

Egypt Kuwait Holding Co. Releases Q1 2016 Earnings Results

Key Highlights of Q1 2016

USD 104.7 mn
in Revenues

27%
Operating Margin

USD 38 mn
in Gross Profit

USD 36.2 mn
EBITDA
34% EBITDA Margin

36%
Gross Profit Margin

USD 27 mn
in Net Income

USD 28.8 mn
in Operating Income

USD 21.8 mn
in Attributable Net Income

Group Revenue (USD Millions)



Attributable Net Income (USD Millions)



16 May 2016 | 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 first quarter of 2016.

The company reported Attributable Net Income of USD 21.8 million in Q1 2016, a 45% year-on-year increase, with 13% higher Consolidated Revenues of USD 104.7 million. Attributable Net Income is almost 7x the previous quarter, largely thanks to the continued solid growth of Sprea and Natenergy.

EKH's consolidated results reflect the deconsolidation of Oil & Gas operations, a strategic decision the company made as part of EKH's growth strategy to focus first and foremost on yielding higher returns and value by focusing on less volatile operations, and stands as a testament to our management team's capabilities and sound decision-making.

Comments from the Chairman, Mr. Moataz Al-Alfi

Putting behind us the challenges that besieged the economic environment in 2015, EKH kicked off the year with a fresh start, outperforming budget expectations almost entirely across the board. The first quarter of 2016 serves as a foretaste of the coming months, giving clear indications of a promising year and putting us on track to deliver excellent results.

Given the volatility and high risk of the oil industry, EKH has taken steps to deconsolidate Oil & Gas operations after already impairing the assets in 2014-2015, clearing us of the instability of the oil business and allowing us to focus on growing our most profitable investments. Above all, our commitment is to create higher value companies and maintain the quality of earnings going forward, which occasionally translates into adapting our strategy to better suit the economic context we operate in. The results have already materialized, with bottom-line growth of 45% year-on-year to USD 21.8 million.

The key highlight of this quarter's success was Sprea, with the expansion into the sulfonated naphthalene formaldehyde (SNF) market – a key additive to ready-mix concrete that manufacturers regularly import – placing the company in a position to capture growth from the cement and real estate industries as a high-quality and cost-effective local substitute. Sprea is capitalizing on a number of factors, including import restrictions, the foreign currency shortage, and its certification by international cement producers, opening the door to many opportunities both locally and abroad. Sprea will continue to grow horizontally, adding more products to the mix and benefiting further from niche markets that allow us to implement profitable pricing strategies.

NatEnergy posted impressive results this quarter, growing its bottom line two-fold, from USD 2.7 million to USD 5.6 million, and generating USD 22.3 million in revenues. We are optimistic about

the future and profitability of this sector, given the deconsolidation of the Oil & Gas operations and the continued growth of the electricity industry. NatEnergy is well on its way to achieving its target of 1.5-1.6 million customers, having connected thousands of homes to the natural gas grid during the quarter. Through the continued buy-out of minority shareholders, the company plans to increase its stake in NatGas to 84% by 2Q16.

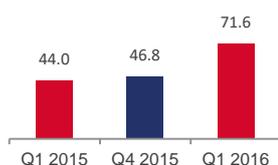
Despite the overhaul carried out during the beginning months of the year, Kahraba's revenues maintained stability year-on-year. Expansion plans are underway with total capacity projected to reach c.100 MW by the end of 2020.

AlexFert's growth was primarily on the back of excellent utilization rates, reaching 82% in 1Q16. Going forward, AlexFert is projected to maintain good utilization rates, maintaining levels between 65% to 80% on average. We are working with the government to adapt a flexible pricing mechanism linking the price of urea to the price of natural gas – a concept that would benefit both parties.

With the first quarter as a testament to this year's prospective achievements and success, we are confident that EKH is moving in the right direction, and in its ability to surpass expectations and deliver superior results. The soundness of our strategy has already begun to bear fruit – a testimony to our team's insightful expertise and knowledge.

