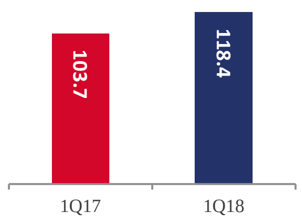
Egypt Kuwait Holding Co. Releases Q1 2018 Earnings Results

EKH kicks off 2018 with strong operational growth and double-digit expansion in both its top- and bottom-lines. Consolidation of Offshore North Sinai begins with strong contributions to net attributable income in the first quarter

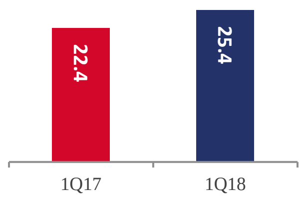
Key Highlights of Q1 2018

USD 118.8 mn in Revenues	USD 43.0 mn in Gross Profit	36% Gross Profit Margin	USD 34.3 mn in Operating Income
29% Operating Margin	USD 31.0 mn Attributable EBITDA	USD 32.6 mn in Net Income	USD 25.4 mn in Attributable Net Income

Group Revenue (USD mn)



Attributable Net Income (USD mn)



15 May 2018 | Cairo | Egypt Kuwait Holding Company (EKHO.CA on the Egyptian Exchange and EKHOLDING on the Kuwaiti Exchange), one of the MENA region's leading investment companies, reported today its consolidated results for the quarter ending 31 March 2018.

EKH kicked off the year with a solid set of results in Q1 2018 to record revenues of USD 118.8 million, up 11% y-o-y, with growth being driven by improved on-the-ground performance and strong operational results. Bottom-line for the quarter recorded similar gains, posting a 16% y-o-y increase to USD 32.6 million in Q1 2018, while EKH's attributable net income came in at USD 25.4 million or 13% higher over the Q1 2017 figure.

EKH's financial and operational performance during the quarter also reflects results from Offshore North Sinai (ONS) which EKH began to consolidate in Q1 2018. ONS' two producing wells generated USD 8.6 million in revenues and added USD 4.2 million to EKH's attributable net income. ONS is a wholly-owned subsidiary of EKH.

Comments from the Chairman, Mr. Moataz Al-Alfi

Since inception, EKH's business model and growth story were underpinned by Egypt's economic liberalization and subsidy reform programs; and over the years, EKH has consistently proven worthy of investors' confidence having capitalized on prevailing economic trends and remained resilient in the face of challenging environments. We have time and again unlocked value through carefully implemented strategies, including cleaning out minorities in proven winners and pursuing growth initiatives in businesses ideally positioned for today's market dynamics. This was especially true throughout 2017 during which EKH delivered value in excess of currency devaluation by driving real, on-the-ground growth across its portfolio companies.

Today, we're starting off 2018 leaving the uncertainties of the past behind and with a leaner and better equipped organization that has seen us deliver the strongest start to a year in EKH's history. Our exceptional performance during the quarter was partly driven by the commencement of operations at ONS, a development that positions us today as the sole, fully-integrated energy company in Egypt. At a time when Egypt is carving its space as a regional natural gas hub with increased liberalization and subsidy reform, EKH stands to benefit through its upstream gas production, its midstream gas distribution, and its downstream gas-fired electricity generation and gas-fed industrials such as fertilizers and petrochemicals.

We are particularly excited about the potential ONS holds for generating incremental revenues with every new well that goes into production. EKH had drilled two wells in early and mid-2017 that delivered USD 4.2 million to EKH's attributable net income in the first quarter of production. Our third well is scheduled for production during Q2 2018, with drilling to commence on an additional four wells thereafter. Overall, ONS holds P1 reserves of some 113 bcf, and is expected to add c.USD 300 million to our top-line at a 50% margin over the next four years.

Meanwhile at Natenergy, a strategic decision to increasingly shift toward infill gas distribution clients, coupled with inhouse capacity building for installations leaves us at the forefront of the market. Higher-margin infill clients allowed us to continue delivering value when fees for government-subsidized installations became dislocated from input costs, while our ability to perform inhouse installations sees us capitalizing on a contractor's gap in the market following the upward revision in said fees and the consequent rebound in demand. NatEnergy's consistent and high-quality service positions it as a trustworthy partner at a time when a nation-wide initiative to substitute LPG consumption with household grid-connections is being accelerated with c.USD 1.2 billion in additional funding. We are also optimistic for NatEnergy's electricity generation and distribution play through its subsidiary Kahraba. The company's newly-added 30 MW capacity – bringing total capacity to 70 MW – began to reflect show on our results in Q1 2018, with significant upside potential given the increase in electricity prices and with Kahraba being recently granted approval to directly sell power to both households and commercial clients.

