



EZZ STEEL REPORTS CONSOLIDATED FY23 RESULTS

Cairo, 8 April 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 December 2023. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key Highlights

EGP Mn

	<u>FY23</u>	<u>FY22</u>
Net sales	142,914	83,984
Gross profit	39,305	18,778
EBITDA*	35,239	16,810
Net profit before tax**	(983)	8,926
Net profit	(717)	6,647
Earnings per share (EPS)***	(0.21)	7.98

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

** After allowing for an FX loss of EGP 30.9 bn.

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the fiscal year ending 31 December 2023.



For further information:

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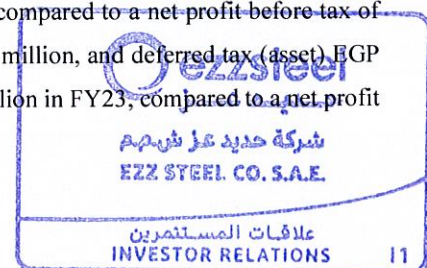
Comment

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

- Sales amounted to EGP 142,914 million in FY23 compared to EGP 83,984 million in FY22 (up 70%). Reinforcing steel bars and wire rod coils (reinforcing steel) sales accounted for 61% of total sales, and hot rolled coils (HRC) flat steel sales accounted for 38%.
- Ezz Steel achieved a new export record in FY23 as its exports reached \$1,584 million, the highest for a manufacturing company in Egypt's history. HRC exports amounted to \$1,006 million (63.5% of the total), and reinforcing steel amounted to \$578 million (36.5%). In FY22, exports were \$797 million, divided into HRC (\$639 million) and reinforcing steel (\$158 million).
- In FY23, 1,402 thousand tonnes of HRC were exported, representing 63% of total HRC sales. This is compared to 696 thousand tonnes in FY22 (only 38% of HRC sales). As for reinforcing steel, exports in FY23 reached 963 thousand tonnes representing 28% of its sales, compared to 195 thousand tonnes in FY22 (only 6% of reinforcing steel sales). The company continues to give utmost priority to exports as it proceeds in foreign currency funds procurement of imported raw materials and consumables.
- The company's domestic sales of reinforcing steel went down from 3,058 thousand tonnes in FY22 to 2,485 thousand tonnes in FY23 (19%) as sales were directed towards exports.
- Ezz Steel domestic HRC sales decreased by 28% from 1,127 thousand tonnes in FY22 to 807 thousand tonnes in FY23. Same as reinforcing steel, the decline in local sales was a consequence of maximising export sales.
- Steady production of the second electric arc furnace (EAF) in Sokhna – Suez, started in May 2023, with a capacity of 1.6 million tonnes annually. Danieli, the world's renown steel technology and equipment supplier, provided knowhow, supplied equipment, and conducted commissioning tests. This expansion cost is EGP 4.2 billion, financed by a EGP 2.2 billion loan with the balance from the company's internal resources. Worth noting that the second EAF helped increase production and sales in general and that of HRC in particular.
- In 2023, Egypt's crude steel production rose by 6% to 10.4 million tons according to World Steel Association (WSA). This was driven by increased exports, especially HRC, the proceeds of which enabled the industry to secure imports of essential raw materials.



