

# ELSEWEDY ELECTRIC Reports H1 2018 Results Posting Revenues of EGP 20.1 billion; Wires & Cables, Meters and Transformers Continue Double-Digit Expansion.

## H1 2018 Consolidated Financial Highlights

Revenues	Gross Profit	EBITDA	Net Profit after Minority
EGP 20,100.7 million ▼ 3% y-o-y	EGP 3,404.4 million ▼ 27% y-o-y	EGP 2,848.6 million ▼ 28% y-o-y	EGP 2,374.5 million ▼ 21% y-o-y

ELSEWEDY ELECTRIC (SWDY.CA on the Egyptian stock exchange), the leading Wires & Cables and Integrated Energy Solution Provider in the Middle East and Africa, announces its consolidated financial results for the six-month period ending 30 June, 2018, reporting revenues of EGP 20,100.7 million, down 2.7% year-on-year. The company's net profit after minority interest fell by 21.1% to EGP 2,374.5 million, yielding a net profit margin of 11.8%.

## Summary Income Statement

EGP (000)'s	Q2-2018	Q2-2017	% Change	H1-2018	H1-2017	% Change
Revenue	10,119,130	10,870,475	-7%	20,100,723	20,655,246	-3%
Gross Profit	1,676,938	2,145,930	-22%	3,404,416	4,670,490	-27%
Gross Profit Margin	16.6%	19.7%		16.9%	22.6%	
EBITDA	1,292,350	1,855,179	-30%	2,848,592	3,963,799	-28%
EBITDA Margin	12.8%	17.1%		14.2%	19.2%	
Net Income After Minority	972,028	1,501,406	-35%	2,374,511	3,010,351	-21%
Net Income After Minority Margin	9.6%	13.8%		11.8%	14.6%	

## Financial Highlights

- **Revenues** fell 3% y-o-y to EGP 20,100.7 million in H1 2018. This decline was mostly due to falling revenues from its second largest contributor, the turnkey projects segment, which decreased by one third y-o-y.
- **Gross Profit** saw a 27% y-o-y decline to EGP 3,404.4 million in H1 2018. The company's gross profit margin fell from 22.6% to 16.9% in the same period.
- **SG&A** expense for the six-month period came in at EGP 1,033.0 million, down 13% year-on-year.
- **EBITDA** posted a 28% y-o-y decrease to record EGP 2,848.6 million in H1 2018, yielding an EBITDA margin of 14.2% compared to 19.2% in H1 2017.
- **Net Profit after Minority Interest** recorded EGP 2,374.5 million in H1 2018 compared to EGP 3,010.4 million posted in the same period last year, representing a 21% decline y-o-y. Meanwhile, net profit margin stood at 11.8% versus 14.6% last year.

- **Net debt** grew significantly since year-end 2017, posting EGP 1,443.6 million as at 30 June, 2018 compared to the EGP 496.8 million posted as at 31 December, 2017.
- **Inventory** grew by 3% y-o-y, posting EGP 8,080.4 million as of 30 June, 2018. **Accounts receivable** were down 3% q-o-q to EGP 11,684.1 on 30 June, 2018 from EGP 12,006.6 million on 31 December, 2017. **Accounts payable** grew by 19% q-o-q increase to EGP 3,737.2 as at 30 June, 2018.

## Note from Our CEO

Our performance during the last six months is testament to the resilience of ElSewedy Electric's integrated business model. ElSewedy has consistently delivered double-digit profit margins which has carried into the first half of 2018, even as the company continues to adjust to normalized growth rates and margins, and favourable base effects continue to taper off. We have seen solid growth in our meters and transformers segments, which now contribute more to our overall revenue mix than in any previous period, while our core segment, wires and cables continues to exhibit consistent growth quarter-on-quarter. The fundamentals supporting El Sewedy Electric's business remain strong: populations in the MENA region and the GCC continue to grow at a quick pace and the movement towards industrial modernization has only intensified in the last year.