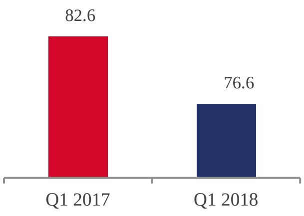
EKH sees similar potential across its other downstream plays including Sprea Misr and AlexFert. Following exceptional growth at Sprea over the past four years, with revenues growing almost fivefold to c.EGP 500 million, management today is looking to chart new avenues for growth through an evolving product mix, improved utilization and efficiency, and most importantly through venturing further beyond our borders and growing our footprint in export markets. Meanwhile AlexFert continues to operate above nameplate capacity at 107% utilization with stable feedstock. This key investment is poised to add substantial value in 2018 as urea prices find new levels c.25% higher than 2017, with an easing supply glut and rising oil prices leaving us bullish on the uptrend.

We are also particularly excited about our expanded exposure to the non-bank financial services market with the conclusion in Q1 2018 of a Mandatory Tender Offer (MTO) that increased EKH's stake in Delta Insurance to 55%. This fast-growing company is a net positive to our portfolio and is already delivering value with a more than fourfold net profit growth for the quarter.

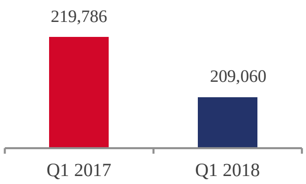
We have built a portfolio of core and diversified companies that has carried us through the height of economic uncertainty and landed us ashore ready for a new growth phase. Our focus in the coming year will turn increasingly toward streamlining operations and extracting higher efficiencies to drive profitability, while simultaneously pursuing new organic growth opportunities. I look forward to reporting to you here in the months ahead on what is shaping up to be an exceptional year.

65%
of Group Revenues
in Q1 2018

Revenues (USD mn)



Total Fertilizer Sales (Tons)



Fertilizers & Petrochemicals

Egypt Kuwait Holding has investments in two operational companies in the Fertilizer & Petrochemical Segment: Alexandria Fertilizers Company (AlexFert) and Sprea Misr for Production of Chemicals & Plastics Company. The company's fertilizer and petrochemical investments encompass products ranging from urea, ammonium nitrate and melamine to formaldehyde and liquid and powder glue. With more than 10 years of nitrogen fertilizer operational expertise, EKH has targeted investments with access to key export markets including the United States and Europe, diverse products across several industries, and strong cash-flow generating businesses.

Fertilizers & Petrochemicals

in USD mn unless otherwise indicated	Q1 2017	Q1 2018	% Change
Revenues	82.6	76.6	*-7%*
Gross Profit Margin	*33%*	*28%*	*-4 ppt*
EBITDA Margin	*37%*	*32%*	*-5 ppt*
Net Profit	22.8	17.3	*-24%*
Net Profit Margin	*28%*	*23%*	*-5 ppt*
Net Profit attributable to EKH	14.3	11.9	*-17%*

The Fertilizer & Petrochemicals segment recorded revenues of USD 76.6 million in Q1 2018, down 7% y-o-y versus USD 82.6 million in Q1 2017. It is important to note that Q1 2017 figures include revenues realized in Q4 2016 at Sprea Misr but recognized the following quarter due to timing differences in accounting treatments. On a quarter-on-quarter basis, however, the fertilizers segment posted a 4% increase driven by improved performance at Sprea Misr. Meanwhile, the segment's net profit posted a 17% y-o-y decline to USD 11.9 million, again on the back of an inflated bottom-line in the comparable period. Normalized net profit, which excludes c.USD 2.2 million from Q1 2017, would record a modest 2% y-o-y decline, while quarter-on-quarter performance shows a 6% q-o-q increase in the segment's net profit for Q1 2018.