- According to data from the Ministry of Supply & Internal Trading, Egypt's consumption of reinforcing steel plummeted by 17% from 7,916 thousand tons in 2022 to 6,531 thousand tons in 2023. HRC local consumption fell by 13% to 1,477 thousand tons vs. 1,700 thousand tons in 2022. This decline can be mainly attributed to a critical shortage of dollars coupled with the devaluation of EGP, which negatively affected the economic growth. The heightened costs and prices affected the purchasing power of consumers.
- Worth mentioning that Egypt's consumption of reinforcing steel has been suffering a significant downward trend since 2016, during which consumption reached 8,610 thousand tons (24% higher than 2023). Construction activities by owner/builder contractors in particular came to a near standstill in 2023; however, the successful floatation of EGP on 6 March 2024, and the associated economic decisions, are expected to restore growth and, with it, higher consumption. Furthermore, the new building legislations and their executive regulations which were passed in 2023 and 2024 may result in issuing more private licenses and the resumption of private building in Egypt.
- In spite of the heavy drop in consumption by 17%, the production of reinforcing steel in Egypt only declined by 4% to 8 million tons in 2023, compared to 8.4 million tons in 2022. Robust growth of Egyptian exports prevented a more significant production shortfall. Exports increased in FY23 more than 3-fold to 1.54 million tons up from 523 thousand tons in 2022.
- Healthy exports of HRC were the driver for production to increase by 31% in 2023 to 2,345 thousand tons vs. 1,796 thousand tons in 2022. Exports rose by 103% reaching a record 1.4 million tons in 2023 compared to 690 thousand tons in 2022. The emphasis on exports allowed imports to fill the supply gap rising from 574 thousand tons in 2022 to 665 thousand tons in 2023 (16%), benefiting from low entry barriers. This is in line with historical high penetration of, mostly low quality/low cost, imported HRC. Egypt remains with no remedies or trade actions to limit unfair practices of imported HRC.
- Forex losses reached EGP 30.9 billion in 2023. Of this amount EGP 15.9 billion were to arrange the foreign currency component including the short-term dollar banks' and suppliers' facilities which financed imports of raw materials and consumables— accordingly, it is in essence an element of the cost of goods sold (COGS). The compelled local price increases of reinforcing steel and HRC were to absorb part of such forex loss. The company fully understands the unusual economic circumstances which led to this situation; going forward, upon the floatation of the Egyptian Pound on 6 March, the resulting availability of foreign currency and stability of EGP is expected to reduce forex losses. Ezz Steel prides itself of having been transparent throughout the year, disclosing to its stakeholders the severe noticeable de-facto devaluation of EGP over the period, whereby investors could analyse the real value of the company's liabilities every quarter.
- Net loss before taxes reached EGP 983 million in FY23. This is compared to a net profit before tax of EGP 8,926 million in FY22. Income tax amounted to EGP 3,746 million, and deferred tax (asset) EGP 4,012 million. Net loss after tax accordingly reached EGP 717 million in FY23, compared to a net profit of EGP 6,647 million in FY22.



- The Central Bank of Egypt (CBE) increased the lending rate twice in 2023 by a total of 3% to reach 20.25% in August. The upward interest rates trend led to higher interest and financing expenses of EGP 6,198 million in FY23, an increase of 84% compared to FY22 (EGP 3,363 million). On 1 February 2024 and on 6 March 2024, after the end of the fiscal year, interest rates were increased by 2% then by 6% respectively to reach 28.25%. This will increase interest expense in coming periods. However, such high level of interest rate is expected to be temporary to contain inflation and would then decrease gradually.
- Within the frame of its growth strategy, Ezz Steel plans to diversify the flat steel product and increase its production. The company's current production of HRC ranges in thickness from 1mm to 16mm and width from 800mm to 1600mm. The expansion project aims to produce 1 million tons annually of hot-rolled steel plates with a thickness ranging from 5 mm to 120 mm, and a width of up to 3.65 meters. This will be integrated with the industrial complex in Sokhna, Suez. Among the key design parameters are reducing carbon footprint and emissions. The company's objectives are to localize the steel plate industry, meet the needs of local market replacing imports, and to increase exports relying on Ezz Steel's global sales network. The company obtained the project's licenses at a cost of EGP 2.1 billion (including VAT), which was fully paid. Detailed studies for the project are underway. Plans to invest in these new plants are contingent to granting Ezz Steel license to produce directly reduced iron (DRI) which is the main metallic input for quality production of flat steel.
- The steel sector globally managed to sustain the crude steel production of 2023 at 1.89 billion tons, same as that reached in 2022. Contributing to this were the persistence of robust production in China, reaching 1.02 billion tons, and a noteworthy 12% surge in India's output to 140 million tons, which were largely driven by Government-funded initiatives. Elsewhere, the industry faced a setback as demand for steel dwindled amid soaring inflation and high interest rates which affected the construction and manufacturing domains in Europe and the United States.

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 2022 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 3.55 million tonnes of long products (typically used in construction) and 2.23 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 FY23 were EGP 142.9 billion compared to EGP 84.0 billion in FY22, representing a 70% increase.

Long steel products accounted for EGP 87.2 billion, or 61% of sales in FY23, while flat steel products represented 38% of sales at EGP 54.6 billion. Long steel product exports accounted for 20% of its sales, while flat product exports accounted for 57% of its sales.

Sales Value					
<i>EGPMn</i>	Domestic	%	Export	%	
Long	69,333	80%	17,844	20%	
Flat	23,622	43%	30,997	57%	

Long sales volume increased 6% to reach 3.45 million tonnes during FY23 compared to 3.25 million tonnes during FY22. Flat sales volume increased 21% to reach 2.21 million tonnes compared to 1.82 million tonnes during FY22.