On the back of larger outlays on big-ticket infrastructure projects across the MENA and GCC region expected over the medium-term, ElSewedy's solid reputation in the region and competitive cost base will allow the company to capture the upside across a variety of infrastructure projects, such as the generation, transmission, and distribution of electric power and water treatment and desalination. Our top-class business development team is also intensively screening and identifying EPC tenders, with particular focus on the Oil and Gas sector, and with an eye to enhance and diversify our turnkey project backlog. As we enter a new stage of growth and development, we will also work to maintain the strong growth and profitability of our core wires & cables segment to reliably hedge against any external risks we may encounter going forward.

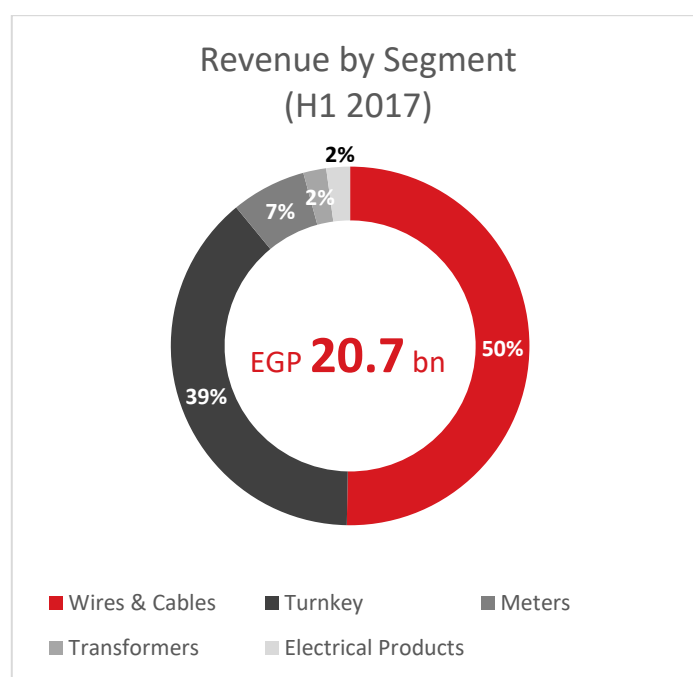
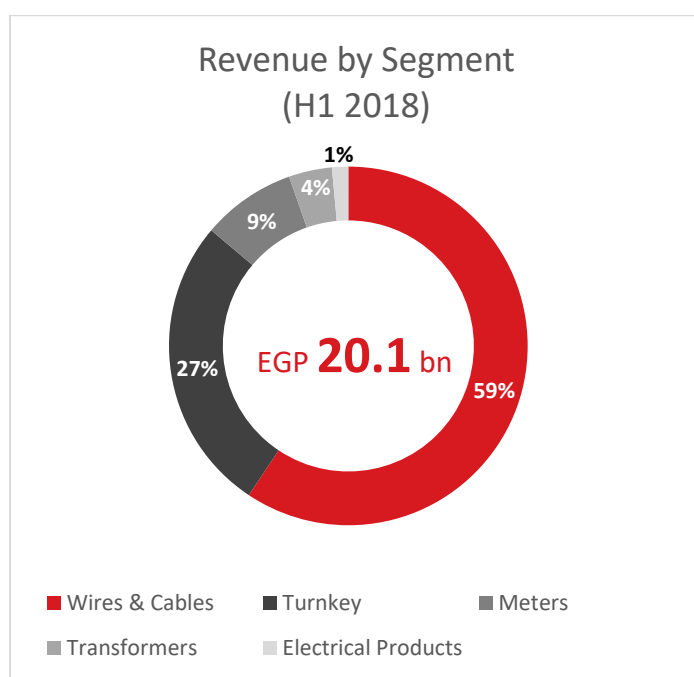
Beyond sustaining growth in our core segments, ElSewedy Electric will focus on developing its corporate governance framework. Enhancement of our internal controls, policies and procedures and improved oversight will be of top priority as the company's top-line ventures beyond the EGP 20 billion-mark. Our main assets lie in the quality of our people and the trust our partners have built in the company, and a strong corporate governance framework will help us to further nurture these assets as we continue to grow our business.

