



EZZSTEEL REPORTS CONSOLIDATED FY 2016 RESULTS

Cairo, 23 May 2017 – 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 2016. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	<u>FY 2015</u>	<u>FY 2016</u>	<u>YoY % (+/-)</u>
□ Net sales	16,641	23,189	+39
□ Gross profit	1,108	2,512	+127
□ EBITDA*	1,013	2,404	+137
□ Net profit after tax and minority interest	(418)	162	
□ Earnings per share**	(0.77)	0.30	
□ Net debt to equity	2.64	1.87	

*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 2016, following an initial nine month period of constant deterioration in international steel markets and of acute deepening of the financial crisis in Egypt, ezzsteel witnessed a successful turnaround in the last quarter of the year. The effective free-float of the Egyptian currency and the sustained increase in international steel prices led to a significant improvement in ezzsteel’s performance, allowing us to register an overall comfortable breakeven for the full year 2016.

Following two consecutive years of negative results, ezzsteel has started its solid recovery in line with the prevailing operating conditions in the global and Egyptian steel sectors.”

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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 2016, the Company produced 3.3 million tonnes of long products (typically used in construction) and 944,000 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 2016 were EGP 23.2 billion, representing an increase of 39 per cent year on year. The main contributor was improved operating conditions in the second half of the year, with sales growing by 47 per cent in Q3 2016 and 40 per cent in Q4 2016 over the respective previous quarters. Flat product sales, in particular, saw strong growth of 77 per cent year on year, reaching net sales of EGP 4.6 billion up from EGP 2.6 billion in 2015.

During 2016, local and global steel prices started to recover. Long product prices in the local market were up by 22 per cent year on year while flat product prices rose by 17 per cent. Both long and flat export prices increased by 34 per cent compared to the prior year .

Sales after elimination				
EGPMn	ESR/ERM	EZDK	EFS	Consolidated
Long	6,371	9,695	2,336	18,402
Flat	-	3,686	927	4,613
Others		156	18	174
Total	6,371	13,537	3,281	23,189

Long steel products accounted for EGP 18.4 billion, or 79 per cent of sales in FY 2016, while flat steel products represented 20 per cent of sales at EGP 4.6 billion. Long product exports accounted for three per cent of total long sales. Flat product exports accounted for 48 per cent of total flat sales, up from 30 per cent in FY 2015 and 34 per cent for 9M 2016.

Sales Value				
EGPMn	Domestic	per cent	Export	per cent
Long	17,905	97	498	3
Flat	2,386	52	2,227	48

Long sales volumes reached 3.5 million tonnes during FY 2016, 9 per cent higher than the 3.2 million tonnes sold during the same period last year. The local market for long products remained very solid, with volumes increasing by 7 per cent. The total value of long product sales grew by 33 per cent year on year.

Flat sales volumes, at EZDK and EFS, rose by 47 per cent to 907,554 tonnes in FY 2016. This was due to solid growth of 12 per cent in the local market and an increase of 112 per cent in exported flat products in FY 2016.

The group's consolidated sales volumes totalled 4.4 million tonnes in FY 2016, an increase of 15 per cent from the 3.8 million tonnes sold in FY 2015.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the period ending 31 December 2016 were approximately 27 per cent, 58 per cent, and 14 per cent respectively.

Long steel production volumes totalled 3.3 million tonnes during FY 2016, up three per cent compared to FY 2015. Flat steel production volumes increased by 48 per cent to 944 thousand tonnes for the period, compared to 636 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold (COGS) for FY 2016 represented 89 per cent of sales, leading to an increase in gross profit margin of 4 percentage points, from seven per cent in FY 2015 to 11 per cent in FY 2016.

EFS's COGS to sales ratio was at 108 per cent, compared with 134 per cent in the same period last year. This reflects the improved capacity utilization level at that facility. EZDK's COGS to sales ratio gradually improved to reach 85 per cent, versus 92 per cent in the FY 2015 period, as the shortage of natural gas has been slightly ameliorated due to increased LNG imports into Egypt, allowing for increased DRI production.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	6,877	13,511	3,365	23,189
COGS	6,217	11,437	3,619	20,677
COGS/Sales	90%	85%	108%	89%

Gross profit

Gross profit of EGP 2.5 billion was recorded for FY 2016, an increase of 127 per cent from the EGP 1.1 billion recorded in FY 2015.

EBITDA

EBITDA for FY 2016 amounted to EGP 2.4 billion, representing an increase of 137 per cent from EGP 1 billion in FY 2015.

Tax

During 2016, ezzsteel had tax liabilities of EGP 328 million.

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Net result after tax and minority interests

The net result after tax and minority interests was EGP 162 million for FY 2016, compared to a loss of EGP 418 million during the same period in 2015.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 5.1 billion and Net debt of EGP 19.1 billion. The company has a gearing of Net Debt / Equity of 1.87 times.

Outlook

Following two consecutive years of negative results, ezzsteel has started its solid recovery in line with the prevailing operating conditions in the global and Egyptian steel sectors.”

Divisional Overview

EZDK Sales (EGP):	FY 2015	FY 2016	
Value:	10,644	13,511	Mn
Volume:			
Long:	1,836,419	1,824,049	Tonnes
Flat:	616,662	733,910	Tonnes
Exports as % of Sales:			
Long:	3	5	
Flat:	35	40	
EBITDA:	824	1,951	Mn
Production:			
Long Products:	1,684,859	1,771,058	Tonnes
Flat Products:	636,184	753,575	Tonnes
Billets:	1,772,644	1,821,325	Tonnes
ESR/ERM Sales (EGP):			
Value:	5,668	6,877	Mn
Volume:	1,263,203	1,201,961	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	383	395	Mn
Production:			
Long Products:	1,246,228	1,138,237	Tonnes
Billets:	722,203	514,676	Tonnes
EFS Sales (EGP):			
Value:	1,144	3,365	Mn
Volume:			
Long:	244,583	441,679	Tonnes
Flat:	-	173,634	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	79	
EBITDA:	(207)	(22)	Mn
Production:			
Long Products:	285,484	395,425	Tonnes
Flat Products:	-	190,484	Tonnes
Billets:	107,120	301,832	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 2016. 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.