



ezzsteel REPORTS CONSOLIDATED Q12014 RESULTS

Cairo, 18 August 2014 – 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 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

	<i>EGP Million</i>	<u>Q12013</u>	<u>Q1 2014</u>	<u>YoY (+/-)</u>
• Net sales		5,581	5,287	-5%
• Gross profit		760	372	-51%
• EBITDA*		777	387	-50%
• Net profit before tax and minority interest		499	33	-93%
• Net profit after tax and minority interest		202	(19)	-109%
• Earnings per share **		0.38	-0.03	
• Net debt to equity		1.20x	1.41x	

**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 2014, ezzsteel has achieved weaker performance due to the disrupted availability of utilities in our country which directly affected the production in all our steel plants.

We expect the operational efficiency of our business model to partially offset the negative impact of the detrimental general conditions in which our industry will operate in Egypt during the remainder of 2014.”

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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 5.8million tonnes of finished steel.

In 2013, the Company produced 3.7 million tonnes of long products (typically used in construction) and 990 thousand 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 2014 were EGP 5.3 billion, which represents a decrease of 5 per cent year on year. This decrease in sales is partly due to a significant decrease in export volumes, despite higher realized selling prices, a result of the weakness in the international steel markets. Long product prices increased by 3.4 per cent year on year in the local market, while flat steel export prices increased by 3 per cent.

Sales after elimination <i>EGP Mn</i>	ESR/ERM	EZDK	EFS	Consolidated
Long	1,494	2,227	459	4,180
Flat		1,018		1,018
Others		86	3	89
Total	1,494	3,331	462	5,287

Long steel products accounted for EGP 4.2 billion or 79 per cent of sales in Q1 2014, while flat steel products represented 19 per cent of sales at EGP 1.0 billion. Long steel sales volumes were down 8 per cent, due to uncertainty leading up to presidential election in May. With this uncertainty removed, the company has seen a more normal return to demand. Long product exports accounted for 4 per cent of total long sales value. Flat product exports accounted for 45 per cent of total flat sales.

Sales Value <i>EGP Mn</i>	Domestic	per cent	Export	per cent
Long	4,030	96	150	4
Flat	562	55	456	45

Long steel sales volumes were 929 thousand tonnes during Q1 2014, down 8 per cent on the 1 million tonnes sold during the same period last year but up 1 per cent on the previous quarter.

Flat steel sales volumes fell by 13 per cent to 231,544 tonnes in Q1 2014, due to lower production at EZDK.

The group's consolidated sales volume was 1.2 million tonnes in Q1 2014, a decrease of 9 per cent on the 1.3 million tonnes sold in Q1 2013.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2014 were 28 per cent, 63 per cent, and 9 per cent respectively.

Long steel production volumes totalled 983 million tonnes during Q1 2014, down 3% on Q1 2013. Flat steel production volumes decreased by 14.7 per cent to 221,279 tonnes for the period, compared to 259,468 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for Q1 2014 represented 93 per cent of sales, reflecting a decrease in gross profit margin from 14 per cent in Q1 2013 to 7 per cent in Q1 2014.

The increase in Cost of Goods Sold across EZDK, EFS and ESR/ERM reflects the decrease in capacity utilization level at all the facilities. At EZDK, a shortage of natural gas impacted DRI production which forced the company to use more expensive scrap.

<i>EGP Mn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	1,665	3,303	626	5,287
COGS	1,590	2,942	709	4,914
COGS/Sales	96%	89%	113%	93%

Gross profit

Gross profit of EGP 372 million was recorded for Q1 2014, a decrease of 51 per cent from the EGP 760 million recorded in Q1 2013.

EBITDA

EBITDA for Q1 2014 amounted to EGP 387 million, representing a decrease of 50 per cent from EGP 777 million in Q1 2013.

Tax

The company's tax charge decreased 90 per cent from EGP 128 million in Q1 2013 to EGP 13 million in Q1 2014.

Net profit after tax and minority interests

Net Profit after tax and minority interests recorded a loss of EGP 19 million for Q12014, in comparison to a profit of EGP 202 million for Q1 2013.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.9 billion and net debt of EGP 9.2 billion. The company has a gearing of Net Debt / Equity of 1.41 times.

Post-period developments

In May, ezzsteel announced the early redemption of 4.4 mn bonds, amounting to EGP 440 mn, representing the total outstanding value of its bond programme.

Outlook

The gradual return to political stability following successful elections in addition to the implementation of large scale infrastructure projects , are expected to help in absorbing the burden of additional production costs deriving from drastic price increases of utilities in Egypt during 2014.

Divisional Overview

EZDK		Q1 2013	Q1 2014	
Sales (EGP):				
	Value:	3,421	3,303	Mn
	Volume:			
	Long:	519,596	498,090	Tonnes
	Flat:	266,764	231,544	Tonnes
	Exports as % of Sales:			
	Long:	14	6	
	Flat:	47	47	
	EBITDA:	719	369	Mn
Production:				
	Long Products:	519,373	530,001	Tonnes
	Flat Products:	259,468	221,279	Tonnes
	Billets:	523,533	533,724	Tonnes
ESR/ERM				
Sales (EGP):				
	Value:	1,546	1,665	Mn
	Volume:	349,156	332,612	Tonnes
	Exports as % of Sales:	0	0	
	EBITDA:	70	42	Mn
Production:				
	Long Products:	351,422	341,073	Tonnes
	Billets:	205,289	211,273	Tonnes
EFS				
Sales (EGP):				
	Value:	647	626	Mn
	Volume:			
	Long:	140,371	102,226	Tonnes
	Flat:	0	0	Tonnes
	Exports as % of Sales:			
	Long:	0	0	
	Flat:	0	0	
	EBITDA:	-16	-41	Mn
Production:				
	Long Products:	142,424	111,572	Tonnes
	Flat Products:	0	0	Tonnes
	Billets:	130,232	119,393	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 2014. 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 FSA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.