



EZZSTEEL REPORTS CONSOLIDATED FY 2014 RESULTS

Cairo, 3 June 2015 – ezzsteel (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 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

	<i>EGP Million</i>	<u>FY 2013</u>	<u>FY2014</u>	<u>YoY % (+/-)</u>
• Net sales		21,294	19,398	-9
• Gross profit		2,331	691	-70
• EBITDA*		2,297	649	-72
• Net profit before tax and minority interest		980	(862)	
• Net profit after tax and minority interest		130	(697)	
• Earnings per share **		0.24	(1.28)	
• Net debt to equity		1.29	2.43	

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

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period*

Comment

Commenting on the results, Mr Paul Chekaiban, Chairman and Managing Director of ezzsteel, said:

“In 2014, ezzsteel suffered from the compounded effect of the continued deterioration in the global steel sector, and the detrimental conditions in which our industry operates in Egypt. In coordination with the parties concerned, ezzsteel is implementing a number of corrective measures which ensure that the negative financial performance of 2014 is not repeated.”

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About ezzsteel

ezzsteel (formerly: Al Ezz Steel Rebars) is the largest independent steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 5.8 million tonnes of finished steel.

In 2014, the Company produced 3.6 million tonnes of long products (typically used in construction) and 790,000 tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

All of the below financial breakdowns are based on ezzsteel's consolidated financials, which include the financial performance of ESR/ERM, EZDK and EFS.

Sales & Production

Consolidated net sales for FY 2014 were EGP 19.4 billion, representing a decrease of 9 per cent year on year. This decrease in sales is principally due to constant disruption of utilities, especially during the summer months. Long product prices were up 1.3% and flat products were up 2.7% in the local market, while long export prices were up 0.6% and flat export prices rose by 2.4%.

Sales after elimination	ESR/ERM	EZDK	EFS	Consolidated
<i>EGPMn</i>				
Long	5,458	8,367	1,723	15,548
Flat	-	3,606	-	3,606
Others		232	13	245
Total	5,458	12,205	1,736	19,399

Long steel products accounted for EGP 15.5 billion, or 80 per cent of sales in FY 2014, while flat steel products represented 19 per cent of sales at EGP 3.6 billion. Long product exports accounted for 4 per cent of total long sales. Flat product exports accounted for 40 per cent of total flat sales.

Sales Value	Domestic	per cent	Export	per cent
<i>EGPMn</i>				
Long	14,942	96	606	4
Flat	2,148	60	1,458	40

Long sales volumes were 3.44 million tonnes during FY 2014, 8 per cent lower than the 3.74 million tonnes sold during the same period last year. During the period, the company took the strategic decision to maintain a relatively consistent market position, despite weaker pricing.

Flat sales volumes, which were concentrated at EZDK, fell by 20 per cent to 796,716 tonnes in FY 2014, due to lower production. Both the domestic and export market saw significant reductions in volumes, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 4.3 million tonnes in FY 2014, a decrease of 9 per cent from the 4.7 million tonnes sold in FY 2013.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2014 were 28 per cent, 63 per cent, and 9 per cent respectively.

Long steel production volumes totalled 3.6 million tonnes during FY 2014, down 3 per cent compared to FY 2013. Flat steel production volumes decreased by 20 per cent to 789,727 tonnes for the period, compared to 989,938 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2014 represented 96 per cent of sales, reflecting a decrease in gross profit margin from 11 per cent in FY 2013 to 4 per cent in FY 2014.

EFS's Cost of Goods Sold, at 120 per cent, reflects the continued low capacity utilization level currently at that facility. At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive scrap and thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	5,658	12,131	1,954	19,398
COGS	5,536	11,216	2,342	18,707
COGS/Sales	98%	93%	120%	96%

Gross profit

Gross profit of EGP 691 million was recorded for FY 2014, a decrease of 70 per cent from the EGP 2.3 billion recorded in FY 2013.

EBITDA

EBITDA for FY 2014 amounted to EGP 649 million, representing a decrease of 72 per cent from EGP 2.3 billion in FY 2013.

Tax

During 2014, ezzsteel had a tax charge of EGP42m and benefited from an additional deferred tax asset of EGP 68 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 697 million for FY 2014, in comparison to a profit of EGP 130 million for FY 2013.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 916 million and net debt of EGP 12.69 billion. The company has a gearing of Net Debt / Equity of 2.42 times.

Post period events

On the 18 January 2015, ezzsteel announced that it had signed an EGP 1.7 billion, long term loan agreement with the National Bank of Egypt, as lead arranger & facility agent, and Arab African International Bank, as lead arranger & security agent. The funds raised will help the company to restructure existing facilities.

On 18 April 2015, the Egyptian Trade Ministry announced that it would impose an eight percent import tariff on rebar - reinforced steel bars - for three years.

Outlook

With the expected start of production of our new direct reduction plant in Suez by the end of the year, we are continuing to implement the strategic industrial vision that has been the key for our success over the past 20 years. This will make a significant contribution to our future performance.

Divisional Overview

<u>EZDK</u>		FY 2013	FY 2014	
<u>Sales (EGP):</u>				
	Value:	13,808	12,131	Mn
	Volume:			
	Long:	2,074,954	1,863,247	Tonnes
	Flat:	999,307	796,716	Tonnes
	Exports as % of Sales:			
	Long:	12	7	
	Flat:	46	42	
	EBITDA:	2,342	875	Mn
<u>Production:</u>				
	Long Products:	2,042,927	1,976,894	Tonnes
	Flat Products:	989,938	789,729	Tonnes
	Billets:	2,086,699	2,038,082	Tonnes
<u>ESR/ERM</u>				
<u>Sales (EGP):</u>				
	Value:	6,414	5,658	Mn
	Volume:	1,357,360	1,204,043	Tonnes
	Exports as % of Sales:	8%	1%	
	EBITDA:	107	(41)	Mn
<u>Production:</u>				
	Long Products:	1,359,217	1,227,470	Tonnes
	Billets:	791,369	742,531	Tonnes
<u>EFS</u>				
<u>Sales (EGP):</u>				
	Value:	1,906	1,954	Mn
	Volume:			
	Long:	313,901	379,094	Tonnes
	Flat:	-	-	Tonnes
	Exports as % of Sales:			
	Long:	-	-	
	Flat:	-	-	
	EBITDA:	(169)	(222)	Mn
<u>Production:</u>				
	Long Products:	312,529	388,896	Tonnes
	Flat Products:	-	-	Tonnes
	Billets:	415,439	331,866	Tonnes

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Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 12 month period ending 31 December 2014. 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 and 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 ezzsteel, 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, none of 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 ezzsteel’s actual results.