



## EZZSTEEL REPORTS CONSOLIDATED Q1 2016 RESULTS

**Cairo, 19 July 2016** – 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 March 2016. 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:**

### Key highlights

*EGPMn*

	<u>Q1 2015</u>	<u>Q1 2016</u>	<u>YoY % (+/-)</u>
<input type="checkbox"/> Net sales	4,793	<b>4,967</b>	+4
<input type="checkbox"/> Gross profit	222	<b>487</b>	+119
<input type="checkbox"/> EBITDA*	216	<b>498</b>	+130
<input type="checkbox"/> Net profit before tax and minority interest	(208)	<b>(346)</b>	
<input type="checkbox"/> Net profit after tax and minority interest	(136)	<b>(137)</b>	
<input type="checkbox"/> Earnings per share**	(0.25)	(0.25)	
<input type="checkbox"/> Net debt to equity	2.49x	<b>2.47x</b>	

\*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:

“As expected, ezzsteel registered a negative result in the first quarter of 2016 in line with the ongoing weakness of international steel markets and with the erratic volatility of the Egyptian financial environment.

“However, we saw two very important developments related to our operating margins. Firstly, there was an improvement of our average overall operating margin and secondly a rebalancing of our operating margin across the business units. These have been driven by the greater flexibility that we have built into our business model in recent years and represent a crucial milestone on our way to gradual recovery.”

**For further information:**

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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 2015, the Company produced 3.2 million tonnes of long products (typically used in construction) and 636,000 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 Q1 2016 were EGP 5 billion, representing an increase of 4 per cent year on year. This increase in sales is due to a 15 per cent increase in long product sales, driven by continued local market demand. Long product prices were down by 4 per cent, while flat products were down by 19 per cent. Long export prices were down by 6 per cent and flat export prices have declined by 27 per cent.

<b>Sales after elimination</b>				
<b>EGPMn</b>	<b>ESR/ERM</b>	<b>EZDK</b>	<b>EFS</b>	<b>Consolidated</b>
Long	1,446	2,072	777	<b>4,295</b>
Flat	-	617	-	<b>617</b>
Others	0	52	3	<b>55</b>
<b>Total</b>	<b>1,466</b>	<b>2,741</b>	<b>780</b>	<b>4,967</b>

Long steel products accounted for EGP 4.3 billion, or 87 per cent of sales in Q1 2016, while flat steel products represented 12 per cent of sales at EGP 617 million. Long product exports accounted for less than one per cent of total long sales. Flat product exports accounted for 28 per cent of total flat sales.

<b>Sales Value</b>				
<b>EGPMn</b>	<b>Domestic</b>	<b>per cent</b>	<b>Export</b>	<b>per cent</b>
Long	4,273	99%	22	1%
Flat	447	72%	170	28%

Long sales volumes were 1 million tonnes during Q1 2016, 15 per cent higher than the 889 thousand tonnes sold during the same period last year.

Flat sales volumes, which were concentrated at EZDK, fell by 10 per cent to 169,936 tonnes in Q1 2016, due to lower production, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 1.19 million tonnes in Q1 2016, an increase of 10 per cent from the 1.08 million tonnes sold in Q1 2015.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2016 were 29 per cent, 55 per cent, and 16 per cent respectively.

Long steel production volumes totalled 842 thousand tonnes during Q1 2016, up 9 per cent compared to Q1 2015. Flat steel production volumes decreased by 22 per cent to 157 thousand tonnes for the period, compared to 199 thousand tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for Q1 2016 represented 90 per cent of sales, reflecting an increase in gross profit margin from 5 per cent in Q1 2015 to 10 per cent in Q1 2016.

EFS's Cost of Goods Sold was at 98 per cent, compared with 125 per cent in the same period last year and 133 per cent in Q4 2015. This reflects the improved capacity utilization level at that facility. At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive replacement raw materials and thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	1,464	2,731	780	4,967
COGS	1,224	2,504	763	4,480
<b>COGS/Sales</b>	<b>84%</b>	<b>92%</b>	<b>98%</b>	<b>90%</b>

### Gross profit

Gross profit of EGP 487 million was recorded for Q1 2016, an increase of 119 per cent from the EGP 222 Million recorded in Q1 2015.

### EBITDA

EBITDA for Q1 2016 amounted to EGP 498 million, representing an increase of 131 per cent from EGP 216 million in Q1 2015.

### Tax

During Q1 2016 benefited from a deferred tax asset of EGP 116 million and Income tax of EGP 5 million

### Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 137 million for Q1 2016, flat on the same period in 2015.

### **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 5.02 billion and net debt of EGP 12 billion. The company has a gearing of Net Debt / Equity of 2.47 times.

### **Outlook**

The successful launch of our new DRI facility at Suez has extended the advantages of our flexible business model to all ezzsteel business units. This flexibility will prove instrumental in mitigating the adverse conditions in which ezzsteel is expected to operate in the coming quarters.

## Divisional Overview

<b>EZDK Sales (EGP):</b>	<b>Q1 2015</b>	<b>Q1 2016</b>	
Value:	3,320	2,731	Mn
Volume:			
Long:	561,594	495,309	Tonnes
Flat:	187,965	169,936	Tonnes
Exports as % of Sales:			
Long:	0.8	1	
Flat:	27	33	
EBITDA:	271	252	Mn
<b>Production:</b>			
Long Products:	418,275	416,549	Tonnes
Flat Products:	199,457	155,933	Tonnes
Billets:	500,317	408,598	Tonnes
<b>ESR/ERM Sales (EGP):</b>			
Value:	1,358	1,464	Mn
Volume:	305,477	344,354	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	(16)	180	Mn
<b>Production:</b>			
Long Products:	283,060	284,070	Tonnes
Billets:	168,884	71,430	Tonnes
<b>EFS Sales (EGP):</b>			
Value:	365	780	Mn
Volume:			
Long:	80,931	181,576	Tonnes
Flat:	-	-	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	-	
EBITDA:	(48)	63	Mn
<b>Production:</b>			
Long Products:	74,837	142,367	Tonnes
Flat Products:	-	1,298	Tonnes
Billets:	-	128,136	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 3 month period ending 31 March 2016. 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.