



EZZSTEEL REPORTS CONSOLIDATED H1 2016 RESULTS

Cairo, [29 September] 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 30 June 2016. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>H1 2015</u>	<u>H1 2016</u>	<u>YoY % (+/-)</u>
□ Net sales	9,254	9,003	-3
□ Gross profit	432	819	+90
□ EBITDA*	378	808	+113
□ Net profit after tax and minority interest	(337)	(376)	
□ Earnings per share**	(0.62)	(0.69)	
□ Net debt to equity	2.69	2.92	

*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:

“Continuing the trend we have seen in the first quarter of 2016, international steel markets remained weak during the second quarter and this, combined with the erratic volatility of the Egyptian financial environment, has led to us recording a loss during the period.

“However, our average overall operating margin has remained solid and we are seeing greater balance in the operating margin across the business units. This is due to the enhanced flexibility that we have built into our business model in recent years representing a first step towards gradual recovery.”

For further information:**ezzsteel**

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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 H1 2016 were EGP 9 billion, representing a decrease of three per cent year on year was mainly due to the timing of the holy month of Ramadan, which largely fell within the second quarter of 2016. Flat product prices were down by nine per cent versus the same period of last year while long product prices were up by three per cent during the same period.

Sales after elimination				
<i>EGPMn</i>	ESR/ERM	EZDK	EFS	Consolidated
Long	2,783	3,773	1,120	7,676
Flat	-	1,233	10	1,243
Others		79	5	84
Total	2,783	5,085	1,135	9,003

Long steel products accounted for EGP 7.7 billion, or 85 per cent of sales in H1 2016, while flat steel products represented 14 per cent of sales at EGP 1.2 billion. Long product exports accounted for three per cent of total long sales. Flat product exports accounted for 32 per cent of total flat sales.

Sales Value				
<i>EGPMn</i>	Domestic	per cent	Export	per cent
Long	7,473	97	203	3
Flat	844	68	398	32

Long sales volumes were 1.72 million tonnes during H1 2016, one per cent lower than the 1.73 thousand tonnes sold during the same period last year.

Flat sales volumes, which were concentrated at EZDK, fell by 15 per cent to 323 thousand tonnes in H1 2016, due to lower production, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 2,042 million tonnes in H1 2016, a decrease of three per cent from the 2,112 million tonnes sold in H1 2015.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2016 were 31 per cent, 56 per cent, and 13 per cent respectively.

Long steel production volumes totalled 1,636 thousand tonnes during H1 2016, flat compared to H1 2015. Flat steel production volumes decreased by six per cent to 361 thousand tonnes for the period, compared to 384 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2016 represented 91 per cent of sales, leading to an increase in gross profit margin from five per cent in H1 2015 to nine per cent in H1 2016.

EFS's Cost of Goods Sold was at 109 per cent, compared with 121 per cent in the same period last year and 133 per cent in Q4 2015. This reflects the slightly improved capacity utilization level at that facility. EZDK's COGS to sales ratio gradually improved to reach 91 per cent, versus 93 per cent in the prior year period, as the shortage of natural gas has been slightly ameliorated due to increased LNG imports into Egypt.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	2,831	5,068	1,138	9,003
COGS	2,353	4,632	1,242	8,184
COGS/Sales	83%	91%	109%	91%

Gross profit

Gross profit of EGP 819 million was recorded for H1 2016, an increase of 90 per cent from the EGP 432 million recorded in H1 2015.

EBITDA

EBITDA for H1 2016 amounted to EGP 808 million, representing an increase of 113 per cent from EGP 378 million in H1 2015.

Tax

During H1 2016 benefited from a deferred tax asset of EGP 143 million and income tax of EGP 10.8

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 376 million for H1 2016, 12 per cent higher than during the same period in 2015. This was mainly due to EGP 553 million of foreign exchange losses from the devaluation of the Egyptian pound during the period.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 3.8 billion and net debt of EGP 13.6 billion. The company has a gearing of Net Debt / Equity of 2.92 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

EZDK Sales (EGP):	H1 2015	H1 2016	
Value:	6,185	5,067	Mn
Volume:			
Long:	1,045,690	855,005	Tonnes
Flat:	380,901	320,153	Tonnes
Exports as % of Sales:			
Long:	4	6	
Flat:	37	38	
EBITDA:	416	461	Mn
Production:			
Long Products:	853,292	841,882	Tonnes
Flat Products:	384,118	337,640	Tonnes
Billets:	865,029	853,467	Tonnes
ESR/ERM Sales (EGP):			
Value:	2,952	2,831	Mn
Volume:	648,201	616,509	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	51	349	Mn
Production:			
Long Products:	595,218	567,563	Tonnes
Billets:	368,778	183,667	Tonnes
EFS Sales (EGP):			
Value:	906	1,138	Mn
Volume:			
Long:	199,205	254,573	Tonnes
Flat:	-	2,480	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	-	
EBITDA:	(97)	(7)	Mn
Production:			
Long Products:	193,664	227,050	Tonnes
Flat Products:	-	24,127	Tonnes
Billets:	24,859	217,361	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 6 month period ending 30 June 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.