Ahmed El Sewedy

## Revenue Analysis by Segment

El Sewedy's core wires and cables business continued to make the greatest contribution to total revenues during the first half of 2018, at 59.4% during the period – an increase of 9.1 percentage points from its contribution in H1 2017 (H1 2017: 50.3%). This rise came against a parallel decline of the contribution from the turnkey projects segment, which brought in only 26.8% of revenues in H1 2018 (H1 2017: 38.7%). The contribution from the meters segment saw a modest growth of 1.7 percentage point in H1 2018 to 8.5% (H1 2017: 6.8%), similar to the transformers segment, whose contribution rose by 1.8 percentage points to 3.9% (H1 2017: 2.1%) during the same period. Other electrical products saw their contribution decline by 0.7 percentage point to 1.5% in H1 2018 (H1 2017: 2.1%).

El Sewedy's largest revenue contributor, its wires and cables segment, continued to grow at a healthy pace of 15% y-o-y to EGP 11,932.1 million in H1 2018. Revenues from the turnkey projects segment declined by 33% y-o-y from EGP 8,003.0 million in 1H 2017 to EGP 5,385.0 million in H1 2018. The meters segment continued to expand at a rapid clip in H1 2018, with revenues growing 22% y-o-y to record EGP 1,706.0 million. Transformers exhibited a remarkable growth y-o-y of 83% y-o-y, the fastest rate of growth for any segment, revenues climbing to EGP 782.8 million in H1 2018.

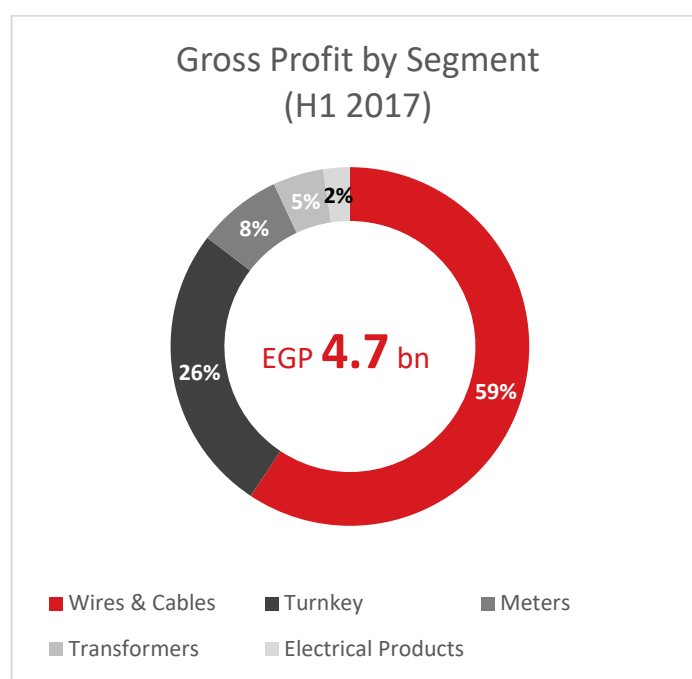
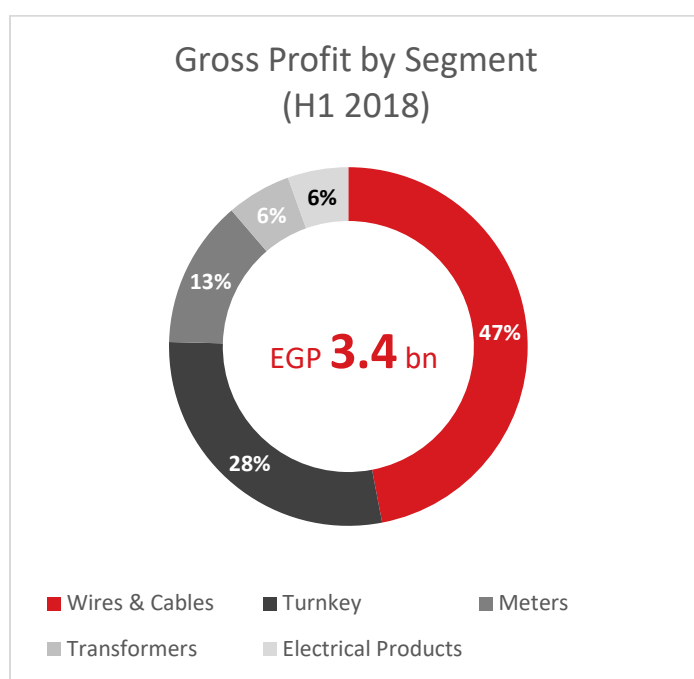


