



## EZZSTEEL REPORTS CONSOLIDATED 9M 2016 RESULTS

**Cairo, 15 December 2016** – 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 2016. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

#### EGPMn

	<u>9M 2015</u>	<u>9M 2016</u>	<u>YoY % (+/-)</u>
□ Net sales	12,759	<b>14,920</b>	+17
□ Gross profit	586	<b>1,458</b>	+149
□ EBITDA*	533	<b>1,390</b>	+161
□ Net profit after tax and minority interest	(509)	<b>(564)</b>	
□ Earnings per share**	(0.94)	(1.04)	
□ Net debt to equity	2.89	2.96	

\*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 the first nine months of 2016, international steel markets remained heavily depressed and the financial crisis in Egypt reached unprecedented levels. As a consequence, and despite a drastic improvement in its operating margins, ezzsteel registered a negative overall performance during the period. Since then, the free float of the Egyptian currency and increases in international steel prices have opened the way for a long awaited gradual recovery.”

## For further information:

### ezzsteel

Kamel Galal	+20 2 3304 6060	+20 100 539 5499
Ashraf El Ghannam	+20 2 3304 6060	
Ahmed Saad	+20 2 3304 6060	

### CNC Communications

Claire Maloney	+44 20 3219 8803	+44 7770 958 479
Maximilian Karpf	+44 20 3817 9937	+44 7921 078 920

## 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 2015, the Company produced 3.2 million tonnes of long products (typically used in construction) and 636,000 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 2016 were EGP 14.9 billion, representing an increase of 17 per cent year on year. The quarter on quarter picture is even stronger, with net sales in Q3 2016 increasing by 47% over Q2 2016. Long product prices were up by nine per cent versus the same period of last year, while flat product prices fell by two per cent during the same period. Quarter on quarter long product prices rose by eight per cent in Q3 2016 over Q2 2016. Long export prices were up by eight per cent while flat export prices declined by six per cent for 9M 2016 compared to the prior year period.

<b>Sales after elimination</b>				
<b>EGPMn</b>	<b>ESR/ERM</b>	<b>EZDK</b>	<b>EFS</b>	<b>Consolidated</b>
Long	4,512	6,310	1,674	<b>12,496</b>
Flat	-	2,095	199	<b>2,294</b>
Others	-	120	10	<b>130</b>
<b>Total</b>	<b>4,512</b>	<b>8,525</b>	<b>1,883</b>	<b>14,920</b>

Long steel products accounted for EGP 12.5 billion, or 84 per cent of sales in 9M 2016, while flat steel products represented 15 per cent of sales at EGP 2.3 billion. Long product exports accounted for three per cent of total long sales. Flat product exports accounted for 34 per cent of total flat sales.

<b>Sales Value</b>				
<b>EGPMn</b>	<b>Domestic</b>	<b>per cent</b>	<b>Export</b>	<b>per cent</b>
Long	12,216	98	280	2
Flat	1,515	66	779	34

Long sales volumes were 2.64 million tonnes during 9M 2016, ten per cent higher than the 2.39 million tonnes sold during the same period last year. The local market remained very solid, with volumes increasing by ten per cent. The value of long product sales grew by 20 per cent year on year.

Flat sales volumes, at EZDK and EFS, rose by eight per cent to 559 thousand tonnes in 9M 2016. This was due to a 65 per cent increase in exported flat products in Q3 2016 (compared to Q2 2016).

The group's consolidated sales volumes totalled 3.2 million tonnes in 9M 2016, an increase of ten per cent from the 2.9 million tonnes sold in 9M 2015.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the 9M period ending 30 September 2016 were 30 per cent, 57 per cent, and 13 per cent respectively.

Long steel production volumes totalled 2,534 thousand tonnes during 9M 2016, up six per cent compared to 9M 2015. Flat steel production volumes increased by 17 per cent to 615 thousand tonnes for the period, compared to 526 thousand tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2016 represented 90 per cent of sales, leading to an increase in gross profit margin from five per cent in 9M 2015 to ten per cent in 9M 2016.

EFS's Cost of Goods Sold to sales ratio was at 110 per cent, compared with 134 per cent in the same period last year. This reflects the improved capacity utilization level at that facility. EZDK's COGS to sales ratio gradually improved to reach 87 per cent, versus 94 per cent in the 9M 2015 period, as the shortage of natural gas has been slightly ameliorated due to increased LNG imports into Egypt.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	4,561	8,501	1,889	14,920
COGS	4,004	7,430	2,074	13,462
<b>COGS/Sales</b>	<b>88%</b>	<b>87%</b>	<b>110%</b>	<b>90%</b>

### Gross profit

Gross profit of EGP 1,458 million was recorded for 9M 2016, an increase of 149 per cent from the EGP 586 million recorded in 9M 2015.

### EBITDA

EBITDA for 9M 2016 amounted to EGP 1,390 million, representing an increase of 161 per cent from EGP 533 million in 9M 2015.

### Tax

During 9M 2016, ezzsteel benefited from a deferred tax asset of EGP 39 million and paid income tax of EGP 11.5 million.

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

The net result after tax and minority interests was a loss of EGP 564 million for 9M 2016, 10.8 per cent higher than during the same period in 2015. This was mainly due to EGP 618 million of foreign exchange losses from the devaluation of the Egyptian pound during the period.

### **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 3.8 billion and total debt of EGP 17.1 billion. The company has a gearing of Net Debt / Equity of 2.96 times.

### **Outlook**

The free float of the Egyptian currency, the increases in international steel prices and the improvement of operating margins are expected to trigger a sustained turnaround of ezzsteel's performance in the coming periods.

## Divisional Overview

<b>EZDK Sales (EGP):</b>	<b>9M 2015</b>	<b>9M 2016</b>	
Value:	8,303	8,501	Mn
Volume:			
Long:	1,404,002	1,342,799	Tonnes
Flat:	516,426	500,459	Tonnes
Exports as % of Sales:			
Long:	4	6	
Flat:	39	37	
EBITDA:	502	1,083	Mn
<b>Production:</b>			
Long Products:	1,264,692	1,314,252	Tonnes
Flat Products:	525,677	542,814	Tonnes
Billets:	1,313,630	1,351,251	Tonnes
<b>ESR/ERM Sales (EGP):</b>			
Value:	4,307	4,561	Mn
Volume:	957,536	941,618	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	214	336	Mn
<b>Production:</b>			
Long Products:	937,338	880,736	Tonnes
Billets:	552,806	348,289	Tonnes
<b>EFS Sales (EGP):</b>			
Value:	957	1,889	Mn
Volume:			
Long:	203,529	365,913	Tonnes
Flat:	-	58,583	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	72	
EBITDA:	(193)	(39)	Mn
<b>Production:</b>			
Long Products:	196,206	339,469	Tonnes
Flat Products:	-	72,645	Tonnes
Billets:	24,859	294,114	Tonnes

- Ends -