



EZZSTEEL REPORTS CONSOLIDATED H1 2017 RESULTS

Cairo, 10 October 2017 – 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 2017. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>H1 2016</u>	<u>H1 2017</u>	<u>YoY % (+/-)</u>
□ Net sales	9,003	17,914	+99%
□ Gross profit	819	1,230	+50%
□ EBITDA*	808	1,322	+64%
□ Net profit after tax and minority interest	(376)	(1,071)	
□ Earnings per share**	(0.69)	(1.97)	
□ Net debt to equity	2.92	2.12	

*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 2017 ezzsteel registered a very low rate of utilization of its production capacities during the second quarter of the year.

The reason for this performance is the ongoing shortage in working capital facilities, which has been prevailing in Egypt since the severe devaluation of the Egyptian Currency. As a consequence, ezzsteel repeated in the second quarter the overall negative bottom line it had generated in the first quarter.

As soon as working capital will be made available, we shall increase our total output and take advantage of the expected improvement in Egyptian and international steel markets.”

For further information:**ezzsteel**

Kamel Galal	+20 2 3304 6060	+20 100 539 5499
Ahmed Saad	+20 2 3304 6060	

CNC Communications

Claire Maloney	+44 20 3755 1604	+44 7770 958 479
Maximilian Karpf	+44 20 3755 1631	+44 7970 716 953

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 per annum.

In 2016, the Company produced 3.3 million tonnes of long products (typically used in construction) and 944,000 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 2017 were EGP 17.9 billion, representing an increase of 99 per cent year on year. This increase in sales was largely due to the devaluation of the Egyptian currency and continued good long and flat steel market conditions. Flat sales increased by 351 per cent compared to the same period in the previous year while long sales increased by 58% year over year. This development was driven by recovering international demand while prices continued to improve, both internationally and in the domestic market. Flat product prices were up by 136 per cent versus the same period of last year. Long product prices improved by 82 per cent compared to the first six months of 2016.

Sales after elimination				
<i>EGPMn</i>	ESR/ERM	EZDK	EFS	Consolidated
Long	3,556	8,191	357	12,104
Flat	-	3,351	2,255	5,606
Others	-	169	35	203
Total	3,556	11,711	2,647	17,914

Long steel products accounted for EGP 12.1 billion, or 68 per cent of sales in H1 2017, while flat steel products represented 31 per cent of sales at EGP 5.6 billion. Long product exports accounted for 9 per cent of total long sales. Flat product exports accounted for 68 per cent of total flat sales.

Sales Value				
<i>EGPMn</i>	Domestic	per cent	Export	per cent
Long	10,962	91	1,142	9
Flat	1,782	32	3,824	68

Long sales volumes were 1.49 million tonnes during H1 2017, 13 per cent lower than the 1.72 thousand tonnes sold during the same period last year.

Flat sales volumes rose by 91 per cent to reach 617 thousand tonnes in H1 2017, showing the continued effects of stabilising export conditions following the effective free float of the Egyptian currency and increased international demand.

The group's consolidated sales volumes totalled 2.10 million tonnes in H1 2017, an increase of three per cent from the 2.04 million tonnes in H1 2016.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2017 were 20 per cent, 65 per cent, and 15 per cent respectively.

Long steel production volumes totalled 1.5 million tonnes during H1 2017, down eight per cent compared to H1 2016. Flat steel production volumes increased significantly by 85 per cent to reach 670 thousand tonnes for the period, compared to 362 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2017 represented 93 per cent of sales, leading to a decrease in gross profit margin from nine per cent in H1 2016 to seven per cent in H1 2017 due to the low capacity utilisation levels of operation at ESR/ERM and EFS

EFS's Cost of Goods Sold for H1 2017 represented 119 per cent of sales, compared with 109 per cent in the same period last year. This reflects the decreased utilization level at the facility. Long product capacity utilization in particular was down to 10 per cent, from 45 per cent in H1 2016. At the same time, flat capacity utilization at the facility increased from 4 per cent in H1 2016 to 41 per cent in H1 2017. EZDK continued to gradually improve its COGS to sales ratio to reach 87 per cent versus 91 per cent in the prior year period. This development came on the back of better access to natural gas following a period of low LNG imports to Egypt. At ESR/ERM, lower capacity utilization of 58 per cent compared to 76 per cent in the prior year period led to a weaker COGS/Sales performance of 97 percent (83 per cent in H1 2016).

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	5,462	11,896	2,742	17,914
COGS	5,324	10,351	3,264	16,684
COGS/Sales	97%	87%	119%	93%

Gross profit

Gross profit of EGP 1,230 million was recorded for H1 2017, an increase of 50 per cent from the EGP 819 million recorded in H1 2016.

EBITDA

EBITDA for H1 2017 amounted to EGP 1,322 million, representing an increase of 64 per cent from EGP 808 million in H1 2016.

Tax

During H1 2017, ezzsteel had deferred tax of EGP 274.5 million and tax liabilities of EGP 18.1 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 1,071 million for H1 2017.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 4.9 billion and net debt of EGP 19.2 billion. The company has a gearing of Net Debt / Equity of 2.12 times.

Outlook

As soon as working capital will be made available, we shall increase our total output and take advantage of the expected improvement in Egyptian and international steel markets.

Divisional Overview

EZDK Sales (EGP):	H1 2016	H1 2017	
Value:	5,068	11,896	Mn
Volume:			
Long:	855,005	1,030,255	Tonnes
Flat:	320,153	362,540	Tonnes
Exports as % of Sales:			
Long:	6	14	
Flat:	38	56	
EBITDA:	461	1,495	Mn
Production:			
Long Products:	841,882	1,025,171	Tonnes
Flat Products:	337,640	405,412	Tonnes
Billets:	853,467	1,108,826	Tonnes
ESR/ERM Sales (EGP):			
Value:	2,831	5,462	Mn
Volume:	616,509	444,201	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	349	88	Mn
Production:			
Long Products:	567,563	436,545	Tonnes
Billets:	183,667	314,121	Tonnes
EFS Sales (EGP):			
Value:	1,138	2,742	Mn
Volume:			
Long:	254,573	43,193	Tonnes
Flat:	2,480	254,136	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	2	92	
EBITDA:	(7)	(327)	Mn
Production:			
Long Products:	227,050	49,070	Tonnes
Flat Products:	24,127	264,851	Tonnes
Billets:	217,361	56,023	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 2017. 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.