



EZZSTEEL REPORTS CONSOLIDATED FY 2018 RESULTS

Cairo, 09 May 2019 – 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 2018. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>FY 2017</u>	<u>FY 2018</u>	<u>YoY % (+/-)</u>
□ Net sales	41,742	49,162	+18
□ Gross profit	4,335	5,578	+29
□ EBITDA*	4,420	5,437	+23
□ Net profit after tax and minority interest	(1,580)	(1,643)	
□ Earnings per share**	(2.91)	(3.03)	
□ Net debt to equity	2.15	3.84	

*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 2018 Ezzsteel achieved a long overdue operational turnaround registering all-time records in the following fundamental items:

- Production: 4.9 million tons of fully integrated finished steel products
- Turnover: 49 billion Egyptian Pounds in global sales
- Gross Profit: 5.6 billion Egyptian Pounds of operational margin
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Such outstanding industrial performance allowed us to partially mitigate the severe adverse circumstances that we had to face during the year:

We suffered from a free fall in the selling prices of our finished products due to the lack of adequate response by the Egyptian Authorities to the unfair and unlawful trade tariffs imposed on steel products by most countries.

We also had to bear detrimental costs of energy and funding due to the exceptionally restrictive economic policy applied by the Egyptian Authorities.

These factors translated into a consolidated bottom line loss comparable to the one generated in 2017.

In the coming periods we expect the Egyptian Authorities to take the appropriate measures in order to alleviate the unfair and adverse circumstances affecting our company, allowing us to fully benefit from the continued improvement of our operational performance.

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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 7 million tonnes of finished steel.

In 2018, the company produced 3.5 million tonnes of long products (typically used in construction) and 1.4 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 2018 were EGP 49.2 billion, representing an increase of 18 per cent year on year. Fourth quarter 2018 revenues stood at EGP 11.7 billion, slightly down by 2 per cent from the previous quarter and 5 per cent from the same period in 2017. This was due to lower volumes of long products, which were partly offset by a higher average price in 2018 and strong flat sales, particularly in the domestic market.

During 2018, prices in Egyptian pound continued to rise albeit not as strongly as in 2017 following the steep devaluation of the Egyptian currency at the end of 2016. In the local market long steel prices were up 17 per cent while flat steel prices improved by 11 percent. In the export market, long product prices increased by 25 and flat products were up by 19 per cent compared to the prior year.

Sales after elimination				
EGPMn	ESR/ERM	EZDK	EFS	Consolidated
Long	8,640	19,248	5,863	33,751
Flat	-	11,671	3,246	14,917
Others	-	459	35	494
Total	8,640	31,378	9,144	49,162

Long steel products accounted for EGP 33.8 billion, or 69 per cent of sales in FY 2018, while flat steel products represented 30 per cent of sales at EGP 14.9 billion. Long product exports accounted for seven per cent of total long sales. Flat product exports accounted for 53 per cent of total flat sales.

Sales Value				
EGPMn	Domestic	per cent	Export	per cent
Long	31,328	93	2,423	7
Flat	7,035	47	7,882	53

Long sales volumes reached 3.1 million tonnes during FY 2018, six per cent lower than the 3.3 million tonnes sold during the same period last year as both the local and export markets for long products contracted slightly. However, due to the price increases in both domestic and international markets, the total value of long product sales for the full year 2018 grew by 11 per cent compared to the previous year.

Flat sales volumes rose by 18 per cent to 1.34 million tonnes in FY 2018. While the export market only grew slightly at 4 per cent, demand in the local market grew strongly with sales volumes up by 40 per cent.

The group's consolidated sales volumes totalled 4.5 million tonnes in FY 2018, flat on the previous year.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the period ending 31 December 2018 were approximately 18 per cent, 63 per cent, and 19 per cent respectively.

Long steel production volumes totalled 3.5 million tonnes during FY 2018, up two per cent compared to FY 2017. Flat steel production volumes increased by 22 per cent to 1.4 million tonnes for the period, compared to 1.15 million tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold (COGS) for FY 2018 represented 89 per cent of sales, an improvement of 1 percentage point compared to the previous year, leading to an increase in gross profit margin of 1 percentage point to 11 per cent compared to 10 per cent for FY 2017.

EFS's COGS to sales ratio was at 110 per cent, ESR/ERM's COGS to sales ratio was 94 per cent while EZDK's COGS to sales ratio was 85 per cent.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	14,042	36,099	9,789	49,162
COGS	13,137	30,620	10,732	43,584
COGS/Sales	94%	85%	110%	89%

Gross profit

Gross profit of EGP 5.6 billion was recorded for FY 2018, an increase of 29 per cent from the EGP 4.3 billion recorded in FY 2017.

EBITDA

EBITDA for FY 2018 amounted to EGP 5.4 billion, representing an increase of 23 per cent from EGP 4.4 billion in FY 2017.

Tax

During 2018, ezzsteel had deferred tax liabilities of EGP 329 million and income tax expense of EGP 771 million.

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 1.64 billion for FY 2018, compared to a loss of EGP 1.58 billion during the same period in 2017.

Liquidity and capital resources

At the end of 2018, ezzsteel had cash on hand of EGP 2.6 billion and net debt of EGP 24.1 billion. The company has a gearing of Net Debt / Equity of 3.84 times.

Outlook

In the coming periods we expect the Egyptian Authorities to take the appropriate measures in order to alleviate the unfair and adverse circumstances affecting our company, allowing us to fully benefit from the continued improvement of our operational performance.

Divisional Overview

The below figures represent sales before elimination.

EZDK Sales (EGP):	FY 2017	FY 2018	
Value:	30,300	36,099	Mn
Volume:			
Long:	2,343,517	2,247,946	Tonnes
Flat:	866,655	1,025,362	Tonnes
Exports as % of Sales:			
Long:	10	10	
Flat:	52	48	
EBITDA:	4,257	5,280	Mn
Production:			
Long Products:	2,081,790	2,032,980	Tonnes
Flat Products:	886,766	1,080,745	Tonnes
Billets:	2,197,856	2,071,328	Tonnes
ESR/ERM Sales (EGP):			
Value:	13,294	14,042	Mn
Volume:	963,393	804,834	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	488	609	Mn
Production:			
Long Products:	959,713	847,566	Tonnes
Billets:	592,659	684,476	Tonnes
DRI:	799,460	1,206,120	Tonnes
EFS Sales (EGP):			
Value:	6,731	9,789	Mn
Volume:			
Long:	333,716	564,492	Tonnes
Flat:	268,127	314,357	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	91	75	
EBITDA:	(431)	(540)	Mn
Production:			
Long Products:	344,111	583,358	Tonnes
Flat Products:	264,851	328,939	Tonnes
Billets:	469,338	598,119	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 2018. 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.