## Summary of Revenues by Segment

EGP (000)'s	Q2-2018	Q2-2017	% Change	H1-2018	H1-2017	% Change
Wires & Cables	5,817,213	5,204,489	11.8%	11,932,112	10,388,598	14.9%
Turnkey Projects	2,979,029	4,454,385	-33.1%	5,385,004	8,002,956	-32.7%
Meters	817,151	770,742	6.0%	1,705,989	1,395,487	22.3%
Transformers	380,584	225,407	68.8%	782,797	427,048	83.3%
Electrical Products	125,152	215,451	-41.9%	294,820	441,158	-33.2%
<b>Total</b>	<b>10,119,130</b>	<b>10,870,475</b>	<b>-6.9%</b>	<b>20,100,723</b>	<b>20,655,246</b>	<b>-2.7%</b>

## Gross Profit Analysis by Segment

Gross profit for the first half of 2018 posted EGP 3,404.4 million, representing a 27% y-o-y decrease from its H1 2017 figure of EGP 4,670.5 million. A decline in the gross profitability of wires & cables, which accounted for 47.0% of total gross profit, was the main driver of the overall decrease, with gross profit from the segment declining by 42% y-o-y to record EGP 1,599.3 million. Gross profit from the turnkey projects segment, amounting to 28.4% of the total, fell by 20% y-o-y to EGP 967.6 million. The meters segment recorded a gross profit of EGP 453.3 million, up 27% y-o-y, with its contribution to total gross profit up 5.6 percentage points, the largest among the company's segments, to 13.3% during the period. The transformers segment booked a gross profit of EGP 198.2 million, which represented a 7% y-o-y decrease and 5.8% contribution to total gross profit. Meanwhile, gross profit from other electrical products grew by 66% y-o-y to EGP 186.0 million in H1 2018, recording the largest such expansion among the company's business segment year-to-date and contributing 5.5% to total gross profit during the period.



## Summary of Gross Profit by Segment

EGP (000)'s	Q2-2018	Q2-2017	% Change	H1-2018	H1-2017	% Change
Wires & Cables	718,285	1,125,128	-36.2%	1,599,261	2,771,038	-42.3%
Turnkey Projects	536,954	654,301	-17.9%	967,626	1,215,828	-20.4%
Meters	230,275	218,687	5.3%	453,312	358,283	26.5%
Transformers	91,396	106,723	-14.4%	198,173	213,204	-7.0%
Electrical Products	100,028	41,091	143.4%	186,043	112,136	65.9%
<b>Total</b>	<b>1,676,938</b>	<b>2,145,930</b>	<b>-21.9%</b>	<b>3,404,416</b>	<b>4,670,490</b>	<b>-27.1%</b>

