



EZZSTEEL REPORTS CONSOLIDATED H1 2015 RESULTS

Cairo, 5 November 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 30 June 2015. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

	<i>EGP Million</i>	<u>H1 2014</u>	<u>H1 2015</u>	<u>YoY % (+/-)</u>
□ Net sales		10,264	9,254	-10
□ Gross profit		598	432	-28
□ EBITDA*		595	378	-36
□ Net profit before tax and minority interest		(132)	(513)	
□ Net profit after tax and minority interest		(176)	(337)	
□ Earnings per share **		(0.32)	(0.62)	
□ Net debt to equity		1.79x	2.69x	

* *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:

“During the first half of 2015 ezzsteel struggled against three major problems: The meltdown in the global steel sector, which has drastically reduced our exports and destabilised the structure of the local market; The erratic availability of utilities in our plants, which disturbed our industrial processes and decreased our output; The severe shortage of foreign currency, which has prevented us from ensuring the feedstock for our factories.

“Thanks to the efficiency of our business model, we were able to relatively contain the negative impact of such exceptional circumstances on our operating margins and we will continue to take mitigating measures for as long as these circumstances last.

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 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 H1 2015 were EGP 9.3 billion, representing a decrease of 10 per cent year on year. This decrease in sales is principally due to constant disruption of utilities and lack of natural gas. Long product prices were down by 3 per cent, while flat products were down by 5 per cent. Long export prices were down by 17 per cent and flat export prices have also declined by 17 per cent.

Sales after elimination	ESR/ERM	EZDK	EFS	Consolidated
<i>EGPMn</i>				
Long	2,650	4,051	831	7,532
Flat	-	1,617	-0	1,617
Others	-	100	5	105
Total	2,650	5,768	836	9,254

Long steel products accounted for EGP 7.5 billion, or 81 per cent of sales in H1 2015, while flat steel products represented 17 per cent of sales at EGP 1.6 billion. Long product exports accounted for 2 per cent of total long sales. Flat product exports accounted for 32 per cent of total flat sales.

Sales Value	Domestic	per cent	Export	per cent
<i>EGPMn</i>				
Long	7,374	98%	158	2%
Flat	1,102	68%	515	32%

Long sales volumes were 1.73 million tonnes during H1 2015, 3 per cent lower than the 1.78 million tonnes sold during the same period last year. The local market for long products continues to remain solid.

Flat sales volumes, which were concentrated at EZDK, fell by 19 per cent to 380,901 tonnes in H1 2015, as both the domestic and export market witnessed significant reductions in volumes, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 2.11 million tonnes in H1 2015, a decrease of 6 per cent from the 2.25 million tonnes sold in H1 2014.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2015 were 29 per cent, 62 per cent, and 9 per cent respectively.

Long steel production volumes totalled 1.64 million tonnes during H1 2015, down 13 per cent compared to H1 2014. Flat steel production volumes decreased by 15 per cent to 384,118 tonnes for the period, compared to 451,825 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2015 represented 95 per cent of sales, reflecting a decrease in gross profit margin from 6 per cent in H1 2014 to 5 per cent in H1 2015.

EFS's Cost of Goods Sold, at 121 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 replacement raw materials, thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	2,954	6,185	906	9,254
COGS	(2,772)	(5,759)	(1,093)	(8,821)
COGS/Sales	94%	93%	121%	95%

Gross profit

Gross profit of EGP 432 million was recorded for H1 2015, a decrease of 28 per cent from the EGP 598 million recorded in H1 2014.

EBITDA

EBITDA for H1 2015 amounted to EGP 378 million, representing a decrease of 36 per cent from EGP 595 million in H1 2014.

Tax

During H1 2015, ezzsteel had a tax rebate of EGP 78 million & a tax expense of EGP 3 million

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 337 million for H1 2015, in comparison to a loss of EGP 176 million for H1 2014.

Liquidity and capital resources

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.

At the end of the period, ezzsteel had cash on hand of EGP 2.81 billion and net debt of EGP 13 billion. The company has a gearing of Net Debt / Equity of 2.69 times.

Outlook

With the start of production of our new direct reduction plant in Suez during the last quarter 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> <u>Sales (EGP):</u>	H1 2014	H1 2015	
Value:	6,450	6,185	Mn
Volume:			
Long:	950,934	1,045,690	Tonnes
Flat:	469,876	380,901	Tonnes
Exports as % of Sales:			
Long:	7	4	
Flat:	45	37	
EBITDA:	645	416	Mn
Production:			
Long Products:	1,022,993	853,292	Tonnes
Flat Products:	451,825	384,118	Tonnes
Billets:	1,079,650	865,029	Tonnes
<u>ESR/ERM</u> <u>Sales (EGP):</u>			
Value:	2,957	2,952	Mn
Volume:	615,311	648,201	Tonnes
Exports as % of Sales:	2	-	
EBITDA:	5	51	Mn
Production:			
Long Products:	639,006	595,218	Tonnes
Billets:	394,078	368,778	Tonnes
<u>EFS</u> <u>Sales (EGP):</u>			
Value:	1,173	906	Mn
Volume:			
Long:	219,750	199,205	Tonnes
Flat:	-	-	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	-	
EBITDA:	(84)	(97)	Mn
Production:			
Long Products:	224,091	193,664	Tonnes
Flat Products:	-	-	Tonnes
Billets:	232,186	24,859	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 6 month period ending 30 June 2015. 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.