Sprea Misr recorded revenues of USD 31.7 million in Q1 2018, up 7% y-o-y compared to normalized revenues for Q1 2017 and posting a more solid 15% q-o-q increase over Q4 2017. Growth continues to be driven by the company's strong position in the local market as an import-substitute play as well as its growing export footprint. In Q1 2018, Sprea Misr generated c.27% of its top-line from exports compared to c.19% in the same period last year. Sales of formaldehyde and formurea (an anti-caking agent for urea) continued to be a primary driver of growth during the quarter.

Management notes that the accelerated market penetration that characterized Sprea's early years will continue to be supported by new growth avenues, including capacity expansions of its SNF business to capture a larger share of this fast-growing market; an expanding export footprint particularly for its newly introduced formica product; improved utilizations and operational and cost efficiencies; and a reputation for quality across its product portfolio.

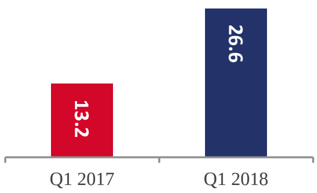
Stable feedstock supply saw AlexFert continue to operate above nameplate capacity with utilization rates in Q1 2018 running at 107%, slightly lower than the 119% recorded in Q1 2017. The company recorded revenues of USD 44.9 million in Q1 2018, down 10% y-o-y but remaining relatively stable compared to the USD 46.2 million recorded in Q4 2017. AlexFert's natural gas costs inched up 3% y-o-y in Q1 2018; however, increased operational efficiencies saw OPEX decline 16% compared to Q1 2017, netting out a 5% y-o-y decrease in total COGS for the quarter. This allowed the company to deliver a solid 35% EBITDA margin versus 38% in Q1 2017 despite the top-line decline. Attributable net income to EKH recorded USD 4.2 million in Q1 2017 compared to USD 5.2 million in the same period last year.

AlexFert's financial performance is expected to reflect an upward trend in urea prices during Q2 2018, with prices now hovering at the USD 230 per ton level versus USD 185 in Q2 2017. Management notes that full-year averages are poised to be significantly higher during 2018 on the back of favorable industry dynamics, including supply pullbacks as producers exit the market and rising oil prices.

22%

of Group Revenues in Q1 2018

Revenues (USD mn)



Energy & Energy-Related

Egypt Kuwait Holding's investments in the Energy and Energy-Related Segment includes NatEnergy and Offshore North Sinai. EKH builds and operates gas distribution networks in Egypt through its 100%-owned subsidiary NatEnergy, which covers a wide spectrum of activities, including the transportation of natural gas to power stations and the independent production of power.

Energy & Energy-Related

in USD mn unless otherwise indicated	Q1 2017	Q1 2018	% Change
Revenues	13.2	26.6	*102%*
Gross Profit Margin	*32%*	*49%*	*17 ppt*
EBITDA Margin	*31%*	*55%*	*23 ppt*
Net Profit	4.4	12.0	*173%*
Net Profit Margin	*33%*	*45%*	*12 ppt*
Net Profit attributable to EKH	3.7	10.8	*192%*

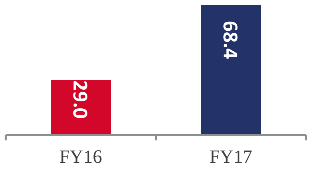
Revenues from the Energy & Energy-Related segment recorded USD 26.6 million in Q1 2018, up 102% y-o-y, with growth driven by the ramp-up of operations under NatEnergy and the consolidation of Offshore North Sinai (ONS). The addition of ONS has turned EKH into the only vertically integrated energy player in Egypt, enabling it to capture the full value chain: upstream (ONS), midstream (NatGas, Fayum Gas and Nubaria Gas), and downstream (Gas Chill and Kahraba). The segment's bottom-line profitability grew by 12 points to 45%, yielding net profit growth of almost threefold to USD 12.0 million in Q1 2018 from USD 4.4 million in Q1 2017.

The segment's new upstream business, ONS, which only commenced operations in Q1 2018, has already become the largest contributor to EKH's absolute growth, recording revenues of USD 8.6 million during the quarter. Net profit recorded USD 4.2 million in Q1 2018, generating a net profit margin of 49%. The ONS concession consists of two producing wells which were drilled in March and August of 2017. The company's third well is scheduled for production in May 2018, with drilling to commence on an additional four wells thereafter.