42%
of Attributable Net Profit
in Q1 2016

Revenues
(USD Millions)



Fertilizers & Petrochemicals

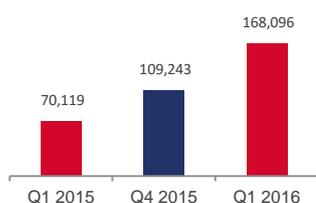
EKH has investments in two operational companies in the Fertilizers & Petrochemicals Segment: Alexandria Fertilizers Company (AlexFert) and Sprea Misr for Production of Chemicals & Plastics Company. A third investment, the Egyptian Hydrocarbon Corporation (EHC) is a mining-grade ammonium nitrate manufacturing startup scheduled to begin operations later this year. The company's Fertilizers & Petrochemicals 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 2015 | Q4 2015 | Q1 2016 |
|--------------------------------|---------|---------|---------|
| Revenues | 44.0 | 46.8 | 71.6 |
| Gross Profit Margin | 17% | 27% | 28% |
| EBITDA Margin | 26% | 31% | 30% |
| Net Profit | 2.0 | 7.5 | 12.8 |
| Net Profit Margin | 5% | 16% | 18% |
| Net Profit attributable to EKH | 3.4 | 5.0 | 9.3 |

Total Fertilizer Sales
(Tons)



The Fertilizer & Petrochemicals segment showed significant improvements, with revenues for 1Q16 up 63% year-on-year and 53% quarter-on-quarter, coming in at USD 71.6 million compared to USD 46.8 million in 4Q15 and USD 44.0 million in 1Q15. The improvement was mainly thanks to better utilization rates at AlexFert, reaching 82% in 1Q16, where production had been repeatedly interrupted during 2015 due to a nationwide shortage in natural gas supplies that saw the complete shutdown of the plant in the third quarter. AlexFert's plant has been receiving its full daily natural gas allocation from the government since November 2015, a fact that has reflected on the company's attributable net profit, which stood at USD 5.6 million this quarter compared to a loss of USD 2.2 million in 1Q15.

With the global fertilizer industry being impacted by urea prices, the government adopted a flexible pricing mechanism that uses a formula linking the price of urea to the price of natural gas, currently in the beginning stages of implementation. Coupled with projections to maintain high allocation levels

through the summer, reaching between 65-80% on average, we are optimistic that the fertilizer business is moving in the right direction.

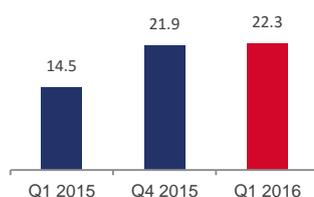
Sprea continues to outperform each quarter, reporting USD 7.2 million in attributable net income in 1Q16, an impressive 70% y-o-y growth, driven by continued limits on imports and FX restrictions. With significant barriers to entry to the methanol-based product market in Egypt, as well as the import constraints due to the foreign currency shortage, Sprea is positioned as a local alternative, allowing it to exercise a favorable pricing strategy and pursue increased market share.

The company's product line is continuously expanding to include new products, the most recent of which is sulfonated naphthalene formaldehyde (SNF), an additive for ready-mix concrete and a major growth driver in the cement industry. Sprea began producing SNF during the first quarter of 2016, with the SNF line currently producing 66 KTons annually, planned to increase to 88 KTons by Q42016. Sprea has been certified by international cement producers, becoming part of the international supply chain and opening the gates to new export opportunities. As SNF is not otherwise produced in Egypt, and with the relatively low CAPEX investment required to start production, Sprea is positioned as a cost-effective local supplier ready to capitalize on the growth of the cement and real estate industries and the drive for import substitution at the national level.

Furthermore, Sprea's expansion into the wood sheets business, manufactured with Formica sheets and imported wood, continues to bear fruit with gross profit margins for the business averaging 21% to 25%. Sprea is planning on increasing its production capacity to 2.6 million sheets per annum by the second quarter of 2016, up from the current 1.8 million sheets per annum, as part of its strategy of capturing a larger share of the market.

