



EZZ STEEL REPORTS CONSOLIDATED 1Q24 RESULTS

Cairo, 9 July 2024 - Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 March 2024. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Paste the following link into your web browser to download a PDF of the full financial statements related to this announcement:

http://www.rns-pdf.londonstockexchange.com/rns/7252V_1-2024-7-9.pdf

Key Highlights

EGPM^h

| | <u>1Q24</u> | <u>1Q23</u> |
|------------------------------------|--------------------|--------------------|
| Net sales | 50,165 | 27,849 |
| Gross profit | 8,053 | 8,113 |
| EBITDA* | 5,090 | 7,490 |
| Net profit before tax** | 3,163 | (2,635) |
| Net profit | 1,262 | (2,489) |
| Earnings per share (EPS)*** | 1.71 | (3.12) |

* EBITDA = sales - cost of goods sold - selling & marketing expense - G&A expense + depreciation and amortization

** After allowing for an FX loss of EGP 254.7 mn.

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the fiscal year ending 31 March 2024.

For further information:

Ezz Steel

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Comment

Commenting on the results, the board issued the following notes to the shareholders:

- Sales revenue reached EGP 50,165 million (equivalent to \$1,001 million) in 1Q24, up from EGP 27,849 million (equivalent to \$865 million) in 1Q23. This is an increase of 15.7% in USD terms (steel products are among key commodities the prices of which are dollar-based internationally). Reinforcing steel and HRC accounted for 67% and 31% of total sales respectively in 1Q24. Sales volumes increased from 1,199 thousand tonnes in 1Q23 to 1,466 thousand tonnes in 1Q24 (22%). Reinforcing steel volume reached 926 thousand tonnes (63%) while HRC volume has been 540 thousand tonnes (37%).
- Ezz Steel's exports reached \$410 million in 1Q24. HRC exports amounted to \$274 million (66.8% of the total), and reinforcing steel amounted to \$136 million (33.2%), compared to \$285 million in 1Q23, of which HRC amounted to \$191 million and reinforcing steel \$94 million.
- In 1Q24, 411 thousand tonnes of HRC were exported, representing 76% of total HRC sales. This is compared to 285

... thousand tonnes of HRC were exported, representing 53% of total HRC sales. This is compared to 2023 thousand tonnes in 1Q23 (53% of HRC sales). As for reinforcing steel, exports reached 231 thousand tonnes representing 25% of its sales, compared to 147 thousand tonnes in 1Q23 (22%).