## Segments Overview

### Wires & Cables Segment

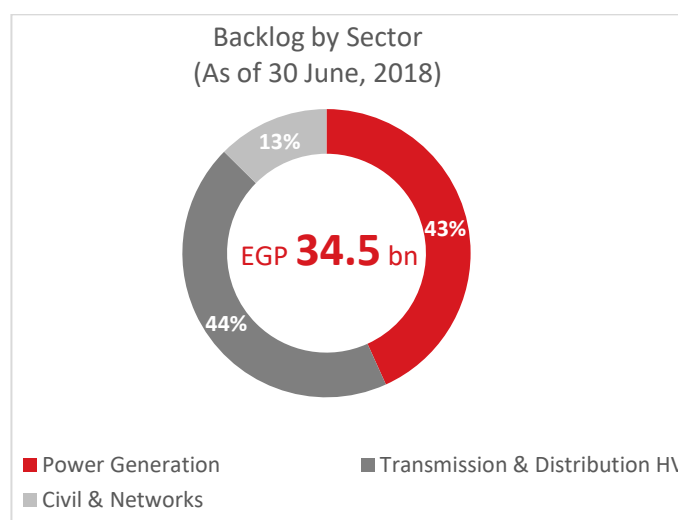
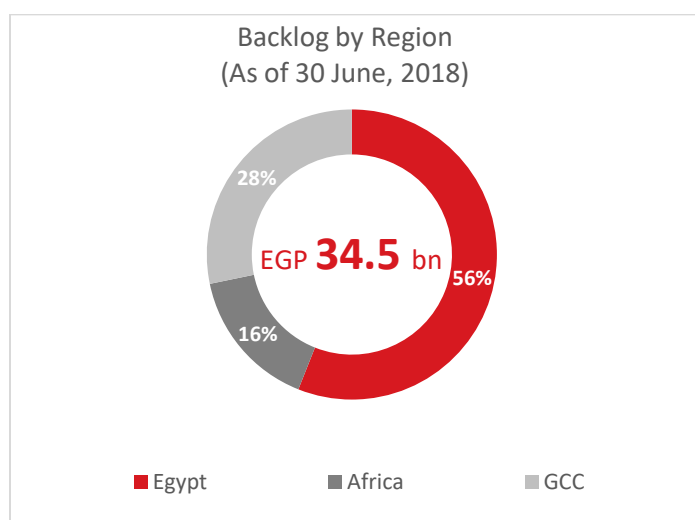
Revenues from wires & cables grew by 12% year-on-year to EGP 17,988.9 million in H1 2018. Growth in the segment was overwhelmingly driven by price increases, while volumes grew by minimally at 1% y-o-y to 63,151 tons in H1 2018 compared to 62,485 tons in H1 2017. Gross profit from wires & cables fell by 42% y-o-y to record EGP 1,599.3 million in H1 2018 on the back of decreasing gross profit margins per ton. Gross profit per ton declined by 36% y-o-y, to return to normalized levels of EGP 19,078 in H1 2018 from EGP 29,607 in H1 2017, which represented a GPM of 13.4% in H1 2018 compared to 26.7% in H1 2017.

### Wires & Cables Segment Financial Highlights

	Q2-2018	Q2-2017	% Change	H1-2018	H1-2017	% Change
Revenues Before Intercompany Sales (EGP 000's)	8,599,789	7,913,181	9%	17,988,919	16,106,417	12%
Revenues After Intercompany Sales (EGP 000's)	5,817,213	5,204,489	12%	11,932,112	10,388,598	15%
Gross Profit (EGP 000's)	718,285	1,125,128	-36%	1,599,261	2,771,038	-42%
GP Margin Before Intercompany Sales	8.4%	14.2%		8.9%	17.2%	
GP Margin After Intercompany Sale	12.3%	21.6%		13.4%	26.7%	
Cables Sales Volumes (Tons)	29,420	29,458	-0.1%	63,151	62,485	1%
Cables Gross profit per ton (EGP)	17,280	28,169	-39%	19,078	29,607	-36%

### Turnkey Projects

Revenues from the turnkey projects segment posted EGP 5,385.0 million in H1 2018, down by 33% y-o-y from EGP 8,003.0 million in H1 2017.