26%
of Attributable Net Profit
in Q1 2016

Revenues
(USD Millions)



Energy & Energy-Related

Egypt Kuwait Holding has investments in two companies in the Energy and Energy-Related Segment: NatEnergy and the Egyptian Tanker Company (ETC). 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. The company's energy investments also a local and global marine transport of crude oil and petroleum products through ETC. Previous investments included the Oil & Gas operations, which has been deconsolidated as of Q1 2016.

Energy & Energy Related – NatEnergy

in USD thousand unless otherwise indicated

| | Q1 2015 | Q4 2015 | Q1 2016 |
|--------------------------------|---------|---------|---------|
| Revenues | 14,498 | 21,852 | 22,305 |
| Gross Profit Margin | 40% | 36% | 37% |
| EBITDA Margin | 39% | 32% | 36% |
| Net Profit | 4,418 | 6,675 | 7,463 |
| Net Profit Margin | 30% | 31% | 33% |
| Net Profit attributable to EKH | 2,722 | 5,095 | 5,672 |

**For a more accurate comparison of the energy sector's financial performance, figures for 1Q15 and 4Q15 have been adjusted to reflect the deconsolidation of the Oil & Gas operations.*

The Energy & Energy-Related segment reported a top-line of USD 22.3 million in the first quarter of 2016, up a significant 53% compared to 1Q15 owing to improved operational performance at NatEnergy, EKH's energy distribution play. Meanwhile, on a q-o-q basis the segment saw revenues record a 2.1% increase compared to the USD 21.9 million booked in 4Q15. Top-line improvements were carried down the income statement with Net Profit posting USD 5.7 million, a two-fold increase compared to 1Q15 and with a 3 percentage-point improvement in margin to 33%. Bottom-line profitability comes largely due to the deconsolidation of the Oil & Gas operations which, having been hampered by the global decline in oil prices, was weighing down on the segment's performance.

During 1Q16, NatEnergy connected c.22.9 thousand homes to the natural gas grid bringing its total client base to 1.1 million, a marked progress towards the company's target of 1.5-1.6 million customers. In March 2016, NatEnergy's subsidiaries, NatGas and Fayoum Gas, forged a strategic alliance with Global Telecom (GT) that would see the companies utilize GT's satellite imagery in identifying growth potential within their concessions, paving the way for continued operational improvements over the coming five years. It is worth noting that NatEnergy had in August 2015 increased its stake in NatGas to 75%, with plans to continue buying out minority shareholders to reach an 84% stake by 2Q16. Going forward, NatEnergy is also looking into capitalizing its growing client base by introducing new commercial services and leveraging its efficient cash collection cycle.

Meanwhile at Kahraba, the segment's electricity generation play, continued progress is being made on the company's expansion plans that will see total generating capacity reach c.100 MW by year-end 2020, with new generators scheduled to come online as early as June 2016. Total revenues for 1Q16 remained somewhat flat y-o-y despite the major maintenance and overhaul conducted during the months of January and February 2016. Management remains very optimistic about the electricity business in Egypt, with electricity prices set to continue on their upward trend.

32%

of Attributable Net Profit
in Q1 2016

Net Income
(USD Millions)



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. 30% of the Building Materials Industries Company (BMIC) in Egypt, a country home to the largest cement market in Africa, with total consumption of c. 53 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.

Diversified segment contributed a total of USD 7.1 million in 1Q16, down 33% y-o-y compared to the 1Q15 figure of USD 10.5 million.

Recent Corporate Developments

Deconsolidation of Oil & Gas Operations.

As of 1/1/2016, EKH deconsolidates the Oil & Gas operations from its financials.

Outlook

Given the divestment of the Oil & Gas operations and the lack of exposure to the risks of the oil industry cyclicality, EKH can expect more stable, predictable performance going forward. Sprea's continues to outperform, delivering solid results on the back of excellent operational management. Meanwhile, NatEnergy is also growing in parallel, capturing opportunities in the electricity industry.

