



## EZZSTEEL REPORTS CONSOLIDATED 9M 2018 RESULTS

**Cairo, 10 December 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 9-month period ending 30 September 2018. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key highlights

*EGPMn*

	<u>9M 2017</u>	<u>9M 2018</u>	<u>YoY % (+/-)</u>
□ <b>Net sales</b>	29,353	37,447	+28
□ <b>Gross profit</b>	2,584	4,642	+80
□ <b>EBITDA*</b>	2,716	4,588	+69
□ <b>Net profit after tax and minority interest</b>	(1,386)	(1,005)	
□ <b>Earnings per share**</b>	(2.55)	(1.85)	
□ <b>Net debt to equity</b>	2.15	3.05	

\*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 2018, ezzsteel successfully continued to improve its operational performance. We have increased the total output of our plants as well as our sales volumes in domestic and international markets.

However, the positive contribution of our improved industrial activity did not offset the negative impact of rising costs: prices of raw materials, energy, graphite electrodes and ferroalloys all increased substantially.

Simultaneously, prices for finished products fell constantly due to, firstly, the implementation of protective trade measures in most international markets and, secondly, the surge of imported material in our domestic markets.

In combination, these adverse factors translated into a consolidated bottom line loss for the first nine months of 2018, while still presenting an improvement over the same period of 2017.

In the coming periods we expect the Egyptian Authorities to take the appropriate measures in order to alleviate the unfair and adverse circumstances affecting our company, allowing us to fully benefit from the improvement of our operational performance”.

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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 9M 2018 were EGP 37.4 billion, representing an increase of 28 per cent year on year. This is attributed to a 32 per cent and 26 per cent growth in flat and long sales respectively. Third quarter net sales also improved, growing 4 per cent over Q3 2017.

Flat sales increased in the first nine months of 2018, as total volumes grew by 10 per cent compared to 9M 2017, mainly due to satisfying higher demand in the local market.

Over the 9-month period 2018, long steel prices were up 24 per cent and 28 per cent in the local and export market respectively compared to the same period in 2017. Flat steel prices increased by 13 per cent in the local and 23 per cent in the export market in 9M 2018 compared to the prior year period.

Sales after elimination				
EGPMn	ESR/ERM	EZDK	EFS	Consolidated
Long	6,888	15,264	4,090	26,242
Flat	-	8,897	1,954	10,851
Others	-	325	29	354
<b>Total</b>	<b>6,888</b>	<b>24,486</b>	<b>6,073</b>	<b>37,447</b>

Long steel products accounted for EGP 26.2 billion, or 70 per cent of sales in 9M 2018, while flat steel products represented 29 per cent of sales at EGP 10.9 billion. Long product exports accounted for seven per cent of total long sales. Flat product exports accounted for 50 per cent of total flat sales.

Sales Value				
EGPMn	Domestic	per cent	Export	per cent
Long	24,272	92	1,970	8
Flat	5,399	50	5,452	50

Long sales volumes were 2.44 million tonnes during 9M 2018, one per cent higher than the 2.41 million tonnes sold during the same period last year. The export market showed a relative decline, with sales volumes decreasing by 10 per cent year on year.

Flat sales volumes rose by 10 per cent to 975 thousand tonnes in 9M 2018. This was due to the healthy development of the local flat steel market in Egypt in which sales volumes increased by 45 per cent year on year. Exported flat volumes decreased by 10 per cent in 9M 2018 to 503 thousand tonnes compared to 9M 2017. However, during the third quarter 2018, export flat sales volumes were up 84 per cent compared to Q3 2017 and 72 per cent compared to Q2 2018, showing increased capacity utilization in EFS with more emphasis on export sales.

The group's consolidated sales volumes totalled 3.42 million tonnes in 9M 2018, an increase of four per cent from the 3.29 million tonnes sold in 9M 2017.

The contributions of ESR/ERM, EZDK and EFS to consolidated net sales for the 9M period ending 30 September 2018 were 19 per cent, 65 per cent, and 16 per cent respectively.

