



## EZZSTEEL REPORTS CONSOLIDATED Q1 2015 RESULTS

**Cairo, 20 August 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 31 March 2015. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

	<i>EGP Million</i>	<u>Q1 2014</u>	<u>Q1 2015</u>	<u>YoY % (+/-)</u>
□ <b>Net sales</b>		5,287	4,793	-9
□ <b>Gross profit</b>		372	222	-40
□ <b>EBITDA*</b>		387	198	-49
□ <b>Net profit before tax and minority interest</b>		33	(208)	
□ <b>Net profit after tax and minority interest</b>		(19)	(136)	
□ <b>Earnings per share **</b>		(0.03)	(0.25)	
□ <b>Net debt to equity</b>		1.40x	2.49x	

*\*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 quarter of 2015, the operating environment in Egypt remained extremely challenging for industry in general and for steel production in particular. Moreover, ezzsteel was not able to source sufficient foreign currency, due to a major change in the regulations of the banking sector. As a consequence, we had to limit imports of raw materials and to reduce the volume of our production and sales, which has negatively impacted margins and the bottom line.

“In coordination with the parties concerned, ezzsteel is implementing a number of corrective measures which will partially improve our performance during the remainder of 2015.”

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**For further information:**

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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 Q1 2015 were EGP 4.8 billion, representing a decrease of 9 per cent year on year. This decrease in sales is principally due to constant disruption of utilities and lack of natural gas. Long product prices were down by 3%, while flat products were up by 2%. Long export prices were down by 12% and flat export prices have declined by 2%.

<b>Sales after elimination</b>	<b>ESR/ERM</b>	<b>EZDK</b>	<b>EFS</b>	<b>Consolidated</b>
<i>EGPMn</i>				
Long	1,338	2,200	354	<b>3,892</b>
Flat	-	842	-	<b>842</b>
Others	-	56	3	<b>59</b>
<b>Total</b>	<b>1,338</b>	<b>3,098</b>	<b>357</b>	<b>4,793</b>

Long steel products accounted for EGP 3.9 billion, or 82 per cent of sales in Q1 2015, while flat steel products represented 18 per cent of sales at EGP 842 million. Long product exports accounted for less than one per cent of total long sales. Flat product exports accounted for 25 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	3,876	100	17	0
Flat	635	75	208	25

Long sales volumes were 889 thousand tonnes during Q1 2015, 4 per cent lower than the 929 thousand tonnes sold during the same period last year. During the period, the company took the strategic decision to maintain a relatively consistent market position, despite weaker pricing.

Flat sales volumes, which were concentrated at EZDK, fell by 19 per cent to 187,965 tonnes in Q1 2015, due to lower production. Both the domestic and export market saw significant reductions in volumes, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 1.07 million tonnes in Q1 2015, a decrease of 7 per cent from the 1.16 million tonnes sold in Q1 2014.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2015 were 28 per cent, 65 per cent, and 7 per cent respectively.

Long steel production volumes totalled 776,172 tonnes during Q1 2015, down 21 per cent compared to Q1 2014. Flat steel production volumes decreased by 10 per cent to 199,457 tonnes for the period, compared to 221,279 tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for Q1 2015 represented 95 per cent of sales, reflecting a decrease in gross profit margin from 7 per cent in Q1 2014 to 5 per cent in Q1 2015.

EFS's Cost of Goods Sold, at 125 per cent, reflects the continued low capacity utilization level currently at that facility. At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive replacement raw materials and thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	1,358	3,320	365	4,793
COGS	1,316	3,053	458	4,571
<b>COGS/Sales</b>	<b>97%</b>	<b>92%</b>	<b>125%</b>	<b>95%</b>

### Gross profit

Gross profit of EGP 222 million was recorded for Q1 2015, a decrease of 40 per cent from the EGP 372 Million recorded in Q1 2014.

### EBITDA

EBITDA for Q1 2015 amounted to EGP 198 million, representing a decrease of 49 per cent from EGP 387 million in Q1 2014.

### Tax

During Q1 2015, ezzsteel had a tax charge of EGP 2m and benefited from an additional deferred tax asset of EGP 65 million.

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

Net result after tax and minority interests recorded a loss of EGP 136 million for Q1 2015, in comparison to a loss of EGP 19 million for Q1 2014.

### **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 2.38 billion and net debt of EGP 13 billion. The company has a gearing of Net Debt / Equity of 2.51 times.

### **Post period events**

On the 18 January 2015, ezzsteel announced that it had signed an EGP 1.7 billion, long term loan agreement with the National Bank of Egypt, as lead arranger & facility agent, and Arab African International Bank, as lead arranger & security agent. The funds raised will help the company to restructure existing facilities.

On 18 April 2015, the Egyptian Trade Ministry announced that it would impose an eight percent import tariff on rebar - reinforced steel bars - for three years.

### **Outlook**

With the expected start of production of our new direct reduction plant in Suez by the end 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>Q1 2014</b>	<b>Q1 2015</b>	
Value:	3,303	3,320	Mn
Volume:			
Long:	498,090	561,594	Tonnes
Flat:	231,544	187,965	Tonnes
Exports as % of Sales:			
Long:	6	0.8	
Flat:	47	27	
EBITDA:	369	265	Mn
<b>Production:</b>			
Long Products:	530,001	418,275	Tonnes
Flat Products:	221,279	199,457	Tonnes
Billets:	533,724	500,317	Tonnes
<b><u>ESR/ERM</u></b> <b>Sales (EGP):</b>			
Value:	1,665	1,357	Mn
Volume:	332,613	305,477	Tonnes
Exports as % of Sales:	2	-	
EBITDA:	42	(16)	Mn
<b>Production:</b>			
Long Products:	341,073	283,060	Tonnes
Billets:	211,273	168,884	Tonnes
<b><u>EFS</u></b> <b>Sales (EGP):</b>			
Value:	626	365	Mn
Volume:			
Long:	102,266	80,931	Tonnes
Flat:	-	-	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	-	
EBITDA:	(41)	(48)	Mn
<b>Production:</b>			
Long Products:	111,572	74,837	Tonnes
Flat Products:	-	-	Tonnes
Billets:	119,393	0	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 3 month period ending 31 March 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.