Friday 22nd September 2023

Press release

FINANCIAL RESULTS FOR THE FIRST SEMESTER OF 2023

- ***Increase in sales volume despite the worsening economic environment***
- ***A decreased gross margin together with increased finance charges led to marginal losses***

The first half of the year was marked by the continuous increases of interest rates by central banks, owing to the unprecedented inflationary pressures on all goods. The feeling of uncertainty and insecurity generated led to a large portion to the postponement of investment plans and slowdown of economic activity in the countries in which the Group operates, as well as across Europe and almost the whole world.

In this context, **SIDMA Steel** recorded losses despite its increased sales volumes, due to a. the decrease in its gross profit (as a result of the de-escalation of the prices of its traded products), and b. the increased financial cost (as a result of interest rate hikes).

More specifically, the consolidated turnover of **SIDMA Steel** Group, in the first half of the year, amounted to € 118.7 million or 18.5% lower compared to the corresponding period of 2022. Taking into account agency sales, the turnover amounted to € 140.7 million from € 173.0 million, reduced by 18.7% compared to last year. These decreases are due to the decreased average sales price of the products traded by the Group by 18.8% compared to the same period last year, with a corresponding impact on the turnover. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 2,773k from € 16,475k last year, while results before taxes amounted to losses of € 893k compared to profits of € 13,986k in the corresponding period last year. Pre-tax results were affected, on the one hand, by the accounting treatment of the refinancing of the Company's loan liabilities in 2021 and were charged with interest amortisation of € 773k and, on the other hand, with increased financial cost of € 1,088k due to the increased interest rates. However, the greatest effect on results refers to the decrease in the gross profit margin by 812 bps or € 13,406k in absolute terms.

At a Company level, in the first half of the year the turnover amounted to € 79.5 million from € 94.2 million, a 15.7% drop. Taking into account agency sales, it amounted to € 101.4 million from € 121.6 million in the respective period of 2022, a decrease of 16.6%. As at Group level, such decrease is due to the drop in sales prices, as also cited above. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 2,428k from € 11,797k in the respective period last year while pre-tax results amounted to losses of € 548k compared to profits of € 9,761k in the respective period last year for the reasons referred to above. The decrease in the gross profit margin at a company level amounted to 890 bps or € 9,447k in absolute terms.

As for the subsidiaries, both **SIDMA Bulgaria** and **SIDMA Romania** reported a decrease in their turnover by 19.8% and 28.9% respectively compared to the first half of 2022. Specifically, the turnover of SIDMA Bulgaria amounted to € 24.4 million compared to € 30.4 million while SIDMA Romania's turnover stood at € 15.5 million compared to € 21.7 million in the first half of 2022.

As regards the rest of the subsidiaries' figures, **SIDMA Bulgaria** reported a decrease in both operating profitability (EBITDA), from € 2,867k last year to € 429k this year, and in earnings before taxes, from € 2,576k last year to € 181k this year, reflecting the decrease by € 2,309k in the gross profit margin this year compared to last year.

At EBITDA level, **SIDMA Romania** recorded losses of € 82k from profits of € 1,828k last year, while pre-tax results amounted to losses of € 525k from profits of € 1,667k last year, reflecting the decrease in gross profit by € 1,821k as well as the increased financial cost due to the increased interest rates.

The Group's liquidity amounted to € 7.5 million.

Prospects for the remainder of 2023

The macroeconomic environment is highly challenging, mainly due to the ongoing war in Ukraine and the significant inflationary pressures sustained and intensified by the war-induced energy crisis. The rise in interest rates by Central Banks with a view to taming inflation and the decelerating growth in the eurozone, the slow deceleration mainly of the structural inflation and the tightening budgetary and monetary environment will be the key factors that will drive GDP growth for the remainder of 2023 as indicated in the quarterly report of the Greek Foundation for Economic and Industrial Research (IOBE[1]) (Issue 2/23). At the end of the first half of the year, despite the positive outlook for the Greek economy, the international economic environment remained quite volatile and was marked by strong challenges as the successive rate increases aiming to tame the inflation are bringing the prospects of a recession closer. However, the economic sentiment indicator of IOBE was boosted anew and rose to 111.1 points in July from 110.1 in June, reaching a record high over 16 and more months. Moreover, Greece's credit rating raised to investment grade status by DBRS agency, which is expected to be followed by other upgrades by Moody's, Standard & Poors and Fitch, will foster direct foreign investments, thus creating the right environment for further growth and improvement of the Greek economy. Finally, economic growth is expected to be supported by the implementation of the Recovery and Resilience Plan and by the project backlog of five major construction groups which has reached a record high of € 16.2 billion (in 2022 it amounted approximately to € 11 billion and in 2021 to € 9 billion). The supply of the steel products for the projects of the above outstanding remaining part of the infrastructure projects has already been assigned to the company for the second half of the year.

In the European steel market, according to Eurofer[2], the downside factors severely impacting apparent steel consumption in 2022 – i.e., war-related disruptions, poor demand outlook and severe rises in energy prices and production costs - are expected to continue to weigh until a great part of 2023 included because of the prolonged effects of Russia's war in Ukraine and increasing inflation-led economic uncertainty. Consequently, apparent steel consumption is projected to contract even further in 2023, with a steeper rate of decline than previously foreseen (-3%, revised downwards from -1%). This will mark the fourth annual decline in apparent steel consumption in Europe over the past five years. On the contrary, Eurofer appears more optimistic in its latest report on the evolution of apparent steel consumption in 2024. In particular, it foresees a significant recovery of 6.2% against the 5.4% it predicted in its previous report, subject to the confirmation of the estimates to improve industrial activity in Europe.

In this fluid environment, SIDMA METALLURGIKI remains focused on its goal of sustainable growth through the continuous strengthening of its product portfolio. Already the investment in a new panel production machine at its factory in Lamia has started to pay off, improving the quality of existing products, producing new higher added value products, and reducing production costs.

[1] http://iobe.gr/docs/economy/ECO_Q2_2023_REP_GR.pdf

[2] https://www.eurofer.eu/assets/publications/economic-market-outlook/economic-and-steel-market-outlook-2023-2024-third-quarter/Eurofer_Quarter_3_2023-2024.pdf