



EZZSTEEL REPORTS CONSOLIDATED FY 2015 RESULTS

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

Key highlights

	<i>EGP Million</i>	FY 2014	FY2015	YoY % (+/-)
□ Net sales		19,398	16,641	-14
□ Gross profit		691	1,108	+61
□ EBITDA*		649	1,013	+56
□ Net profit before tax and minority interest		(862)	(721)	+16
□ Net profit after tax and minority interest		(697)	(418)	+40
□ Earnings per share **		(1.28)	(0.77)	
□ Net debt to equity		2.40	2.64	

**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 2015, ezzsteel registered a second consecutive year of negative performance. This was a direct consequence of two main factors: the ongoing crisis in the global steel sector; and the monetary turmoil in the Egyptian economy.

“There are preliminary signals of a slight improvement in international steel markets, and some promising signs of decisive monetary action by the Egyptian Authorities. These allow us to be more optimistic on a long term basis, although we expect short-term performance to remain as challenging as it has been for the past two years.”

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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 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 FY 2015 were EGP 16.6 billion, representing a decrease of 14 per cent year on year. This decrease in sales was principally due to constant disruption of utilities, especially during the summer months. Despite this, quarterly sales grew by 11% between Q3 and Q4 2015, reflecting improving market conditions and a more stable situation in the utilities and gas market during the period.

Long product prices were down 3.3% and flat products were down 2.0% in the local market, while long export prices were down 18.7% and flat export prices were down 17.1%.

Sales after elimination <i>EGPMn</i>	ESR/ERM	EZDK	EFS	Consolidated
Long	5,334	7,482	1,057	13,873
Flat		2,600		2,600
Others		159	9	168
Total	5,334	10,241	1,066	16,641

Long steel products accounted for EGP 13.9 billion, or 83 per cent of sales in FY 2015, while flat steel products represented 16 per cent of sales at EGP 2.6 billion. Long product exports accounted for 1 per cent of total long sales. Flat product exports accounted for 30 per cent of total flat sales.

Sales Value <i>EGPMn</i>	Domestic	per cent	Export	per cent
Long	13,674	99	199	1
Flat	1,814	70	786	30

Long sales volumes were 3.2 million tonnes during FY 2015, 8 per cent lower than the 3.44 million 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 23 per cent to 616,662 tonnes in FY 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 3.8 million tonnes in FY 2015, a decrease of 10 per cent from the 4.2 million tonnes sold in FY 2014.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2015 were 32 per cent, 62 per cent, and 6 per cent respectively.

Long steel production volumes totalled 3.2 million tonnes during FY 2015, down 10 per cent compared to FY 2014. Flat steel production volumes decreased by 19 per cent to 636,184 tonnes for the period, compared to 789,729 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2015 represented 93 per cent of sales, reflecting an increase in gross profit margin of 3 percentage points, from 4 per cent in FY 2014 to 7 per cent in FY 2015.

EFS's Cost of Goods Sold, at 134 per cent, reflected the low capacity utilization level currently at that facility, although long production was restarted in Q4 2015. At EZDK, the shortage of natural gas earlier in the year had impacted DRI production, forcing the company to use more expensive scrap and thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	5,668	10,644	1,145	16,641
COGS	5,011	9,820	1,536	15,533
COGS/Sales	88%	92%	134%	93%

Gross profit

Gross profit of EGP 1.1 billion was recorded for FY 2015, an increase of 60 per cent from the EGP 691 million recorded in FY 2014.

EBITDA

EBITDA for FY 2015 amounted to EGP 1 billion, representing an increase of 56 per cent from EGP 649 million in FY 2014.

Tax

During 2014, ezzsteel had a tax charge of EGP 7m and benefited from an additional deferred tax asset of EGP 186 million.

Net result after tax and minority interests

Net result after tax and minority interests was a loss of EGP 418 million for FY 2015, in comparison to a loss of EGP 697 million for FY 2014. This was principally caused by the higher interest expense associated with the company's refinancing of its debt in January 2015.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 4.8 billion and net debt of EGP 13 billion. The company has a gearing of Net Debt / Equity of 2.64 times.

On the 18th of January 2015, the company announced that it had signed an EGP 1.7 billion long term loan agreement with the National Bank of Egypt. The funds have since helped the company effectively restructure existing facilities.

Outlook 2016

Following the successful start-up of our new DRI facility at Suez during 2015, ezzsteel will benefit from greater flexibility in respect of raw materials, and, combined with increased access to natural gas and utilities, this will enable us to improve our operating margins.

Divisional Overview

<u>EZDK</u>		FY 2014	FY 2015	
<u>Sales (EGP):</u>				
	Value:	12,131	10,644	Mn
	Volume:			
	Long:	1,863,247	1,836,419	Tonnes
	Flat:	796,716	616,662	Tonnes
	Exports as % of Sales:			
	Long:	7	3	
	Flat:	42	35	
	EBITDA:	875	824	Mn
Production:				
	Long Products:	1,976,894	1,684,859	Tonnes
	Flat Products:	789,729	636,184	Tonnes
	Billets:	2,038,082	1,772,644	Tonnes
<u>ESR/ERM</u>				
<u>Sales (EGP):</u>				
	Value:	5,658	5,668	Mn
	Volume:	1,204,043	1,263,203	Tonnes
	Exports as % of Sales:	1%		
	EBITDA:	(41)	383	Mn
Production:				
	Long Products:	1,227,470	1,246,228	Tonnes
	Billets:	742,531	722,203	Tonnes
<u>EFS</u>				
<u>Sales (EGP):</u>				
	Value:	1,954	1,144	Mn
	Volume:			
	Long:	379,094	244,583	Tonnes
	EBITDA:	(223)	(208)	Mn
Production:				
	Long Products:	388,896	285,484	Tonnes
	Billets:	331,866	107,120	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 12 month period ending 31 December 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