



## EZZSTEEL REPORTS CONSOLIDATED 9M 2015 RESULTS

**Cairo, 30 December 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 September 2015. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

	<i>EGP Million</i>	<b>9M 2014</b>	<b>9M 2015</b>	<b>YoY % (+/-)</b>
□ <b>Net sales</b>		14,881	<b>12,759</b>	-14%
□ <b>Gross profit</b>		513	<b>586</b>	14%
□ <b>Gross margin</b>		3%	<b>5%</b>	2 pts
□ <b>EBITDA*</b>		504	<b>533</b>	6%
□ <b>Net profit before tax and minority interest</b>		(571)	<b>(916)</b>	
□ <b>Net profit after tax and minority interest</b>		(461)	<b>(509)</b>	
□ <b>Earnings per share **</b>		(0.85)	(0.94)	
□ <b>Net debt to equity</b>		2.04x	2.89x	

\* *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*

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## Comment

Commenting on the results, Mr Paul Chekaiban, Chairman and Managing Director of ezzsteel, said:

“Despite the dramatic effects of the severe shortage in foreign currency and the erratic availability of energy in Egypt during the third quarter of 2015, ezzsteel was able to implement a number of mitigating measures which allowed us to slightly increase our gross margins.

“Though no improvement in the global steel sector is expected soon, we are confident that ezzsteel will witness a slow but steady recovery in the coming quarters.”

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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 9M 2015 were EGP 12.8 billion, representing a decrease of 14 per cent year on year. This decrease in sales is principally due to the continued disruption of utilities and lack of natural gas during the quarter. Long product prices were down by 3 per cent, while flat products were down by 6 per cent. Long export prices were down by 18 per cent and flat export prices have also declined by 18 per cent.

<b>Sales after elimination</b>	<b>ESR/ERM</b>	<b>EZDK</b>	<b>EFS</b>	<b>Consolidated</b>
<i>EGPMn</i>				
Long	3,984	5,592	879	<b>10,455</b>
Flat	-	2,171		<b>2,171</b>
Others	-	126	7	<b>133</b>
<b>Total</b>	<b>3,984</b>	<b>7,889</b>	<b>886</b>	<b>12,759</b>

Long steel products accounted for EGP 10.5 billion, or 82 per cent of sales in 9M 2015, while flat steel products represented 17 per cent of sales at EGP 2.1 billion. Long product exports accounted for 2 per cent of total long sales. Flat product exports accounted for 33 per cent of total flat sales.

<b>Sales Value</b>	<b>Domestic</b>	<b>per cent</b>	<b>Export</b>	<b>per cent</b>
<i>EGPMn</i>				
Long	10,268	98%	187	2%
Flat	1,447	67%	725	33%

Long sales volumes were 2.39 million tonnes during 9M 2015, 9 per cent lower than the 2.63 million tonnes sold during the same period last year. The local market for long products continues to remain solid, although the period suffered from seasonal effects, due to Ramadan and two Eid public holidays, which somewhat reduced local demand.

Flat sales volumes, which were concentrated at EZDK, fell by 17 per cent to 516,426 tonnes in 9M 2015, as both the domestic and export market witnessed significant reductions in volumes, as weak international markets made export sales of flat products uncommercial. The local market remained stronger, particularly for premium products, but could not absorb all of the excess production.

The group's consolidated sales volumes totalled 2.9 million tonnes in 9M 2015, a decrease of 10 per cent from the 3.3 million tonnes sold in 9M 2014.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 September 2015 were 31 per cent, 62 per cent, and 7 per cent respectively.

Long steel production volumes totalled 2.4 million tonnes during 9M 2015, down 14 per cent compared to 9M 2014. Flat steel production volumes, which were concentrated at EZDK, decreased by 7 per cent to 525,677 tonnes for the period, compared to 566,235 tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2015 represented 95 per cent of sales, reflecting an increase in gross profit margin from 3 per cent in 9M 2015 to 5 per cent in 9M 2015.

At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive replacement raw materials, thereby suppressing margin. ESR/ERM benefitted from a slightly stronger margin due to the greater availability and cheaper pricing of their inputs. EFS's Cost of Goods Sold, at 134 per cent, reflects the continued low capacity utilization level currently at that facility, with the melt shop remaining closed.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	4,307	8,303	957	12,759
COGS	3,927	7,783	1,287	12,173
<b>COGS/Sales</b>	<b>91%</b>	<b>94%</b>	<b>134%</b>	<b>95%</b>

### Gross profit

Gross profit of EGP 586 million was recorded for 9M 2015, an increase of 14 per cent from the EGP 513 million recorded in 9M 2014.

### EBITDA

EBITDA for 9M 2015 amounted to EGP 533 million, representing an increase of 6 per cent from EGP 504 million in 9M 2014.

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## **Tax**

During 9M 2015, ezzsteel had a tax rebate of EGP 179 million and a tax expense of EGP 4 million.

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

The net result after tax and minority interests was a loss of EGP 509 million for 9M 2015, in comparison to a loss of EGP 461 million for 9M 2014.

## **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 3.4 billion and net debt of EGP 13 billion. The company has a gearing of Net Debt / Equity of 2.89 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

<b><u>EZDK</u></b> <b>Sales (EGP):</b>		<b>9M 2014</b>	<b>9M 2015</b>	
Value:		9,317	8,303	Mn
Volume:				
Long:		1,423,249	1,404,002	Tonnes
Flat:		624,775	516,426	Tonnes
Exports as % of Sales:				
Long:		9	3	
Flat:		43	39	
EBITDA:		648,721	502,134	Mn
<b>Production:</b>				
Long Products:		1,524,641	1,264,692	Tonnes
Flat Products:		566,235	525,677	Tonnes
Billets:		1,551,648	1,313,630	Tonnes
<b><u>ESR/ERM</u></b> <b>Sales (EGP):</b>				
Value:		4,246	4,307	Mn
Volume:		897,182	957,536	Tonnes
Exports as % of Sales:		2	-	
EBITDA:		(48)	214	Mn
<b>Production:</b>				
Long Products:		920,548	937,338	Tonnes
Billets:		579,561	552,806	Tonnes
<b><u>EFS</u></b> <b>Sales (EGP):</b>				
Value:		1,655	957	Mn
Volume:				
Long:		317,045	203,529	Tonnes
Flat:		-	-	Tonnes
Exports as % of Sales:				
Long:		-	-	
Flat:		-	-	
EBITDA:		(132)	(193)	Mn
<b>Production:</b>				
Long Products:		337,838	196,206	Tonnes
Flat Products:		-	-	Tonnes
Billets:		319,306	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 9 month period ending 30 September 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.