Ezz Steel's consolidated sales volumes totalled 5.66 million tonnes in FY23 compared to 5.07 million tonnes in FY22, an increase of 12%.

Production

Long steel production volumes totalled 3.52 million tonnes during FY23, 8% increase compared to 3.27 million tonnes during FY22. Flat steel production volumes increased 30% to reach 2.33 million tonnes in FY23 compared to 1.79 million tonnes in FY22.

Cost of Goods Sold

Consolidated Cost of Goods Sold in FY23 represented 72.5% of sales compared to 77.6% in FY22, to reflect an increase of realized gross profit margin from 22.4% in FY22 to 27.5% in FY23.



Gross profit

Gross profit of EGP 39.3 billion was recorded in FY23 for Ezz Steel consolidated, a 109% increase compared to the EGP 18.8 billion recorded in FY22.

EBITDA

Consolidated EBITDA for FY23 amounted to EGP 35.2 billion, a 110% increase compared to the EGP 16.8 billion recorded in FY22.

Foreign Exchange Loss

Foreign exchange loss amounted to EGP 30.9 billion in FY23.

Tax

During FY23, Ezz Steel incurred an income tax of EGP 3.7 billion and a deferred tax (asset) of EGP 4.0 billion.

Net profit/loss before Tax

Net loss reached EGP 983 million FY23.

Net profit after Tax

Net result after tax and minority interests recorded a loss of EGP 717 million for FY23.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 32.1 billion and net debt of EGP 37.5 billion.

Outlook

- Globally, in 2024, according to WSA, it is anticipated that global steel demand will increase by 1.9% from 1.89 billion tons to 1.92 billion tons. However, uncertainties persist, particularly concerning China's economic trajectory amidst ongoing structural transitions in its property market which could affect Chinese consumption, and accordingly world consumption, of steel.
- Locally, the recent economic reforms -in particular the EGP floatation on 6 March 2024- attracted significant loans from prestigious financial institutions such as the IMF and EU. It also paved the way for mega projects such as the Ras El Hekma project which considerably enhanced foreign currency inflows. This is expected to restore the pace of national projects once again and boost major real estate developments. Furthermore, private building is also expected to benefit from stability and from clear building legislations in place. Based on these developments, a 5% growth in steel consumption is anticipated in 2024.
- Ezz Steel is cognizant of how important it is for heavy industries, particularly steel, to lower emissions. The company is committed to a cleaner, more sustainable world. Operationally, the Carbon Border Adjustment Mechanism (CBAM), will become effective starting 2026 in the EU, other countries are expected to follow with similar procedures. The objective is to encourage trade of products with lower emissions and apply a tariff on those which do not meet the guidelines. Ezz Steel started to disclose its carbon emissions to its EU clients as required in preparation for applying CBAM. The industrial configuration of the company relies on directly reduced iron (DRI) as main feedstock, uses natural gas to reduce the DRI from its oxides and electricity as the energy source for electric arc furnaces (EAF) in the steel making for melting; as such it is already in the lowest quartile in carbon emissions among steel makers. Notwithstanding, the company is reassessing its production lines for further reduction in emissions and seeking the highest measures of emission reduction and control in new projects and upgrades.



Divisional Overview

Ezz Steel Standalone Sales (EGP):		FY 2023	FY 2022	4Q 2023	3Q 2023
Value:	Mn	27,635	16,666	8,296	8,533
Volume:	000 Tonnes	887	936	233	256
Exports as % of Sales:		8%	-	-	6%
EBITDA:	Mn	4,880	1,307	1,861	1,383
Production:					
Long Products:	000 Tonnes	883	895	243	226
Billets:	000 Tonnes	847	845	231	210
Ezz Steel Consolidated Sales (EGP):					
		FY 2023	FY 2022	4Q23	3Q23
Value:	Mn	142,914	83,984	39,672	40,980
Volume:					
Long:	000 Tonnes	3,448	3,248	945	1,064
Flat:	000 Tonnes	2,209	1,824	567	549
Exports as % of Sales:					
Long:		22%	6%	16%	18%
Flat:		57%	38%	52%	59%
EBITDA:	Mn	35,239	16,810	9,804	10,219
EBT	Mn	(983)	8,926	1,252	(1,755)
Net Profit	Mn	(717)	6,647	1,212	(1,118)
Production:					
Long Products:	000 Tonnes	3,518	3,274	1,025	1,001
Flat Products:	000 Tonnes	2,328	1,787	601	589
Billets:	000 Tonnes	3,626	3,299	1,104	992



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.