Throughout 2013-2015, AlexFert represented about half of the company's profitability, with all the other businesses representing the remaining half. Currently, our profitability is split among the three businesses: Sprea, NatEnergy and diversified, with AlexFert comprising only about 9%.

Regarding the possibility of increases in urea prices, Management is working to reach an agreement with the government to link the price of urea to the price of natural gas.

About EK 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.

INVESTOR RELATIONS CONTACT

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STOCK SYMBOL

EKHO.CA

CAPITAL

Issued and Paid-In Capital: USD 256.11 mn

Number of Shares: 1.02 billion 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.

Summary Income Statement

| (in US \$) | 1Q 2016 | 1Q 2015 |
|---|--------------------|-------------------|
| Energy & Energy Related | | |
| Revenues | 22 305 403 | 35 635 688 |
| % Contribution | 21% | 39% |
| COGS | 14 154 687 | 23 425 710 |
| Gross Profit | 8 150 716 | 12 209 978 |
| % Margin | 37% | 34% |
| Fertilizers & Petrochemicals | | |
| Revenues | 71 629 762 | 43 968 386 |
| % Contribution | 69% | 48% |
| COGS | 51 456 643 | 36 351 189 |
| Gross Profit | 20 173 119 | 7 617 197 |
| % Margin | 28% | 17% |
| Diversified | | |
| Revenues | 10 732 587 | 12 670 156 |
| % Contribution | 10% | 14% |
| COGS | 1 215 619 | 2 988 134 |
| Gross Profit | 9 516 968 | 9 682 022 |
| % Margin | 89% | 76% |
| Total Revenues | 104 667 752 | 92 274 230 |
| COGS | 66 826 949 | 62 765 033 |
| Gross Profit | 37 840 803 | 29 509 197 |
| % Margin | 36% | 32% |
| Selling Expenses | 2 790 937 | 1 942 980 |
| G&A | 5 952 961 | 11 252 319 |
| Net Provisions | 22 475 642 | (4 139 452) |
| Gain From Losing Control | (22 138 040) | - |
| Other Expenses | - | 84 944 |
| Operating Income | 28 759 310 | 20 368 406 |
| % Margin | 27% | 22% |
| Interest Net | 656 531 | (3 253 821) |
| FX Gain / Loss | 2 883 903 | (1 323 654) |
| Capital Gain | 68 879 | 16 204 |
| Other Income (Expenses) | 207 756 | 639 027 |
| Net Income before Tax | 32 576 375 | 16 446 162 |
| Income Tax | 6 063 661 | 3 414 678 |
| Differed Tax | (490 195) | (335 476) |
| Net Income from Continued Operations | 27 002 912 | 13 366 960 |
| Gain (Loss) from Discontinued Operations | - | - |
| Net Income | 27 002 962 | 13 366 960 |
| Non-Controlling Interest | 5 171 282 | (1 666 179) |
| Attributable Net Income | 21 831 630 | 15 033 139 |