The segment's contribution to the company's total revenue also fell, standing at 26.8% in H1 2018 compared to 38.7% in the same quarter last year, with a slight contraction of its backlog to EGP 34.5 billion as of 30 June 2018 from EGP 36.4 billion as of 31 March 2018. Gross profit from the segment recorded EGP 967.6 million in H1 2018, down 20% y-o-y and yielding a GPM of 18.0% versus 15.2% in H1 2017.

## Meters Segment

H1 2018 saw the meters segment continue its upward growth trajectory, with segment revenues growing by 22% y-o-y to reach EGP 1,706.0 million from EGP 1,395.5 million in H1 2017. Meters contributed 8.5% to El Sewedy's total revenue, up from 6.8% in the same period last year. Growth in the segment was entirely driven by rising prices, with volumes sold declining 11% y-o-y to record 1,887.4 meters versus 2,112.5 meters sold in H1 2017. Gross profit from the segment expanded by 27% y-o-y, recording EGP 453.3 million and yielding a GPM of 26.6%. Gross profit per meter was EGP 240, up 42% y-o-y compared to EGP 170 in H1 2017.

**Meters Backlog**  
(As of 30 June, 2018)

EUR **96** mn

## Meters Segment Financial Highlights

	Q2-2018	Q2-2017	% Change	H1-2018	H1-2017	% Change
Revenues Before Intercompany Sales (EGP 000's)	868,677	797,485	9%	1,834,194	1,451,690	26%
Revenues After Intercompany Sales (EGP 000's)	817,151	770,742	6%	1,705,989	1,395,487	22%
Gross Profit (EGP 000's)	230,275	218,687	5%	453,312	358,283	27%
GP Margin Before Intercompany Sales	26.5%	27.4%		24.7%	24.7%	
GP Margin After Intercompany Sale	28.2%	28.4%		26.6%	25.7%	
Sales Volumes (meters)	967,203	1,157,009	-16%	1,887,373	2,112,506	-11%
Gross profit per meter (EGP)	238	189	26%	240	170	42%

## Transformers Segment

Transformers was the best-performing segment in terms of revenue growth, expanding by 83% y-o-y in H1 2018 to EGP 782.8 million. Volumes were the main driver of the expansion, with volume rising 61% y-o-y to 3,713 MVA in H1 2018. Gross profit declined slightly, recording a contraction of 7% y-o-y to EGP 198.2 million in H1 2018, while the segment's GPM returned to its normalized range, posting 25.3% during the period.

**Transformers Backlog**  
(As of 30 June, 2018)

USD **116** mn

## Transformers Segment Financial Highlights

	Q2-2018	Q2-2017	% Change	H1-2018	H1-2017	% Change
Revenues Before Intercompany Sales (EGP 000's)	403,875	299,411	35%	863,105	568,113	52%
Revenues After Intercompany Sales (EGP 000's)	380,584	225,407	69%	782,797	427,048	83%
Gross Profit (EGP 000's)	91,396	106,723	-14%	198,173	213,204	-7%
GP Margin Before Intercompany Sales	22.6%	35.6%		23.0%	37.5%	
GP Margin After Intercompany Sale	24.0%	47.3%		25.3%	49.9%	
Sales Volumes (MVA)	1,872	1,162	61%	3,713	2,307	61%
Gross profit per MVA (EGP)	49,043	91,867	-47%	53,481	92,428	-42%

## Other Electrical Products

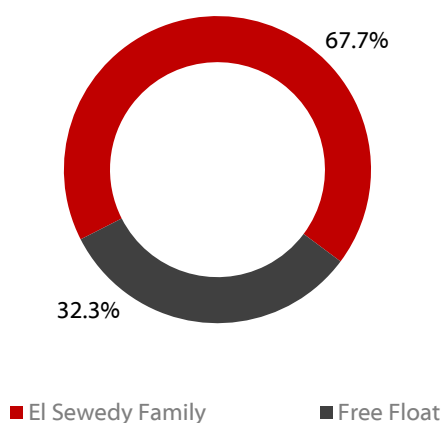
Revenues from sales of other electrical products reached EGP 294.8 million in H1 2018, down 33% y-o-y, while gross profit recorded EGP 186.0 million, up 66% y-o-y and representing a GPM of 63.1%.