NatEnergy was the second-largest contributor to absolute revenue growth for EKH after ONS, posting USD 18.1 million in revenues for Q1 2018, up 37% y-o-y. Growth in NatEnergy's top-line is primarily attributed to the resumption of government-subsidized installations following an upward revision in installation fees. Having only suspended subsidized installations during the previous period and focused on infill clients with an inhouse installation capacity, NatEnergy today operates ahead of the competition with a stronger market share. The company's energy distribution platforms, NatGas, Fayoum Gas and Nubaria Gas, connected more than 35 thousand households to the national grid in Q1 2018 compared to 24 thousand clients in the previous quarter. Net profit for NatEnergy almost doubled between Q1 2017 and Q1 2018, from USD 4.4 million to USD 7.8 million, representing y-o-y growth of 77%, while its net profit margin expanded by 10 points to 43%. Margin expansion was driven by higher government-subsidized installation fees, the shift in our client profile from subsidized clients towards higher-margin infill clients, and the expansion of NatEnergy's inhouse installation capacity which reduced its outsourcing needs. Meanwhile, NatEnergy's power generation subsidiary Kahraba added 30 MW to its production capacity and recorded a significant fourfold increase in net profit to EGP 18.1 million in Q1 2018. The company plans to add an additional c.100 MW by the end of 2020 as it seeks to capitalize on the favorable trends in the power generation market, including rising prices and increased liberalization.

17%
of Group Revenues
in FY 2017

Revenues (USD mn)



Diversified

Egypt Kuwait Holding's Diversified segment includes a wide array of strategic investments, from cement production, telecommunications, and infrastructure to cooling systems and insurance. In line with the company's strategy to invest in local businesses with large and defensible market positions, EKH owns c.38% of Building Materials Industries Company (BMIC) in Egypt, a country home to the largest cement market in Africa, with total consumption of c.50 mtpa. Other group assets in the sector include Delta Insurance, Al-Shorouk for Melamine and Resins, Globe Telecommunications, Gas Chill and Bawabet Al Kuwait Holding Company.

EKH's Diversified segment recorded revenues of USD 15.5 million in Q1 2018, up an impressive 94% y-o-y and contributing USD 2.7 million to EKH's attributable net income for the quarter. The strong performance was partly supported by a 41% y-o-y increase in Delta Insurnace's revenues to EGP 141.9 million in Q1 2018, while the company's bottom-line turned a profit of EGP 15.7 million in the quarter versus a loss of EGP 4.8 million in Q1 2017. It is also worth noting that the Diversified segment's strong performance comes despite EKH's divestment from telecoms network Zain and with the comparable period in Q1 2017 having included its dividend contribution.

Outlook

Management is optimistic about the prospects of its portfolio companies and their ability to continue capturing the upside of the economic reform program. As the only vertically integrated energy play in Egypt, EKH is ideally positioned to benefit from the reform program's industrialization, subsidy removal, and export-driven policies.

At EKH's energy segment, increased liberalization of the natural gas market has allowed **ONS** to commence operations and begin adding substantial value to EKH's consolidated top- and bottom-lines. Management looks forward to expand this upstream operation and fully capitalize on the potential of some 113 bcf in P1 reserves. EKH is actively working to upgrade probability tiers and outline a CAPEX program to drive longer-term returns. Meanwhile, similar liberalization trends are also benefiting **NatEnergy** and its subsidiaries, with the company now positioned as a trusted and capable operator in the natural gas distribution market when expanding grid-connected homes is a national priority, while its energy generation business is capturing the upside of rising prices and increased market access.

On the fertilizers and petrochemicals front, **Sprea Misr** will continue to be a primary contributor to revenues, and management is looking to unlock future growth at the import-substitution play through multiple avenues, including (1) capacity expansions to capture a larger share of the local market and increasingly venture into new export markets and (2) improved utilization and operational efficiency to extract cost savings. Management is also cautiously optimistic with regards to **AlexFert's** growth trajectory, taking into account the company's high capacity utilization and the bullish trend in urea prices, remaining cognizant, however, of the industry's cyclical nature.

Recent Corporate Developments

Following EKH's Mandatory Tender Offer (MTO) to increase its stake in Delta Insurance to 99%, the company concluded the MTO in Q1 2018 and now holds 55% in the company, up from 32%. Delta Insurance's results are now fully consolidated on EKH's financials starting Q1 2018.

