



EZZSTEEL REPORTS CONSOLIDATED Q1 2017 RESULTS

Cairo, 18 July 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 31 March 2017. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Mn

	<u>Q1 2016</u>	<u>Q1 2017</u>	<u>YoY % (+/-)</u>
□ Net sales	4,967	8,113	+63
□ Gross profit	487	542	+11
□ EBITDA*	498	616	+24
□ Net profit before tax and minority interest	(346)	(347)	
□ Net profit after tax and minority interest	(137)	(521)	
□ Earnings per share**	(0.25)	(0.98)	
□ Net debt to equity	2.47x	2.04x	

*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 quarter of 2017, ezzsteel suffered from a very low rate of utilization of its production capacities due to an acute shortage in working capital facilities deriving from the significant devaluation of the Egyptian currency. As a consequence, the tonnage of steel produced and sold fell short of absorbing all relevant costs which led to an overall negative bottom line.”

“In the coming quarters, we expect to gradually cover our working capital gap which will substantially increase our total output and solidly consolidate our path towards a sustained recovery.”

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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 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 Q1 2017 were EGP 8.1 billion, representing an increase of 63 per cent year on year. The increase in sales was largely due to a 346 per cent increase in flat sales revenues in the first quarter, compared to the same period in 2016. This development was driven by stronger international demand and better export conditions following the effective free float of the Egyptian currency. Additionally, long and flat sales prices grew both in the domestic and export market in the first quarter of 2017. Flat export prices gained the most momentum, reaching EGP 8,000 per ton, up 168 per cent from EGP 3,000 per ton in Q1 2017

Sales after elimination				
EGPMn	ESR/ERM	EZDK	EFS	Consolidated
Long	1,723	3,427	109	5,259
Flat	-	1,712	1,040	2,752
Others	-	80	22	102
Total	1,723	5,219	1,171	8,113

Long steel products accounted for EGP 5.3 billion, or 65 per cent of sales in Q1 2017, while flat steel products represented 34 per cent of sales at EGP 2.7 billion. Long product exports accounted for 8 per cent of total long sales, up from less than 1 per cent in Q1 2016. Flat product exports accounted for 64 per cent of total flat sales.

Sales Value				
EGPMn	Domestic	per cent	Export	per cent
Long	4,843	92%	416	8%
Flat	1,002	36%	1,750	64%

Long sales volumes were 673 thousand tonnes during Q1 2017, 34 per cent lower than the 1 million tonnes sold during the same period last year.

Flat sales volumes rose by 89 per cent to reach 321 thousand tonnes in Q1 2017, with production having stabilised due to the better export conditions following the effective free float of the Egyptian currency and increased domestic and international demand.

The group's consolidated sales volumes totalled 995 thousand tonnes in Q1 2017, a decrease of 16 per cent from the 1.19 million tonnes sold in Q1 2016.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2017 were 21 per cent, 65 per cent, and 14 per cent respectively.

Long steel production volumes totalled 777 thousand tonnes during Q1 2017, down 8 per cent compared to Q1 2016. Flat steel production volumes increased by 107 per cent to 325 thousand tonnes for the period, compared to 157 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for Q1 2017 represented 93 per cent of sales, reflecting a decrease in gross profit margin from 10 per cent in Q1 2016 to 7 per cent in Q1 2017.

While EZDK managed to improve its COGS/Sales margin by more than 3 per cent to 88 per cent, EFS's Cost of Goods Sold for the first quarter 2017 was at 121 per cent – a similar level as seen in 2015. This reflects the weaker capacity utilisation at the facility.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	2,707	5,276	1,174	8,113
COGS	2,580	4,657	1,415	7,572
COGS/Sales	95%	88%	121%	93%

Gross profit

Gross profit of EGP 542 million was recorded for Q1 2017, an increase of 11 per cent from the EGP 487 million recorded in Q1 2016.

EBITDA

EBITDA for Q1 2017 amounted to EGP 616 million, representing an increase of 24 per cent from EGP 498 million in Q1 2016.

Tax

In Q1 2017, ezzsteel had tax liabilities of EGP 146 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 521 million for Q1 2017.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 4.64 billion and net debt of EGP 19.7 billion. The company has a gearing of Net Debt / Equity of 2.04 times.

Outlook

“In the coming quarters, we expect to gradually cover our working capital gap which will substantially increase our total output and solidly consolidate our path towards a sustained recovery.”

Divisional Overview

EZDK Sales (EGP):	Q1 2016	Q1 2017	
Value:	2,731	5,276	Mn
Volume:			
Long:	495,309	446,244	Tonnes
Flat:	169,936	197,523	Tonnes
Exports as % of Sales:			
Long:	1	12	
Flat:	28	54	
EBITDA:	252	620	Mn
Production:			
Long Products:	416,549	516,739	Tonnes
Flat Products:	155,933	178,136	Tonnes
Billets:	408,598	549,948	Tonnes
ESR/ERM Sales (EGP):			
Value:	1,464	2,707	Mn
Volume:	344,354	225,578	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	180	106	Mn
Production:			
Long Products:	284,070	245,277	Tonnes
Billets:	71,430	185,530	Tonnes
EFS Sales (EGP):			
Value:	780	1,174	Mn
Volume:			
Long:	181,576	14,010	Tonnes
Flat:	-	124,180	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	89	
EBITDA:	63	(146)	Mn
Production:			
Long Products:	142,367	14,844	Tonnes
Flat Products:	1,298	147,354	Tonnes
Billets:	128,136	5,367	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 3 month period ending 31 March 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.