- The company's domestic sales of reinforcing steel went up from 517 thousand tonnes in 1Q23 to 692 thousand tonnes in 1Q24 (34%). Domestic sales of HRC decreased by 49% from 251 thousand tonnes in 1Q23 to 128 thousand tonnes in 1Q24 as the company concentrated on exports.
- Forex losses reached EGP 255 million in 1Q24. This represents the effect of change in forex rates to the EGP on the net foreign liability. By way of background, Ezz Steel was the only listed company which accounted for the de-facto devaluation of the EGP throughout 2023; this contained the forex losses in 1Q24. Going forward after EGP floatation, and unifying the range of forex rates, it is expected that forex gains/losses would reflect real change in foreign currency rates in the banking sector.
- The Central Bank of Egypt (CBE) increased the lending rate on 1 February 2024 by 2%, and on 6 March 2024 by 6% to reach 28.25%. Interest expense increased to EGP 2,107 million in 1Q24 (up 75%), compared to EGP 1,203 million in 1Q23. Such high level of interest rate is expected to be temporary to contain inflation and is expected to decrease gradually.
- Net profit after tax reached EGP 1,262 million in 1Q24, compared to a net loss of EGP 2,489 million in 1Q23.
- Egypt's consumption of reinforcing steel has been in a downward trend since 2016 in which the country's consumption reached 8.6 million tonnes. Although there has been a relative increase in the consumption of 1Q24 over 1Q23 by 8% to 1,550 thousand tons (from 1,429 thousand tons), according to the Ministry of Supply & Internal Trading, this comes from a low base. In absolute, the consumption in 1Q24 is still considered low.
- The production of reinforcing steel in Egypt moved in a different direction; it increased by 24% to 2.1 million tons in 1Q24, compared to 1.7 million tons in 1Q23. Robust growth of production is attributed to elevated exports: from 336 thousand in 1Q23 to 400 thousand in 1Q24 (19%). Manufacturers used export proceeds to secure the foreign currency required to import raw materials.
- HRC domestic consumption also dropped by 23% from 396 thousand tons in 1Q23 to 306 thousand tons in 1Q24. The devaluation of the EGP and the critical shortage of foreign currency adversely impacted economic growth, and the rising costs diminished consumers' purchasing power.
- In line with reinforcing steel, HRC, production increased by 1% in 1Q24 as its exports increased by 44% from 285 thousand tons in 1Q23 to 411 thousand tons in 1Q24.
- In the medium term, the successful flotation of the Egyptian pound on March 6, 2024, the new economic measures adopted, and the implementation of the new building legislations are still expected to spur growth and increase consumption. However, on the short term, lack of liquidity and higher costs due to inflation act as a drag on demand.
- With better availability of foreign currency, towards the end of 1Q24, re-rollers started to maximise their imports of billets. Billets are rolled into reinforcing steel: this is the last manufacturing stage in reinforcing steel production, it represents about 10% only of the value added of fully integrated production. The absence of safeguard measures and/or other means of trade protection to support the Egyptian industry -similar to what is applied by most steel producing countries- is encouraging unfair competition. For example, USA applies 25% safeguard tariff on billets. Key producing countries like Turkey impose 17% tariffs on billet imports, Saudi Arabia 12%, Algeria 11%, whereas Vietnam and South Africa impose 10% each as a standard customduty. In Egypt the customduty is zero.
- HRC imports also increased from 145 thousand tons in 1Q23 to 175 thousand tons in Q1 2024, a 21% rise, facilitated by low entry barriers. Egypt still lacks measures or trade actions to curb the unfair practices associated with imported HRC. In the European Union (EU) -27 countries- a duty of 25% is imposed once a preset quota is reached. The USA imposes antidumping as well as safeguard tariffs amounting together to 66% (41% antidumping on particular countries and 25% safeguard). In Turkey, which is one of the key exporting countries of HRC, the import tariff is 15%, in addition to 9% antidumping on particular countries. In Brazil, the standard custom duty is 25%, while in Saudi Arabia, Algeria, Malaysia, India and Indonesia the duty is 10%. In Egypt however, the customduty on HRC is only 5%.
- The global steel sector maintained crude steel production at 469 million tons in 1Q24, matching the output of 1Q23. This stability was bolstered by a notable 10% increase in India's production to 37 million tons, largely driven by government-funded initiatives. In China, crude steel production decreased from 261 million tons in 1Q23 to 257 million tons in 1Q24. The industry also encountered challenges in Europe and the United States as rising inflation and high interest rates negatively affected demand.

About Ezz Steel

Ezz Steel is the largest steel producer in the Arab World and North Africa according to the World Top Steel Makers for 2023 published by World Steel Association (WSA). The Company is the Egyptian market leader with a total capacity of 7 million tonnes of finished steel products per annum. Ezz Steel was established on 2/4/1994 as an Egyptian joint stock company in accordance with the provisions of Law No. 159 for the year 1981.

In 2023, the Company produced 3.52 million tonnes of long products (typically used in construction) and 2.33 million tonnes of flat products (typically used in engineering industries, automotive, steel pipes and consumer products). Ezz Steel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

The below financial breakdowns are based on Ezz Steel's consolidated financials.

Sales

Consolidated net sales for 1Q24 were EGP 50.16 billion compared to EGP 27.85 billion in 1Q23, representing a 80% increase.

Long steel products accounted for EGP 33.77 billion, or 67% of sales in 1Q24, while flat steel products represented 31% of sales at EGP 15.75 billion. Long steel product exports accounted for 17% of its sales, while flat product exports accounted for 66% of its sales.

| Sales Value | | | | |
|--------------------|-----------------|----------|---------------|----------|
| EGPMn | Domestic | % | Export | % |
| Long | 28,158 | 83% | 5,610 | 17% |
| Flat | 5,311 | 34% | 10,442 | 66% |

Long sales volume increased 40% to reach 926 thousand tonnes during 1Q24 compared to 663 thousand tonnes during 1Q23. Flat sales volume increased 1% to reach 540 thousand tonnes compared to 536 thousand tonnes during 1Q23.

Ezz Steel's consolidated sales volumes totalled 1.47 thousand tonnes in 1Q24 compared to 1.20 thousand tonnes in FY22, an increase of 23%.