About Egypt Kuwait Holding

Egypt Kuwait Holding Company (EKHO.CA on the Egyptian Exchange and EKHOLDING on the Kuwaiti Exchange) is one of the MENA region's leading investment companies, with a diversified portfolio of investments that spans the region in sectors that include fertilizers and petrochemicals, energy, cement production, insurance, information technology, transport, and infrastructure. Established in 1997 by a consortium of prominent Kuwaiti and Egyptian businessmen including our former Chairman, the late Nasser Al-Kharafi, the company has flourished during the past decade as the countries of the Arab world began to liberalize their economies and open doors for private-sector investments in strategic sectors that had once been off limits.

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STOCK SYMBOL
EKHO.CA

CAPITAL
Issued and Paid-In Capital:
USD 256.1 mn
Number of Shares: 1,024 million shares
Par Value: USD 0.25 per share

Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions, and beliefs of Egypt Kuwait Holding Company (EKH). Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes "targets" or "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of EKH may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of EKH is subject to risks and uncertainties.

Income Statement

(in US $)	Q1 2018	Q1 2017
Energy & Energy Related		
Revenues	26 623 690	13 158 100
% Contribution	22%	13%
COGS	13 499 201	8 944 349
Gross Profit	13 124 489	4 213 751
% Margin	49%	32%
Fertilizers & Petrochemicals		
Revenues	76 644 418	82 580 162
% Contribution	65%	80%
COGS	54 878 079	55 413 995
Gross Profit	21 766 339	27 166 168
% Margin	28%	33%
Diversified		
Revenues	15 508 155	8 003 771
% Contribution	13%	8%
COGS	7 577 015	667 293
Gross Profit	7 931 140	7 336 478
% Margin	51%	92%
Total Revenues	**118 776 263**	**103 742 034**
COGS	75 954 294	65 025 637
Gross Profit	42 821 969	38 716 397
% Margin	36%	37%
Selling Expenses	1 323 760	858 815
G&A	7 166 275	7 309 495
Operating Income	**34 331 934**	**30 548 087**
% Margin	29%	29%
Interest Net	5 227 941	3 655 256
FX Gain / Loss	(106 288)	(1 379 628)
Capital Gain	347	998 189
Impairment (Impairment reversal on Assets)	(136 066)	-
Other Income (Expenses)	189 154	1 514 000
Net Income before Tax	**39 507 022**	**35 335 904**
Income Tax	7 494 975	7 848 252
Differed Tax	(620 731)	(713 840)
Net Income from Continued Operations	**32 632 778**	**28 201 492**
Gain (Loss) from Discontinued Operations	-	(330 000)
Net Income	**32 632 778**	**27 871 492**
Non-Controlling Interest	7 253 893	5 488 279
Attributable Net Income	**25 378 885**	**22 383 213**

Balance Sheet

(in US$)	31-3-2018	FY 2017
Fixed Assets (Net) & Projects under Construction	232 893 118	232 895 979
Exploration & Production Assets	23 735 903	24 591 508
Investments in Associates	23 173 628	29 201 428
Investments Available for Sale	31 635 868	28 860 567
Financial investments held-to-maturity	103 673 427	108 551 255
Other long-term Assets	75 916 682	78 736 996
Total Long-Term Assets	**491 028 626**	**502 837 733**
Cash	322 500 723	224 894 312
Investments in Treasury Bills & Bonds	134 675 827	137 185 652
Investments Held for Trading	11 406 287	15 024 540
Total Receivables & Other Debtors	119 243 714	96 087 550
Assets Held for Sale	4 552 500	4 552 500
Inventory & Work in Progress	69 289 322	66 943 642
Due from EGPC	1 675 589	2 802 262
Total Current Assets	**663 343 962**	**547 490 458**
Total Assets	**1 154 372 588**	**1 050 328 191**
Bank Overdraft and STL	92 122 218	97 423 850
Due to Suppliers and Sub-Contractors	21 500 171	13 050 716
Due to EGPC	10 139 407	24 962 878
Provisions	34 832 462	33 206 603
Creditors and Other Credit Balances	204 403 586	122 744 252
Policyholders liabilities	61 470 404	-
Liabilities Held for Sale	-	-
Total Current Liabilities	**424 468 248**	**291 388 299**
Long-Term Loans	30 711 995	33 056 995
Other Long-Term Liabilities	864 971	298 993
Due to EGPC	6 959 731	7 572 033
Deferred Tax Liability	25 401 892	24 367 095
Total Long-Term Liabilities	**63 938 589**	**65 295 116**
Paid-in Capital	256 110 292	256 110 292
Reserves	192 583 772	191 513 013
Fair Value Reserve	6 071 079	5 081 987
Retained Earnings	188 741 920	219 881 881
Translation Adjustments	(212 550 425)	(211 220 462)
Formed versus-based payment transactions on shares	17 561 848	17 561 848
Treasury Shares	(221 050)	
Parent's Shareholders' Equity	**448 297 436**	**478 928 559**
Non-Controlling Interest	217 668 315	214 716 217
Total Shareholders' Equity	665 965 751	693 644 776
Total SHE + Total Liabilities	**1 154 372 588**	**1 050 328 191**

