



## EZZSTEEL REPORTS CONSOLIDATED 9M 2014 RESULTS

**Cairo, 17 February 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 30 September 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

	<i>EGP Million</i>	<u>9M2013</u>	<u>9M2014</u>	<u>YoY (+/-)</u>
• <b>Net sales</b>		15,981	<b>14,881</b>	-7%
• <b>Gross profit</b>		1,848	<b>513</b>	-72%
• <b>EBITDA*</b>		1,847	<b>504</b>	-73%
• <b>Net Result before tax and minority interest</b>		896	<b>-571</b>	
• <b>Net Result after tax and minority interest</b>		217	<b>-461</b>	
• <b>Earnings per share **</b>		0.40	<b>-0.85</b>	
• <b>Net debt to equity</b>		1.29x	<b>2.11x</b>	

*\*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:

“During the third quarter of 2014, ezzsteel suffered from the negative impact of three main factors;

The sudden deterioration of the global steel market, which provoked a surge in the import of dumped steel products into the Egyptian market; the constant disruption of utilities during the summer season, which stopped our production facilities and drastically reduced our total output; the unprecedented increase in energy prices and the severe shortage in foreign currencies in Egypt, which inflated our manufacturing costs.

In coordination with the respective concerned parties, ezzsteel has implemented a number of corrective measures, which we hope will gradually rebalance our performance in the coming year.”

### **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	

#### **Capital MSL**

Nick Bastin	+44 20 3219 8814	+44 7931 500 066
Richard Gotla	+44 20 3219 8819	+44 7957 486 985

### **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 9M 2014 were EGP 14.9 billion, representing a decrease of 7 per cent year on year. This decrease in sales is principally due to constant disruption of utilities especially during the summer months. Long product prices were up 1% in the local market, while flat export prices were unchanged.

Local flat prices were also unchanged year on year, but up slightly on the previous quarter, as demand cautiously started to pick up, possibly anticipating a more buoyant Egyptian economy following the conclusion of the Presidential election.

<b>Sales after elimination</b>	<b>ESR/ERM</b>	<b>EZDK</b>	<b>EFS</b>	<b>Consolidated</b>
<i>EGPMn</i>				
Long	4,058	6,373	1,437	<b>11,868</b>
Flat		2,808		<b>2,808</b>
Others		195	10	<b>205</b>
<b>Total</b>	<b>4,058</b>	<b>9,376</b>	<b>1,447</b>	<b>14,881</b>

Long steel products accounted for EGP 12 billion or 80 per cent of sales in 9M 2014, while flat steel products represented 19 per cent of sales at EGP 2.8 billion. Long product exports accounted for 5 per cent of total long sales. Flat product exports accounted for 41 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	11,286	95	582	5
Flat	1,644	59	1,164	41

Long sales volumes were 2.63 million tonnes during 9M 2014, 7 per cent lower than the 2.82 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 14 per cent to 624,775 tonnes in 9M 2014, 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 3.3 million tonnes in 9M 2014, a decrease of 7 per cent from the 3.6 million tonnes sold in 9M 2013.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 September 2014 were 27 per cent, 63 per cent, and 10 per cent respectively.

Long steel production volumes totalled 2.8 million tonnes during 9M 2014, down 1 per cent compared to 9M 2013. Flat steel production volumes decreased by 23 per cent to 566,235 tonnes for the period, compared to 733,786 tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2014 represented 97 per cent of sales, reflecting a decrease in gross profit margin from 12 per cent in 9M 2013 to 3 per cent in 9M 2014.

EFS's Cost of Goods Sold, at 115 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 scrap and thereby suppressing margin.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	4,245	9,317	1,655	14,881
COGS	4,182	8,648	1,911	14,369
<b>COGS/Sales</b>	<b>99%</b>	<b>93%</b>	<b>115%</b>	<b>97%</b>

## **Gross profit**

Gross profit of EGP 513 Million was recorded for 9M 2014, a decrease of 72 per cent from the EGP 1.8 billion recorded in 9M 2013.

## **EBITDA**

EBITDA for 9M 2014 amounted to EGP 504 million, representing a decrease of 73 per cent from EGP 1.8 billion in 9M 2013.

## **Tax**

The company's deferred tax assets amounted to EGP 97 million during the period and the company's income tax expense amounted to EGP 55 million during the period

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

Net result after tax and minority interests recorded a loss of EGP 461 million for 9M 2014, in comparison to a profit of EGP 218 million for 9M 2013.

## **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 1.1 billion and net debt of EGP 12.83 billion. The company has a gearing of Net Debt / Equity of 2.11 times.

## **Outlook**

The continued weakness in the global steel sector, and the detrimental conditions in which our industry operates in Egypt, are the main ongoing challenges that ezzsteel will be facing for the foreseeable future.

To address these challenges, ezzsteel has taken a number of corrective measures which will gradually rebalance our performance in the coming year.

## Divisional Overview

<b><u>EZDK</u></b>			
<b><u>Sales (EGP):</u></b>		<b>9M 2013</b>	<b>9M 2014</b>
Value:		10,122	9,317 Mn
Volume:			
Long:		1,524,350	1,423,429 Tonnes
Flat:		727,560	624,775 Tonnes
Exports as % of Sales:			
Long:		13	9
Flat:		46	43
EBITDA:		1.9	0.6 Bn
<b>Production:</b>			
Long Products:		1,509,533	1,524,641 Tonnes
Flat Products:		733,786	566,235 Tonnes
Billets:		1,554,309	1,551,648 Tonnes
<b><u>ESR/ERM</u></b>			
<b><u>Sales (EGP):</u></b>			
Value:		4,748	4,246 Mn
Volume:		994,225	961,790 Tonnes
Exports as % of Sales:		7	2
EBITDA:		70	-48 Mn
<b>Production:</b>			
Long Products:		1,005,765	920,548 Tonnes
Billets:		581,274	579,561 Tonnes
<b><u>EFS</u></b>			
<b><u>Sales (EGP):</u></b>			
Value:		1,717	1,655 Mn
Volume:			
Long:		307,559	317,045 Tonnes
Flat:		0	0 Tonnes
Exports as % of Sales:			
Long:		0	0
Flat:		0	0
EBITDA:		-99	-131 Mn
<b>Production:</b>			
Long Products:		307,240	337,838 Tonnes
Flat Products:		0	0 Tonnes
Billets:		370,154	319,306 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 9 month period ending 30 September 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 FCA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.