



## **EZZ STEEL REPORTS CONSOLIDATED 1H24 RESULTS**

**Cairo, 10 September 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 30 June 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/ms/6256D\\_1-2024-9-10.pdf](http://www.rns-pdf.londonstockexchange.com/ms/6256D_1-2024-9-10.pdf)

### **Key Highlights** EGP Mn

	<u>1H24</u>	<u>1H23</u>
<b>Net sales</b>	<b>100,684</b>	<b>62,262</b>
<b>Gross profit</b>	<b>18,047</b>	<b>16,901</b>
<b>EBITDA*</b>	<b>11,182</b>	<b>15,216</b>
<b>Net profit before tax**</b>	<b>4,655</b>	<b>(481)</b>
<b>Net profit</b>	<b>2,276</b>	<b>(810)</b>
<b>Earnings per share (EPS)***</b>	<b>2.93</b>	<b>(1.21)</b>

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

\*\* After allowing for an FX loss of EGP 1.33 bn.

\*\*\* EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the fiscal year ending 30 June 2024.

### **Comment**

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

- Sales revenue reached EGP 100,684 million in 1H24, up from EGP 62,262 million in 1H23.
- Ezz Steel's exports reached 822 million in 1H24 where HRC exports amounted to 544 million (66.2% of the total), and reinforcing steel amounted to 278 million (33.8%). This is compared to 794 million in 1H23, of which HRC amounted to 509 million and reinforcing steel 284 million.
- Forex losses reached EGP 1.33 billion in 1H24. As of 2Q24, shortly after the EGP floatation, the forex rates in the banking sector started once again to reflect actual rates transacted in Egypt. This was preceded by a long period of considerable discrepancy between the theoretical banking rates and the actual transaction rates.
- The Central Bank of Egypt (CBE) increased the lending rate twice in 1Q24 to reach 28.25%. Interest expense increased to EGP 5,795 million in 1H24 (up 121%), compared to EGP 2,617 million in 1H23.
- Egypt's consumption of reinforcing steel in 1H24, according to data from the Ministry of Supply & Internal Trading, began to improve - particularly following the flotation of the Egyptian pound on 6 March 2024. This policy shift enhanced dollar availability, and spurred increased construction activity resulting in a 9% rise in market consumption compared to 1H23, with consumption reaching 3,059 million tons. It is noted however, that this remains considerably lower than the consumption level that prevailed 8 years ago in 2016 which reached 8.6 million tonnes.
- In 1H24, HRC domestic consumption declined by 12% year-on-year from 668 thousand tonnes to 589 thousand tonnes, primarily due to a slowdown in infrastructure projects. Considering the lag between HRC and reinforcing steel domestic consumption trend, it is expected that HRC consumption would gradually pick up.

- Egypt reinforcing steel exports in 1H24 fell by 13% vs. 1H23 driven by declining export prices.
- As previously anticipated imports of billets to Egypt surged to 382 thousand tonnes in 1H24 (of which 70% were in 2Q24 after the EGP floatation) compared to 70 thousand tonnes in 1H23 (a significant increase of 446%). This circumvents measures taken against dumped reinforcing steel, replacing them with imported billets, hence unfairly gaining market share (given that rerolling of billets into reinforcing steel represents only about 10% of the value added of fully integrated production).
- HRC imports in 1H24, surged by 31%, vs. same period in 2023, from 254 thousand tonnes to 333 thousand tonnes, with imports market share increasing by 19%, hence posing a serious threat to local producers. This is driven by the absence of meaningful and effective measures to curb unfair trade on HRC products. As with billet imports, this situation highlights the urgent need for government intervention to protect the HRC sector in Egypt.
- In the first half of 2024, global crude steel production declined in major economies such as China, the United States, Russia, and Japan, largely due to economic challenges and weaker domestic demand. China's production decline is primarily due to the ongoing downturn in its real estate sector. However, strong growth in countries like India (7.4%), Turkey (17%), Iran (6%), and Brazil (2%) helped stabilize global output at 955 million tons, in 1H24 same level as 1H23 according to the World Steel Association (WSA).
- On August 8<sup>th</sup>, 2024 (after the date of the financial period) the European Commission initiated an anti-dumping proceeding concerning imports of hot-rolled flat steel originating in Egypt, India, Japan and Vietnam. The company had disclosed this to EGX and LSE. The investigation was initiated following a complaint submitted by the European Steel Association (Eurofer) requesting the European Commission to impose anti-dumping duties on its imports from those four countries. With respect to Egypt, this applies on the EU imports from Ezz Steel which is the sole Egyptian exporter of flat steel.
- Ezz Steel emphasizes its commitment to fair trade, and its full compliance with the trade principles stipulated by the WTO. The European Union is undoubtedly a key market for Ezz Steel's flat steel exports. Accordingly, the Company will fully cooperate with the EU investigation authority, provide all the data required, and submit its defences and arguments to protect its and the Egyptian industry interests.

## Outlook

- Globally, in 2024, the World Steel Association forecasts a fragile recovery in global steel demand, predicting a 1.7% increase to 1.85 billion tonnes. This marks a gradual rebound after years of stagnation and volatility. However, growth remains constrained by ongoing geopolitical and economic uncertainties. Concerns about China's economic trajectory, particularly amid its structural transitions in the property market, could affect both Chinese and global steel consumption. Chinese steel exports are projected to surpass 100 million tons this year, the highest level since 2016. However, this aggressive export strategy is creating friction in global markets, as many countries struggle to compete with China's low-cost steel. In response, several nations, including the U.S., EU, Canada, South Africa, Turkey and Brazil, have imposed higher tariffs and various trade measures to protect their domestic industries. There is a serious risk that the imbalance between China's production and consumption, leading to very high exports, would transform world steel trade to become very protective and restrictive.
- Locally, Egypt reinforcing steel consumption is expected to increase by a moderate 5% in 2024 to 6.8 million tonnes. This growth is anticipated to be driven by the ongoing completion of infrastructure projects, the resolution of contractor receivables, and the expected resumption of new construction permits. Consumption of HRC is expected to remain stable in 2024 at 1.5 million tonnes before increasing thereafter.
- Provisional results of the hot rolled flat steel dumping investigation of four countries including Egypt initiated by the European Commission, are expected in a few months. Although Ezz Steel categorically denies the dumping allegations of Eurofer, it cannot underestimate the risk that the European Commission might impose an anti-dumping duty.

## Divisional Overview

Ezz Steel Standalone Sales (EGP):		1H 2024	1H 2023	2Q 2024	1Q 2024
<b>Value:</b>	<b>Mn</b>	26,073	10,806	14,172	11,901
<b>Exports as % of Sales:</b>		2.3%	11.4%	-	4.67%
<b>EBITDA:</b>	<b>Mn</b>	1,949	1,637	777	1,172
Ezz Steel Consolidated Sales (EGP):					

<b>Value:</b>	<b>Mn</b>	100,684	62,262	50,519	50,165
<b>Exports as % of Sales:</b>					
<b>Long:</b>		19%	25%	21%	17%
<b>Flat:</b>		71%	58%	75%	66%
<b>EBITDA:</b>	<b>Mn</b>	11,182	15,216	6,092	5,090
<b>EBT</b>	<b>Mn</b>	4,655	(481)	1,492	3,163
<b>Net Profit</b>	<b>Mn</b>	2,276	(810)	1,014	1,262

**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 condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East, changes in the business strategy of the Company, and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of Ezz Steel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, no such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to Ezz Steel's actual results.



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