## About Elsewedy Electric

Established in 1938 by the Elsewedy family, Elsewedy Electric has since grown to become a regional and tactically global integrated cables and electrical products manufacturer and a turn-key services provider with more than 10,000 employees working at 30 production facilities in 15 countries. Structured to face the challenges of the world's fastest growing markets and the complexity of the critical electricity industry, Elsewedy Electric capitalizes on its deep product and sector specialization and unprecedented insight into local markets. [www.elsewedyelectric.com](http://www.elsewedyelectric.com)

### Shareholders Structure

(as at 30 June, 2018)



### Share Information

SWDY.CA on the EGX

Number of Shares	218,418,000
Share Price (28 Jun 2018)	EGP 199.00
Market Cap (28 Jun 2018)	EGP 43.5 bn

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## Forward-looking Statements

This document may contain certain forward-looking statements relating to the company's business. These may be identified in part through the use of forward-looking terminology such as "will", "planned", "expected" and "forecast". Any such statements reflect the current views of the company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance, decisions or achievements of the company to be materially different from any future results that may be expressed or implied by such forward-looking statements.



## Consolidated Income Statement

EGP	Q2-2018	Q2-2017	Change	H1-2018	H1-2017	Change
<b>Sales</b>						
Wires & Cables	5,817,212,038	5,204,488,954		11,932,112,338	10,388,597,969	
Electrical Products	1,322,887,540	1,211,600,926		2,783,606,614	2,263,692,581	
Turnkey Projects	2,979,029,120	4,454,384,648		5,385,004,252	8,002,955,561	
<b>Total Sales</b>	<b>10,119,129,698</b>	<b>10,870,474,528</b>	<b>-7%</b>	<b>20,100,723,205</b>	<b>20,655,246,111</b>	<b>-3%</b>
COGS	(8,442,191,973)	(8,724,544,590)		(16,696,307,401)	(15,984,756,549)	
<b>Gross Profit</b>	<b>1,676,937,725</b>	<b>2,145,929,938</b>	<b>-22%</b>	<b>3,404,415,804</b>	<b>4,670,489,562</b>	<b>-27%</b>
<i>Gross Profit Margin</i>	<b>16.6%</b>	<b>19.7%</b>		<b>16.9%</b>	<b>22.6%</b>	
SG&A	(517,695,961)	(672,329,663)		(1,032,961,059)	(1,181,092,570)	
Other Operating Income	44,372,758	331,443,273		129,807,239	369,620,161	
Other Operating Expense	(235,606,928)	(243,053,751)		(283,186,495)	(428,058,887)	
Income from Investments	165,906,923	149,536,897		318,775,592	261,771,454	
<b>EBITDA</b>	<b>1,292,349,916</b>	<b>1,855,178,958</b>	<b>-30%</b>	<b>2,848,592,478</b>	<b>3,963,798,916</b>	<b>-28%</b>
<i>EBITDA Margin</i>	<b>12.8%</b>	<b>17.1%</b>		<b>14.2%</b>	<b>19.2%</b>	
Depreciation & Amortization	(158,435,399)	(143,652,264)		(311,741,397)	(271,069,196)	
FX Gain / ( Loss)	(139,640,072)	319,964,957		(78,147,006)	325,200,772	
<b>EBIT</b>	<b>994,274,445</b>	<b>2,031,491,651</b>	<b>-51%</b>	<b>2,458,704,075</b>	<b>4,017,930,492</b>	<b>-39%</b>
Interest Expense	(78,992,259)	(149,851,136)		(172,844,465)	(321,368,533)	
Interest Income	327,746,275	33,062,214		651,099,547	84,045,181	
Interest Income / (Expenses)	<b>248,754,016</b>	<b>(116,788,922)</b>		<b>478,255,082</b>	<b>(237,323,352)</b>	
<b>EBT</b>	<b>1,243,028,461</b>	<b>1,914,702,729</b>	<b>-35%</b>	<b>2,936,959,157</b>	<b>3,780,607,140</b>	<b>-22%</b>
Tax	(259,187,174)	(399,768,319)		(521,588,201)	(726,929,462)	
<b>Net Income</b>	<b>983,841,287</b>	<b>1,514,934,410</b>		<b>2,415,370,956</b>	<b>3,053,677,678</b>	
Minority Interest	(11,813,063)	(13,528,340)		(40,860,245)	(43,327,074)	
<b>Net Income After Minority Interest</b>	<b>972,028,224</b>	<b>1,501,406,070</b>	<b>-35%</b>	<b>2,374,510,711</b>	<b>3,010,350,604</b>	<b>-21%</b>