Cash Flows

(in us $)	Q1 2018	Q1 2017
Cash flows from operating activities		
Net profit for the period before income tax	39 507 022	35 005 904
Adjustments for:		
Depreciation of fixed assets and amortization of other intangible assets	6 872 866	6 706 128
Depletion of Exploration & production Assets	2 502 943	-
The company's share in associated companies' profits	(1 126 651)	330 342
Re-evaluation of a portfolio of investments held for trading Output	(172 507)	(193 365)
Financing expenses	2 734 976	2 883 663
Interest income	(7 962 917)	(6 538 918)
Capital gains	(347)	(998 189)
Provisions no longer required	-	(10 693)
Provisions other than depreciation	474 617	1 659 193
Reversal of Impairment losses on receivables and debit balances	136 066	-
Reversal of Impairment in assets value	-	(3 000 000)
Operating profit before changes in assets & liabilities available from operating activities	**42 966 068**	**35 844 065**
Investments at fair value through profit & loss	3 765 725	(1 165 195)
Trade and notes receivable	1 167 008	(14 870 576)
Accounts receivable and other receivables	(9 470 158)	(11 312 696)
Inventory	(3 796 082)	(2 737 735)
Work in progress	2 835 129	1 019 577
Suppliers and subcontractors	8 336 135	(2 853 275)
Payables and other credit balances	16 593 724	30 711 429
Proceeds (payments) from the Egyptian General Petroleum Corporation	(15 435 773)	11 432 178
Blocked deposits	(13 454)	17 200 386
Provisions used	-	(162 000)
Financing expenses paid	(2 734 976)	(2 882 582)
Net change in assets of acquired companies	(1 096 077)	-
Net cash available from (used in) operating activities	**43 117 269**	**60 223 576**
Cash flows from investing activities		
Interest received	7 866 792	6 637 409
Payments for acquisition of fixed assets and projects under construction	(1 571 219)	(3 762 479)
Proceeds from sale of fixed assets	10 659	276
Proceeds from sale of intangible assets	-	4 000 000
Payments for exploration and development assets	(1 647 338)	-
Proceeds (payments) from the Egyptian General Petroleum Corporation	1 126 673	(334 410)
Proceeds from sale of investments available for sale	-	13 065 444
Purchase of financial investments available for sale	(1 671 930)	-
Financial investments held- to-maturity payments	-	(9 241 699)
Proceeds from Financial investments held- to-maturity	49 918 425	8 788 386
Proceeds from investments in Treasury bills more than three months	20 050 094	7 794 343
Net cash used in investing activities	**74 082 156**	**26 947 270**
Cash flows from financing activities		
Repayment of long-term loans and bank facilities	-	(8 492 067)
Proceeds from long-term loans and bank facilities	-	597 894
Proceeds from loans and short-term bank facilities	35 531 976	13 105 331
Repayment of loans and short-term bank facilities	(43 280 713)	(21 120 324)
Payments to banks - overdraft	-	(39 560)
Purchase of non-controlling interest	(4 632 400)	-
Non-controlling stakes	(200 110)	(4 623 278)
Dividends paid	(4 524 034)	(7 510 715)
Net cash used in financing activities	**(17 105 281)**	**(28 082 719)**
Translation of financial statements of the accumulated differences	(2 035 299)	(1 908 838)
Net change in cash and cash equivalents during the period	**98 058 845**	**57 179 289**
Cash and cash equivalents at beginning of the period	224 520 953	103 682 428
Cash and cash equivalents at end of the period	**322 579 798**	**160 861 717**