



EZZSTEEL REPORTS CONSOLIDATED FY 2017 RESULTS

Cairo, 29 March 2018 – 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 12 month period ending 31 December 2017. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>FY 2016</u>	<u>FY 2017</u>	<u>YoY % (+/-)</u>
• Net sales	23,189	41,742	+80
• Gross profit	2,512	4,355	+73
• EBITDA*	2,404	4,420	+84
• Net profit after tax and minority interest	162	(1,580)	
• Earnings per share**	0.30	(2,91)	
• Net debt to equity	1.87	2.15	

*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:

“In 2017, after several years of disturbed activity, ezzsteel returned to normal industrial operating mode. Firstly, we did not suffer any interruptions to our electricity or natural gas supplies. Secondly, the foreign currency needed for the purchase of our imported raw materials was made available without limitation.

At the same time, we benefited from a favourable market environment. The sustained recovery in the international steel sector coupled with the anti-dumping duties applied in Egypt allowed us to improve our selling prices and therefore substantially increase our global turnover.

However, we were not able to run our plants at capacity because of an acute shortage in working capital facilities due to the significant devaluation of the Egyptian currency. As a result, our consolidated bottom-line remained negative throughout the year, though it slightly improved quarter by quarter.

We are confident that the readjustment of our working capital lines will be completed in the coming period, which will enable us to fully benefit from the prevailing favourable conditions in the local and international steel markets.”

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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 2017, the company produced 3.4 million tonnes of long products (typically used in construction) and 1.1 million 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 FY 2017 were EGP 41.7 billion, representing an increase of 80 per cent year on year. Fourth quarter 2017 revenues increased by 8 per cent over the previous quarter and 50 per cent over the same period in 2016. Flat product sales, in particular, saw strong growth of 136 per cent year on year, reaching net sales of EGP 10.9 billion up from EGP 4.6 billion in 2016.

During 2017, prices in Egyptian pounds increased significantly reflecting the steep devaluation of the Egyptian currency that took place at the end of 2016. In the local market long steel prices were up 71 per cent while flat steel prices improved by 95 percent. Both long and flat export prices increased by 88 per cent compared to the prior year.

Sales after elimination				
EGPMn	ESR/ERM	EZDK	EFS	Consolidated
Long	8,596	18,665	3,201	30,462
Flat	-	8,523	2,378	10,901
Others		329	50	379
Total	8,596	27,517	5,629	41,742

Long steel products accounted for EGP 30.5 billion, or 73 per cent of sales in FY 2017, while flat steel products represented 26 per cent of sales at EGP 10.9 billion. Long product exports accounted for seven per cent of total long sales. Flat product exports accounted for 58 per cent of total flat sales, up 10 percentage points from FY 2016.

Sales Value				
EGPMn	Domestic	per cent	Export	per cent
Long	28,454	93	2,008	7
Flat	4,537	42	6,364	58

Long sales volumes reached 3.3 million tonnes during FY 2017, three per cent lower than the 3.4 million tonnes sold during the same period last year. The local market for long products contracted slightly, with local sales volumes decreasing by 7 per cent. At the same time, the export market for long products developed very strongly, with volumes up 114 per cent year on year. The total value of long product sales for the full year 2017 grew by 66 per cent compared to the previous year.

Flat sales volumes, at EZDK and EFS, rose by 25 per cent to 1.13 million tonnes in FY 2017. While the local market remained stable as volumes decreased by just three per cent, 2017 saw a significant increase of 52 per cent in exported flat products.

The group's consolidated sales volumes totalled 4.5 million tonnes in FY 2017, a slight increase of three per cent from the previous year.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the period ending 31 December 2017 were approximately 21 per cent, 66 per cent, and 13 per cent respectively.

Long steel production volumes totalled 3.4 million tonnes during FY 2017, up two per cent compared to FY 2016. Flat steel production volumes increased by 22 per cent to 1.15 million tonnes for the period, compared to 944 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold (COGS) for FY 2016 represented 90 per cent of sales, 1 percentage point higher than in the previous year, leading to a decrease in gross profit margin of 1 percentage points, from 11 per cent in FY 2016 to 10 per cent in FY 2017.

EFS's COGS to sales ratio was at 113 per cent, ESR/ERM's COGS to sales ratio was 96 per cent while EZDK's COGS to sales ratio was 85 per cent. However, COGS to sales ratios improved by one percentage point respectively across all three facilities compared to 9M 2017.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	13,294	30,300	6,731	41,742
COGS	12,700	25,819	7,582	37,407
COGS/Sales	96%	85%	113%	90%

Gross profit

Gross profit of EGP 4.3 billion was recorded for FY 2017, an increase of 73 per cent from the EGP 2.5 billion recorded in FY 2016.

EBITDA

EBITDA for FY 2017 amounted to EGP 4.4 billion, representing an increase of 84 per cent from EGP 2.4 billion in FY 2016.

Tax

During 2017, ezzsteel had deferred tax liabilities of EGP 766.1 million and income tax expense of EGP 133.4 million

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 1.58 billion for FY 2017, compared to a profit of EGP 162 million during the same period in 2016.

Liquidity and capital resources

At the end of 2017, ezzsteel had cash on hand of EGP 4.7 billion and net debt of EGP 18.9 billion. The company has a gearing of Net Debt / Equity of 2.15 times.

Outlook

We are confident that the readjustment of our working capital lines will be completed in the coming period, which will enable us to fully benefit from the prevailing favourable conditions in the local and international steel markets.

Divisional Overview

EZDK Sales (EGP):	FY 2016	FY 2017	
Value:	13,511	30,300	Mn
Volume:			
Long:	1,824,049	2,343,517	Tonnes
Flat:	733,910	866,655	Tonnes
Exports as % of Sales:			
Long:	6	10	
Flat:	43	52	
EBITDA:	1,951	4,257	Mn
Production:			
Long Products:	1,771,058	2,081,790	Tonnes
Flat Products:	753,575	886,766	Tonnes
Billets:	1,821,325	2,197,856	Tonnes
ESR/ERM Sales (EGP):			
Value:	6,877	13,294	Mn
Volume:	1,201,961	963,393	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	395	487	Mn
Production:			
Long Products:	1,138,237	959,713	Tonnes
Billets:	514,676	592,659	Tonnes
EFS Sales (EGP):			
Value:	3,365	6,731	Mn
Volume:			
Long:	441,679	333,716	Tonnes
Flat:	173,634	268,127	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	82	91	
EBITDA:	(22)	(431)	Mn
Production:			
Long Products:	395,425	344,111	Tonnes
Flat Products:	190,484	264,851	Tonnes
Billets:	301,832	469,338	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 12 month period ending 31 December 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.