



## EZZSTEEL REPORTS CONSOLIDATED H12014 RESULTS

**Cairo, 25 September 2014** – 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 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

	<i>EGP Million</i>	<b><u>H12013</u></b>	<b><u>H1 2014</u></b>	<b><u>YoY (+/-)</u></b>
• <b>Net sales</b>		11,141	<b>10,264</b>	-8%
• <b>Gross profit</b>		1,422	<b>598</b>	-58%
• <b>EBITDA*</b>		<b>1,436</b>	<b>595</b>	-59%
• <b>Net profit before tax and minority interest</b>		<b>857</b>	<b>-132</b>	-115%
• <b>Net profit after tax and minority interest</b>		302	<b>-176</b>	-158%
• <b>Earnings per share **</b>		0.56	<b>-0.32</b>	
• <b>Net debt to equity</b>		1.24x	<b>1.81x</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:

“The first half of 2014 has been a challenging period for the business, as the disrupted availability of utilities in Egypt has had a material impact on output and margins. As a consequence, we have suffered from a reduction in production at our steel plants, which has affected our sales volumes and our bottom line.

“We expect the operational efficiency of our business model to partially offset the negative impact of the detrimental conditions in which our industry will operate in Egypt during the remainder of 2014.”

## **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 5.8milliontonnes of finished steel.

In 2013, the Company produced 3.7 million tonnes of long products (typically used in construction) and 990 thousand 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 2014 were EGP 10.3 billion, which represents a decrease of 8 per cent year on year. This decrease in sales is due to a significant decrease in export volumes, especially long, as weakness in the international steel markets drove down realised selling prices and made it more attractive to sell into the domestic market. Long product prices were flat in the local market and consequently more attractive than in export markets. Flat export prices were down by 1 per cent, whilst local prices increased by 2 per cent, up on the previous quarter, as demand slowly started to pick up following the commencement of the Government's infrastructure programme and a more buoyant Egyptian economy following the conclusion of the Presidential election.

<b>Sales after elimination</b> <i>EGPMn</i>	<b>ESR/ERM</b>	<b>EZDK</b>	<b>EFS</b>	<b>Consolidated</b>
Long	2,769	4,245	995	<b>8,009</b>
Flat		2,103		<b>2,103</b>
Others		146	6	<b>152</b>
<b>Total</b>	<b>2,769</b>	<b>6,494</b>	<b>1,001</b>	<b>10,264</b>

Long steel products accounted for EGP 8 billion or 78 per cent of sales in H1 2014, while flat steel products represented 20 per cent of sales at EGP 2.1 billion. Long steel sales volumes were down 8 per cent, due to uncertainty leading up to the Presidential election in May. Long product exports accounted for 4 per cent of total long sales. Flat product exports accounted for 45 per cent of total flat sales.

<b>Sales Value</b> <i>EGPMn</i>	<b>Domestic</b>	<b>per cent</b>	<b>Export</b>	<b>per cent</b>
Long	7,673	96	336	4
Flat	1,167	55	936	45

Long sales volumes were 1.78 million tonnes during H1 2014, 8 per cent lower than the 1.94 million tonnes sold during the same period last year.

Flat sales volumes, which are concentrated at EZDK, fell by 10 per cent to 469,876 tonnes in H1 2014, due to lower production at EZDK. However, flat sales volumes were up 3 per cent on the previous quarter.

The group's consolidated sales volumes were a total of 2.3 million tonnes in H1 2014, a decrease of 9 per cent from the 2.5 million tonnes sold in H1 2013.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2014 were 27 per cent, 63 per cent, and 10 per cent respectively.

Long steel production volumes totalled 1.9 million tonnes during H1 2014, down 4 per cent compared to H1 2013. Flat steel production volumes decreased by 10 per cent to 451,825 tonnes for the period, compared to 504,583 tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2014 represented 94 per cent of sales, reflecting a decrease in gross profit margin from 13 per cent in H1 2013 to 6 per cent in H1 2014.

EFS's Cost of Goods Sold, at 114 per cent, reflects the low capacity utilization level currently at that facility. At EZDK, a continued shortage of natural gas impacted DRI production, which forced the company to use more expensive scrap.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	2,957	6,450	1,173	10,268
COGS	2,880	5,792	1,340	9,666
<b>COGS/Sales</b>	<b>97%</b>	<b>90%</b>	<b>114%</b>	<b>94%</b>

### Gross profit

Gross profit of EGP 598 billion was recorded for H1 2014, a decrease of 58 per cent from the EGP 1.4 billion recorded in H1 2013.

## **EBITDA**

EBITDA for H1 2014 amounted to EGP 595 million, representing a decrease of 59 per cent from EGP 1.4 billion in H1 2013.

## **Tax**

The company's tax charge decreased 95 per cent from EGP 235 million in H1 2013 to EGP11 million in H1 2014, a result of the decrease in the group's profitability during the period.

## **Net profit after tax and minority interests**

Net profit after tax and minority interests recorded a loss of EGP 176 million for H1 2014, in comparison to a profit of EGP 302 million for H1 2013.

## **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 1.4 billion and net debt of EGP 11.08 billion. The company has a gearing of Net Debt / Equity of 1.84 times.

In May, ezzsteel announced the early redemption of 4.4 mn bonds, amounting to EGP 440 mn, representing the total outstanding value of its bond programme.

## **Outlook**

The gradual return to political stability following successful elections, in addition to the implementation of large scale infrastructure projects, are expected to help to absorb the burden of additional production costs due to the drastic utility price increases in Egypt during 2014.

## Divisional Overview

<b>EZDK</b>		<b>H1 2013</b>	<b>H1 2014</b>	
<b>Sales (EGP):</b>				
	Value:	6,937	6,450	Mn
	Volume:			
	Long:	1,014,219	950,934	Tonnes
	Flat:	522,460	469,876	Tonnes
	Exports as % of Sales:			
	Long:	14	7	
	Flat:	46	45	
	EBITDA:	1.4	0.6	Bn
<b>Production:</b>				
	Long Products:	1,015,971	1,022,993	Tonnes
	Flat Products:	504,583	451,825	Tonnes
	Billets:	1,032,690	1,079,650	Tonnes
<b>ESR/ERM</b>				
<b>Sales (EGP):</b>				
	Value:	3,255	2,957	Mn
	Volume:	682,576	615,311	Tonnes
	Exports as % of Sales:	5	2	
	EBITDA:	79	5	Mn
<b>Production:</b>				
	Long Products:	698,835	639,006	Tonnes
	Billets:	393,032	394,078	Tonnes
<b>EFS</b>				
<b>Sales (EGP):</b>				
	Value:	1,331	1,173	Mn
	Volume:			
	Long:	246,400	219,750	Tonnes
	Flat:	0	0	Tonnes
	Exports as % of Sales:			
	Long:	0	0	
	Flat:	0	0	
	EBITDA:	-32	-84	Mn
<b>Production:</b>				
	Long Products:	247,369	224,091	Tonnes
	Flat Products:	0	0	Tonnes
	Billets:	282,124	232,186	Tonnes

– Ends –

**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 6month period ending 30 June 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.