in EGP terms; which, when converted to USD, translates to 40% y-o-y increase at Sprea and only a 11% y-o-y drop at NatEnergy. On that note, I would like to extend my sincerest compliments to the two companies' management teams for the exceptional results achieved despite the challenging operating environment."

"At AlexFert, global urea prices dropped from an all-time high that exceeded USD 1,000 recorded during 1H22 to a trough of USD 287 per ton during 1Q23. This price reversion inevitably impacted the subsidiary's revenues, which dropped to levels that are more in line with historical averages, affecting the Group's consolidated top-line. Moreover, during the first half of 2023, AlexFert's bi-annual overhaul, which involved shutting down the factory's operations for 23 days, took place, further impacting the company, as well as the Group's top-line. Fortunately, during 3Q23 the prices of urea have recovered significantly from the levels recorded during 2Q23, and are now hovering around USD 450 per ton, up c.60% from the lows witnessed during the the reported quarter and first half year for 2023."

"At the beginning of 2023, we announced that we would be investing USD 170 million over the course of the year. This amount is earmarked to financing Sprea's expansion plans; the drilling of 2 wells, Aton 1 and KSE 2 at ONS; the addition of 20 MW in power generation capacity at Kahraba; finalizing the capex of Nile Wood's MDF production line; and the acquisition of minority stakes, namely, increasing our direct

and indirect stake in AlexFert to reach 69.4%. During the first six months of 2023, we have successfully invested USD 100 million, and we plan to deploy the remaining 70 million throughout the second half of the year.”

“Looking ahead, I remain optimistic about our ability to navigate the current uncertain operating environment. The management teams across our portfolio subsidiaries are working relentlessly to grow and expand their companies, enhance operational efficiency, and identify growth opportunities. In parallel, we remain on the lookout for value-accretive investment opportunities across Egypt, the Middle East, and Africa that would allow us to build on the knowledge base and expertise of our management teams, expand our investment portfolio, and continue generating added value for our investors.”

EKH’s standalone and consolidated financial statements for the period ended 30 June 2023 are available for download at ir.ekholding.com

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About EK Holding

Egypt Kuwait Holding Company (EKHO.CA and EKHOA.CA on the Egyptian Exchange and EKHK.KW on the Boursa Kuwait) is one of the MENA region’s leading investment companies, with a portfolio of investments that spans the region in five main sectors including fertilizers, petrochemicals, gas distribution and power generation and distribution, upstream gas production as well as insurance and non-banking financial services. Established in 1997, EKH strives to continue delivering superior returns to its shareholders on the back of a solid portfolio of integrated investments and the determination of its capable management team.

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STOCK SYMBOL

Reuters

EKHO.CA, EKHOA.CA, EKHK.KW

Bloomberg

EKHO.EY, EKHOA.EY,

EKHOLDIN.KK

CAPITAL

Issued and Paid-In Capital: USD 281.7mn

Number of Shares: 1,126 million shares

Par Value: USD 0.25 per share

Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Egypt Kuwait Holding Company (EKH). Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of EKH may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of EKH is subject to risks and uncertainties.