Production

Long steel production volumes totalled 1.03 million tonnes during 1Q24, 44% increase compared to 716 thousand tonnes during 1Q23. Flat steel production volumes didn't change as it reached 567 thousand tonnes in 1Q24 compared to 566 thousand tonnes in 1Q23.

Cost of Goods Sold

Consolidated Cost of Goods Sold in 1Q24 represented 84% of sales compared to 71% in 1Q23, to reflect a decrease of realized gross profit margin from 29% in 1Q23 to 16% in 1Q24.

Gross profit

Gross profit reached EGP 8.05 billion in 1Q24, compared to the EGP 8.11 billion in 1Q23.

EBITDA

Consolidated EBITDA for 1Q24 amounted to EGP 5.1 billion, a 32% decrease compared to the EGP 7.5 billion in 1Q23.

Foreign Exchange Loss

Foreign exchange loss amounted to EGP 255 million in 1Q24.

Tax

During 1Q24, Ezz Steel incurred an income tax of EGP 1,182 million and a deferred tax (liability) of EGP 720 million.

Net profit/loss before Tax

Net profit reached EGP 3,163 million 1Q24.

Net profit after Tax

Net result after tax recorded a profit of EGP 1,262 million for 1Q24.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 26.7 billion and net debt of EGP 37.2 billion.

Outlook

- Global steel demand forecast in 2024 is somewhat blurred by the outlook for China's consumption. Although the formal message is that the country's property market will undergo structural transition and will therefore positively affect China's (and the world's) consumption, so far in 2024 this has not materialized yet. Notwithstanding, WSA continues to project global steel demand in 2024 at 1.92 billion tons, a 1.9% increase over 2023.
- The EGP flotation on 6 March 2024 is undoubtedly cementing economic stability. Although there would be prudent limitations on public spending, and inflation constraints would somewhat restricting private spending, it is conservatively anticipated therefore that Egypt's steel consumption in 2024 will be at the same level of 2023: in the range of 6.5 million tonnes.
- The Egyptian steel industry is facing internal and external challenges. The heavy flow of imported material into Egypt, whether billets or HRC, comes at the expense of local manufacturing. It is only expected to exacerbate further in the absence of meaningful and effective measures to curb unfair trade. Exports, on the other hand, have to struggle with additional trade barriers, including for example a new more stringent EU quota system. This lack of reciprocity puts the Egyptian industry at a handicap. The country's steel manufacturers assemblies are coordinating with the government to reach common ground in tackling such an important and sensitive matter.

Divisional Overview

| Ezz Steel Standalone Sales (EGP): | | 1Q24 | 4Q 2023 | 1Q23 |
|--|------------|-------------|----------------|-------------|
| Value: | Mn | 11,901 | 8,296 | 4,574 |
| Volume: | 000 Tonnes | 284 | 233 | 173 |
| Exports as % of Sales: | | 7% | - | 5% |
| EBITDA: | Mn | 1,172 | 1,861 | 724 |
| Production: | | | | |
| Long Products: | 000 Tonnes | 258 | 243 | 187 |
| Billets: | 000 Tonnes | 230 | 231 | 187 |
| | | | | |
| Ezz Steel Consolidated Sales (EGP): | | 1Q24 | 4Q 2023 | 1Q23 |
| Value: | Mn | 50,165 | 39,672 | 27,849 |
| Volume: | | | | |
| Long: | 000 Tonnes | 926 | 945 | 663 |
| Flat: | 000 Tonnes | 540 | 567 | 536 |
| Exports as % of Sales: | | | | |
| Long: | | 17% | 16% | 19% |
| Flat: | | 66% | 52% | 48% |
| EBITDA: | Mn | 5,090 | 9,804 | 7,490 |
| EBT | Mn | 3,163 | 1,252 | (2,635) |
| Net Profit | Mn | 1,262 | 1,212 | (2,489) |
| Production: | | | | |
| Long Products: | 000 Tonnes | 1,032 | 1,025 | 716 |
| Flat Products: | 000 Tonnes | 567 | 601 | 566 |
| Billets: | 000 Tonnes | 1,111 | 1,104 | 745 |

Disclaimer:

This press release is issued by Ezz Steel (formerly: Al Ezz Steel Rebars S.A.E) the "Company", in connection with the disclosure of the Company's financial results for the quarter ending 31 March 2022. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial

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