

# Board of Directors' Report to the Shareholders for the Year Ended 31 December 2024

On behalf of EMSTEEL Building Materials PJSC's Board of Directors ("EMSTEEL", the "Company" or the "Group"), I am pleased to present the Board of Directors' report and the audited consolidated financial statements for the year ended 31 December 2024.

The change of the legal name of the Company to EMSTEEL Building Materials PJSC, from Arkan Building Materials Company (Arkan) PJSC, was approved at the General Meeting of Shareholders held on 10 April 2023. The name EMSTEEL better reflects the nature of our expanded business following the integration of Emirates Steel Industries Co. PJSC ("Emirates Steel") into the Group in October 2021.

The acquisition of Emirates Steel created the largest steel and building materials manufacturing and distribution business in the UAE, a regional champion that is globally competitive. The transaction facilitated a significant expansion in the scope of the Group's scale and provided diversification in the scope of its operations. Despite the global economic headwinds, the increasing reach of our products is a clear testament to our customers' trust and preference for 'Made in UAE' products.

The Group's performance in 2024 reflected its resilience and efficiency amidst challenging market conditions. The financial performance for the year underscores the Group's strengths across the value chain, differentiating it from other players in the steel and building materials sectors and reinforcing the Group's commitment to 'Operation 300 Billion', the UAE's Industrial Strategy.

This performance has been delivered without losing sight of ensuring the most rigorous health, safety, and environmental protocols across the business units. As evidence of this, during 2024 the Group preserved its Lost Time Injury Frequency Rate at a record low of 0.16, significantly lower than the World Steel Association average of 0.65 as well as the average of the top twenty-five cement producers globally which stands at 0.69.

Overall Group revenues in 2024 totaled AED 8,337.3 million, compared to AED 8,899.4 million for the year 2023.

The Group recorded a net profit before tax of AED 431.7 million for the year; this compares with a net profit of AED 601.9 million as reported in 2023.

## Review of Operations

### Steel Division

Despite the head-winds faced by the global steel sector, on a stand-alone basis the Steel division generated revenues of AED 7,576.6 million in 2024 compared to AED 8,028.5 million in 2023; generated earnings before interest, tax, depreciation and amortisation of AED 679.5 million, compared to AED 1,022.8 million in 2023; and a net profit before tax for the year of AED 287.3 million compared to a net profit of AED 457.2 million in 2023, the former being stated after the partial reversal of impairment losses, initially recorded in 2020, in an amount of AED 207.3 million.

### Cement, Blocks, Pipes & Others

Revenue from the Cement and Blocks division was AED 760.7 million in 2024, compared to AED 870.9 million in 2023.

In 2021, as a consequence of the uncertainty associated with the longer-term operating model for the Al Ain Cement plant, the Group booked an impairment loss of AED 700 million against the related goodwill and assets. Following a similar assessment at 31 December 2022 management determined that no additional impairment provision was required and following a further assessment at 31 December 2023 a release of AED 83.45 million was made from the provision carried as a consequence of the improved performance of the business. Based on a further assessment at December 2024 management determined that no additional impairment provision was required.

As a result of significant over-supply in the domestic market, an impairment loss of AED 150 million was booked in 2022 against the goodwill and operating assets associated with Emirates Blocks, the division's downstream business comprising the manufacture of blocks, paving stones and dry mortar. Following a similar assessment at 31 December 2023, management determined that an additional impairment provision of AED 83.45 million was required against this business. Based on a further assessment at December 2024 management determined that no additional impairment provision was required.

The Group is planning the disposal of the non-core Anabeeb division, comprising the PVC Pipes, GRP Pipes and Bags business units. A binding offer was received for the division in the final quarter of 2024.

Before the impairment charges in both 2024 and 2023 the division, comprising the Cement, Blocks and the Anabeeb business units, recorded a net profit before tax of AED 144.3 million as compared to a profit of AED 144.5 million in 2023.

## Liquidity

Bank borrowings totaled AED 485.8 million as at 31 December 2024 (31 December 2023: AED 489.3 million). In addition, the Group held cash and cash equivalents of AED 823.3 million as of 31 December 2024 (31 December 2023: AED 425.8 million).

## Total Assets & Shareholders' Equity

The Group's total assets were AED 11,259 million as at 31 December 2024 (31 December 2023: AED 11,029 million). The value of shareholders' equity was AED 8,720 million as of 31 December 2024 compared to AED 8,332 million as at 31 December 2023.

## Directors

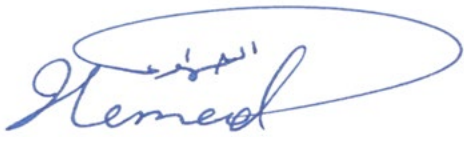
The Directors who held office during the financial year subject to review, and through to the date of this report, are detailed below.

- Hamad A. Al Hammadi - Chairman
- Ahmed Ali Al Shamsi - Vice Chairman (appointed 22 October 2024)
- Jamal S. Al Dhaheri - Vice Chairman (retired 21 October 2024)
- Abdulaziz Al Hajri
- Farah Abdulla Al Mazrui
- Fatima Abdulla Al Fahim
- Nabeel Qadir
- Saeed G. Al Remeithi - Group Chief Executive Officer

## Auditor

The Directors release from liabilities the external auditor, Ernst & Young Middle East, in connection with their duties for the year ended 31 December 2024.

For and on behalf of the Board of Directors



**Hamad A. Al Hammadi**  
Chairman

11 March 2025