



EZZSTEEL REPORTS CONSOLIDATED Q1 2018 RESULTS

Cairo, 05 June 2018 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent steel producer in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 March 2018. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Mn

	<u>Q1 2017</u>	<u>Q1 2018</u>	<u>YoY % (+/-)</u>
□ Net sales	8,113	12,608	+55
□ Gross profit	542	1,761	+225
□ EBITDA*	616	1,787	+190
□ Net profit after tax and minority interest	(521)	(67)	
□ Earnings per share**	(0.96)	(0.12)	
□ Net debt to equity	2.04x	2.15x	

*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 first quarter of 2018, ezzsteel achieved the long overdue final step towards recovery. We managed to increase the volume of our production and of our sales, and we improved our average selling price, which translated into substantial increment in our global turnover. We finally raised our Gross Profit Margin allowing us to register a quasi-breakeven in our consolidated results.

In the coming periods the pace of growth of our bottom line will be dictated on one side by the impact on Global Steel Sector of trade protective measures, and on the other side by the resilience of Egyptian economy to the international monetary disturbance.”

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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 2017, the Company produced 3.4 million tonnes of long products (typically used in construction) and 1.1 million 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 2018 were EGP 12.6 billion, representing an increase of 55 per cent year on year. The increase in sales was largely due to a 75 per cent increase in long sales revenues in the first quarter, which was supported by a combination of higher volumes and the prevailing favourable price environment.

Long steel prices in both the domestic and export markets climbed more than 30% compared to the same period in 2017. Flat export prices also gained momentum, reaching EGP more than 10,000 per ton, up 32 per cent from approximately EGP 8,000 per ton in Q1 2017.

Sales after elimination				
EGPMn	ESR/ERM	EZDK	EFS	Consolidated
Long	2,412	5,093	1,705	9,210
Flat	-	2,938	311	3,249
Others		140	9	149
Total	2,412	8,171	2,025	12,608

Long steel products accounted for EGP 9.2 billion, or 73 per cent of sales in Q1 2018, while flat steel products represented 26 per cent of sales at EGP 3.2 billion. Long product exports accounted for 7 per cent of total long sales, while flat product exports accounted for 48 per cent of total flat sales.

Sales Value				
EGPMn	Domestic	per cent	Export	per cent
Long	8,545	93%	665	7%
Flat	1,705	52%	1,544	48%

Long sales volumes were 876 thousand tonnes during Q1 2018, representing an increase of 30 per cent compared to the 673 thousand tonnes sold during the same period last year.

Flat sales volumes decreased by 6 per cent to reach 303 thousand tonnes in Q1 2018. This was mainly due to a 33 per cent decline in flat exports, while domestic sales grew strongly by 50 per cent.

The group's consolidated sales volumes totalled 1,18 thousand tonnes in Q1 2018, an increase of 18 per cent from the 996 thousand tonnes sold in Q1 2017.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 March 2018 were 19 per cent, 65 per cent, and 16 per cent respectively.

Long steel production volumes totalled 857 thousand tonnes during Q1 2018, up 10 per cent compared to Q1 2017. Flat steel production volumes were flat at 326 thousand tonnes for the period.

Cost of Goods Sold

Consolidated Cost of Goods Sold for Q1 2018 represented 86 per cent of sales, reflecting an increase in gross profit margin of more than 7 percentage points year-on-year to 14 per cent in Q1 2018.

In the first quarter of 2018, all three facilities improved their COGS/Sales margins. At EZDK, COGS/Sales margins improved by 3 percentage points to 85 per cent while ESR/ERM reported a COGS/Sales margins of 90 per cent, representing an improvement of 5 per cent. Over the same period, EFS COGS/Sales margins also improved significantly by 16 percentage points to 105 per cent, reflecting better capacity utilization at the facility.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	3,828	9,620	2,312	12,608
COGS	3,431	8,195	2,426	10,847
COGS/Sales	90%	85%	105%	86%

Gross profit

Gross profit of EGP 1,76 million was recorded for Q1 2018, an increase of 225 per cent from the EGP 542 million in Q1 2017.

EBITDA

EBITDA for Q1 2018 amounted to EGP 1,79 million, representing an increase of 190 per cent from EGP 616 million in Q1 2017.

Tax

In Q1 2018, ezzsteel had deferred liabilities of EGP 43 million and income tax expense of EGP 236.1 million.

Net result after tax and minority interests

The net result after tax and minority interests was a loss of EGP 67 million for Q1 2018, significantly lower than the loss of EGP 521 million in the prior year period.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 5.8 billion and net debt of EGP 19.2 billion. The company has a gearing of Net Debt / Equity of 2.15 times.

Outlook

In the coming periods the pace of growth of our bottom line will be dictated on one side by the impact on Global Steel Sector of trade protective measures, and on the other side by the resilience of Egyptian economy to the international monetary disturbance.

Divisional Overview

EZDK Sales (EGP):	Q1 2017	Q1 2018	
Value:	5,276	9,620	Mn
Volume:			
Long:	446,244	624,286	Tonnes
Flat:	197,523	272,090	Tonnes
Exports as % of Sales:			
Long:	12	10	
Flat:	54	48	
EBITDA:	620	1,388	Mn
Production:			
Long Products:	516,739	462,836	Tonnes
Flat Products:	178,136	276,879	Tonnes
Billets:	549,948	511,739	Tonnes
ESR/ERM Sales (EGP):			
Value:	2,707	3,828	Mn
Volume:	225,578	227,674	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	106	351	Mn
Production:			
Long Products:	245,277	230,700	Tonnes
Billets:	185,530	147,809	Tonnes
DRI	143,435	272,503	
EFS Sales (EGP):			
Value:	1,174	2,312	Mn
Volume:			
Long:	14,010	168,895	Tonnes
Flat:	124,180	30,445	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	88	49	
EBITDA:	(146)	(4)	Mn
Production:			
Long Products:	14,844	163,533	Tonnes
Flat Products:	147,354	49,126	Tonnes
Billets:	5,367	196,937	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 3 month period ending 31 March 2018. 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.