## Consolidated Balance Sheet

<b>EGP</b>	<b>31-12-17</b>	<b>31-03-18</b>	<b>30-06-18</b>
<b>Assets</b>			
<b>Long Term Assets</b>			
Fixed Assets	4,723,555,823	4,760,318,407	5,312,335,521
Investments	1,243,216,097	1,324,653,240	989,906,563
Other Long Term Assets & Good will	654,890,203	632,408,422	397,904,475
Other Long Term Receivables	3,486,374,869	3,078,935,576	2,748,765,669
<b>Total Long Term Assets</b>	<b>10,108,036,992</b>	<b>9,796,315,645</b>	<b>9,448,912,228</b>
<b>Current Assets</b>			
Inventories	7,818,948,364	7,880,297,469	8,080,384,194
Receivables	12,006,589,372	12,900,391,523	11,684,127,314
Other Debit balance	2,872,604,585	3,147,020,679	5,392,836,260
Due from Related Parties	548,573,297	582,470,263	496,852,027
Cash & Cash Equivalents	9,072,732,756	9,760,137,674	9,976,768,882
<b>Total Current Assets</b>	<b>32,319,448,374</b>	<b>34,270,317,608</b>	<b>35,630,968,677</b>
<b>Total Assets</b>	<b>42,427,485,366</b>	<b>44,066,633,253</b>	<b>45,079,880,905</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank Overdraft & Short Term loans	8,390,195,283	9,172,936,508	10,368,068,927
Accounts Payable	3,139,495,170	3,700,516,567	3,737,190,074
Other Credit balance	13,247,452,036	12,302,486,262	13,023,155,764
Due to Affiliates	371,383,820	379,637,040	366,956,821
Provisions	1,030,717,996	1,030,384,048	1,069,001,917
<b>Total Current Liabilities</b>	<b>26,179,244,305</b>	<b>26,585,960,425</b>	<b>28,564,373,503</b>
<b>Equity</b>			
Issued and Paid Capital	2,184,180,000	2,184,180,000	2,184,180,000
Retained Earnings	9,429,130,905	10,831,537,280	9,449,705,432
Others	1,899,112,879	1,647,745,469	1,905,680,462
<b>Total Parent's Shareholders' Equity</b>	<b>13,512,423,784</b>	<b>14,663,462,749</b>	<b>13,539,565,894</b>
Minority Interest	643,304,985	576,955,914	570,571,012
<b>Total Equity</b>	<b>14,155,728,769</b>	<b>15,240,418,663</b>	<b>14,110,136,906</b>
Long Term Loans	1,179,333,318	1,179,333,318	1,052,259,896
Other Long Term Liabilities	913,178,979	913,178,979	1,353,110,600
<b>Total Long Term Liabilities</b>	<b>2,092,512,297</b>	<b>2,092,512,297</b>	<b>2,405,370,496</b>
<b>Total Liabilities &amp; Equity</b>	<b>42,427,485,371</b>	<b>42,427,485,371</b>	<b>45,079,880,905</b>