Long steel production volumes totalled 2.5 million tonnes during 9M 2018, four per cent up compared to 9M 2017. Flat steel production volumes increased by 19 per cent to 1.1 million tonnes for the period, compared to 917 thousand tonnes produced in the 9-month period 2017.

### Cost of Goods Sold

Consolidated Cost of Goods Sold for 9M 2018 represented 88 per cent of sales, which led to an improvement in gross profit margin from 9 per cent in 9M 2017 to 12 per cent in 9M 2018. This was due to higher capacity utilisation at the plants during the period.

EFS's Cost of Goods Sold to Sales ratio was at 111 per cent, compared with 114 per cent in the same period last year. The improvement is a step in the right direction and demonstrates the start of better capacity utilization rate. At 84 per cent, EZDK continued to show an improved COGS to sales ratio for 9M 2018 compared to the 86 per cent in the 9M 2017 period. At ESR/ERM, the COGS to sales ratio improved from 97 per cent in 9M 2017 to 93 per cent in 9M 2018, leading to a gross profit margin of 7 per cent, up 4 percentage points compared to the prior year period.

<i>EGPMn</i>	Standalone figures			Consolidated
	ESR/ERM	EZDK	EFS	ezzsteel
Sales	10,823	28,196	6,366	37,447
COGS	10,079	23,701	7,066	32,805
<b>COGS/Sales</b>	<b>93%</b>	<b>84%</b>	<b>111%</b>	<b>88%</b>

## **Gross profit**

Gross profit of EGP 4,642 million was recorded for 9M 2018, an increase of 80 per cent from the EGP 2,584 million recorded in 9M 2017. This was largely due to the improved price environment and significant increases in flat sales.

## **EBITDA**

EBITDA for 9M 2018 amounted to EGP 4,588 million, representing an increase of 69 per cent from EGP 2,716 million in 9M 2017.

## **Tax**

During 9M 2017, ezzsteel had deferred tax liabilities of EGP 363 million and tax expense of EGP 655 million.

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

The net result after tax and minority interests was a loss of EGP 1.0 billion for 9M 2018 compared to a loss of EGP 1.39 billion during the same period in 2017.

## **Liquidity and capital resources**

At the end of the period, ezzsteel had cash on hand of EGP 2.8 billion and gross debt of EGP 25 billion. The company has a gearing of Net Debt / Equity of 3.05 times.

## **Outlook**

In the coming periods we expect the Egyptian Authorities to take the appropriate measures in order to alleviate the unfair and adverse circumstances affecting our company, allowing us to fully benefit from the improvement of our operational performance.

## Divisional Overview

Figures before the elimination of inter-company transactions.

<b>EZDK Sales (EGP):</b>	<b>9M 2017</b>	<b>9M 2018</b>	
Value:	20,498	28,196	Mn
Volume:			
Long:	1,660,002	1,768,978	Tonnes
Flat:	620,932	783,400	Tonnes
Exports as % of Sales:			
Long:	12	10	
Flat:	51	45	
EBITDA:	2,752	4,317	Mn
<b>Production:</b>			
Long Products:	1,547,506	1,495,508	Tonnes
Flat Products:	652,036	832,099	Tonnes
Billets:	1,649,729	1,509,922	Tonnes
<b>ESR/ERM Sales (EGP):</b>			
Value:	9,606	10,823	Mn
Volume:	726,700	639,670	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	269	550	Mn
<b>Production:</b>			
Long Products:	718,755	645,128	Tonnes
Billets:	414,728	471,266	Tonnes
DRI:	549,109	822,376	Tonnes
<b>EFS Sales (EGP):</b>			
Value:	4,884	6,366	Mn
Volume:			
Long:	158,334	390,534	Tonnes
Flat:	264,288	191,283	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	91	73	
EBITDA:	(399)	(377)	Mn
<b>Production:</b>			
Long Products:	160,508	377,802	Tonnes
Flat Products:	264,851	262,691	Tonnes
Billets:	276,438	392,575	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 9-month period ending 30 September 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.