



## EZZSTEEL REPORTS CONSOLIDATED H1 2018 RESULTS

**Cairo, 06 September 2018** – 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 June 2018. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

#### EGPMn

	<u>H1 2017</u>	<u>H1 2018</u>	<u>YoY % (+/-)</u>
□ <b>Net sales</b>	17,914	25,493	+42%
□ <b>Gross profit</b>	1,230	3,485	+183%
□ <b>EBITDA*</b>	1,322	3,495	+164%
□ <b>Net profit after tax and minority interest</b>	(1,071)	(389)	
□ <b>Earnings per share**</b>	(1.97)	(0.72)	
□ <b>Net debt to equity</b>	2.12	2.53	

\*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 line with the trend we saw in the first quarter of 2018, ezzsteel repeated its operational performance in the second quarter of the year, leading to the consolidation of a stable recovery.

Year on year we substantially increased our global turnover through the combined effect of higher average selling prices and incremented production and sales volumes.

In the coming periods, the positive impact of improved performance on our bottom line is expected to be hindered by the growing disturbance in the global steel sector coming from the erratic implementation in most of the countries of ongoing trade protective measures.”

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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 per annum.

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 H1 2018 were EGP 25.5 billion, representing an increase of 42 per cent year on year. This increase was largely due to a strong increase in long sales of more than 50 per cent in the first half of 2018 compared to the same period in 2017. Flat sales also increased, with ezzsteel reporting a 19 per cent rise in H1 2018 year on year. This development was largely driven by improved domestic demand, especially for flat products, and continued improvements in price per ton for both long and flat products in domestic and international markets. In Egypt, long product prices were up 32 per cent and flat prices increased by 14 per cent. Internationally, prices rose 29 per cent for long and 23 per cent for flat products sold during the first half of 2018.

Sales after elimination				
<i>EGPMn</i>	ESR/ERM	EZDK	EFS	Consolidated
Long	4,563	10,842	3,181	<b>18,586</b>
Flat	-	5,948	702	<b>6,650</b>
Others		240	17	<b>257</b>
<b>Total</b>	<b>4,563</b>	<b>17,030</b>	<b>3,900</b>	<b>25,493</b>

Long steel products accounted for EGP 18.6 billion, or 73 per cent of sales in H1 2018, while flat steel products represented 26 per cent of sales at EGP 6.6 billion. Long product exports accounted for 8 per cent of total long sales. Flat product exports accounted for 45 per cent of total flat sales.

Sales Value				
<i>EGPMn</i>	Domestic	per cent	Export	per cent
Long	17,179	92	1,406	8
Flat	3,661	55	2,989	45

Long sales volumes were 1.73 million tonnes during H1 2018, 16 per cent higher than the 1.49 million tonnes sold during the same period last year. Consolidated flat sales volumes declined slightly by 2 per cent to 603 thousand tonnes in H1 2018.

The group's consolidated sales volumes totalled 2.3 million tonnes in H1 2018, an increase of 11 per cent from the 2.1 million tonnes in H1 2017.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2018 were 18 per cent, 67 per cent, and 15 per cent respectively.

Long steel production volumes totalled 1.7 million tonnes during H1 2018, up 13 per cent compared to H1 2017. Flat steel production volumes decreased slightly by 3 per cent to 652 thousand tonnes for the period, compared to 670 thousand tonnes in the previous year.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2018 represented 86 per cent of sales, leading to an increase in gross profit margin from 7 per cent in H1 2017 to 14 per cent in H1 2018 due to the higher capacity utilisation levels, particularly long steel and billet production, at EFS.

EFS's Cost of Goods Sold for H1 2018 represented 108 per cent of sales, compared with 119 per cent in the same period last year. This reflects the increased utilization level at the facility. EZDK gradually improved its COGS to sales ratio once again to reach 84 per cent, representing an improvement of 3 percentage points compared to the previous half-year period. At ESR/ERM, COGS/Sales performance improved from 97 per cent in H1 2017 to 92 per cent in H1 2018.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	7,093	19,913	4,191	25,493
COGS	6,504	16,778	4,509	22,008
<b>COGS/Sales</b>	<b>92%</b>	<b>84%</b>	<b>108%</b>	<b>86%</b>

### Gross profit

Gross profit of EGP 3,48 million was recorded for H1 2018, an increase of 183 per cent from the EGP 1.23 million recorded in H1 2017.

## **EBITDA**

EBITDA for H1 2018 amounted to EGP 3,49 million, representing an increase of 164 per cent from EGP 1,32 million in H1 2016.

## **Tax**

During H1 2018, ezzsteel had deferred taxes in the amount of EGP 305.4 million and income tax of EGP 435.7 million.

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

Net result after tax and minority interests recorded a loss of EGP 389.3 million for H1 2018, compared to a loss of EGP 1.07 billion during the same period in 2017.

## **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 3.8 billion and net debt of EGP 20.3 billion. The company has a gearing of Net Debt / Equity of 2.53 times.

## **Outlook**

In the coming periods, the positive impact of improved performance on our bottom line is expected to be hindered by the growing disturbance in the global steel sector coming from the erratic implementation in most of the countries of ongoing trade protective measures.

## Divisional Overview

<b>EZDK Sales (EGP):</b>	<b>H1 2017</b>	<b>H1 2018</b>	
Value:	11,896	19,912	Mn
Volume:			
Long:	1,030,255	1,283,092	Tonnes
Flat:	362,540	533,760	Tonnes
Exports as % of Sales:			
Long:	14	10	
Flat:	56	45	
EBITDA:	1,495	3,029	Mn
<b>Production:</b>			
Long Products:	1,025,171	983,789	Tonnes
Flat Products:	405,412	554,349	Tonnes
Billets:	1,108,826	1,018,784	Tonnes
<b>ESR/ERM Sales (EGP):</b>			
Value:	5,462	7,093	Mn
Volume:	444,201	424,514	Tonnes
Exports as % of Sales:	-		
EBITDA:	88	486	Mn
<b>Production:</b>			
Long Products:	436,545	422,087	Tonnes
Billets:	314,121	299,587	Tonnes
DRI	343,545	465,727	Tonnes
<b>EFS Sales (EGP):</b>			
Value:	2,742	4,191	Mn
Volume:			
Long:	43,193	305,999	Tonnes
Flat:	254,136	68,823	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	92	52	
EBITDA:	(327)	(95)	Mn
<b>Production:</b>			
Long Products:	49,070	298,329	Tonnes
Flat Products:	264,851	97,678	Tonnes
Billets:	56,023	323,215	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 6 month period ending 30 June 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, 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, no 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.