Summary Balance Sheet

| (in US\$) | 1Q 2016 | FY 2015 |
|--|----------------------|----------------------|
| Fixed Assets (Net) & Projects under Construction | 263 006 687 | 278 132 960 |
| E&P Assets | - | 93 594 442 |
| Investments in Associates | 139 844 223 | 155 057 733 |
| Investments Available for Sale | 122 262 029 | 115 930 389 |
| Other long-term Assets | 96 022 561 | 103 159 435 |
| Total Long-Term Assets | 621 135 500 | 745 874 959 |
| Cash | 316 376 851 | 396 876 046 |
| Investments in Treasury Bills | 47 571 685 | 6 044 646 |
| Investments for Trading | 107 496 191 | 112 495 674 |
| Total Receivables & Other Debtors | 149 386 876 | 208 076 900 |
| Inventory & Work in Progress | 57 751 522 | 76 242 603 |
| Due from EGPC | 12 841 195 | 14 132 102 |
| Total Current Assets | 691 424 320 | 813 858 971 |
| Total Assets | 1 312 559 820 | 1 559 733 930 |
| Bank Overdraft and STL | 164 805 098 | 259 493 122 |
| Due to Suppliers and Sub-Contractors | 14 419 947 | 83 576 453 |
| Due to EGPC | 61 763 722 | 47 416 032 |
| Provisions | 37 438 173 | 13 827 109 |
| Debtors and Other Credit Balances | 180 795 438 | 205 461 354 |
| Total Current Liabilities | 459 222 378 | 609 774 070 |
| Long-Term Loans | 98 323 884 | 123 097 749 |
| Other Long-Term Liabilities | 718 055 | 833 980 |
| Due to EGPC | - | 581 332 |
| Provisions | - | 4 070 000 |
| Deferred Tax Liability | 28 822 580 | 29 721 891 |
| Total Long-Term Liabilities | 127 864 519 | 158 304 952 |
| Paid-in Capital | 256 110 292 | 256 110 292 |
| Reserves | 189 894 520 | 188 292 291 |
| Fair Value Reserve | (865 686 174) | (175 271 701) |
| Retained Earnings | 286 662 373 | 299 919 262 |
| Translation Adjustments | (65 994 100) | (47 129 262) |
| Parent's Shareholders' Equity | 491 986 220 | 521 870 882 |
| Non-Controlling Interest | 233 486 703 | 269 784 026 |
| Total Shareholders' Equity | 725 472 923 | 791 654 908 |
| Total SHE + Total Liabilities | 1 312 559 820 | 1 559 733 930 |

Summary Cash Flows

| (in US \$) | 1Q 2016 | 1Q 2015 |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Net profit for the year before income tax | 43 525 326 | 20 703 197 |
| Adjustments for: | | |
| Depreciation & amortization of property, plant and equipment and other non-tangible assets | 7 133 891 | 7 446 706 |
| Exploration & development assets depletion | - | 5 136 753 |
| Company's share of profits of associates | (1 093 946) | (1 932 779) |
| Unrealized gain on held for trading investments | (1 065 199) | (573 118) |
| Financing expenses | 2 882 508 | 3 438 418 |
| Interest income | (3 539 033) | (3 799 220) |
| Gain on sale of fixed assets | (68 879) | (16 204) |
| Provisions no longer required | (12 469) | (4 153 766) |
| Provisions other than depreciation | 22 488 111 | - |
| Impairment loss on debtors and other debit balances | (33 086 991) | - |
| Impairment losses on receivables and other debit balances | - | 58 050 |
| Loss disposal of discontinued operations - lost control | 10 948 951 | 4 257 035 |
| Operating profit before changes in assets & liabilities available from operating activities | 26 214 368 | 22 051 002 |
| Change in held for trading investments | 6 064 682 | (36 166 351) |
| Change in trade & notes receivable | (9 183 657) | 3 572 183 |
| Change in debtors & other debit balances | (19 812 819) | (9 179 160) |
| Change in inventories | 3 033 865 | 4 271 440 |
| Change in work in progress | 1 489 792 | (3 749 018) |
| Change in suppliers & subcontractors | 3 507 860 | 5 581 626 |
| Change in creditors & other credit balances | (8 682 435) | 20 549 357 |
| Change in Egyptian General Petroleum Corporation | 13 766 358 | 4 605 466 |
| Change in blocked deposits | 13 096 476 | 31 |
| Provisions used | - | (212 868) |
| Interest & financing expenses paid | (2 905 832) | (4 795 055) |
| Net change in assets of unconsolidated subsidiaries as a result of loss of control | (39 363 876) | - |
| Net cash available from (used in) operating activities | (1 826 267) | 6 528 653 |
| Cash flows from investing activities | | |
| Interest income received | 2 962 812 | 3 720 841 |
| Payments for acquisition of fixed assets & projects under construction | (1 555 779) | (1 451 610) |
| Payments for acquisition of exploration & development assets | - | (18 253 142) |
| Proceeds from sale of fixed assets | 60 087 | 124 033 |
| Proceeds from Egyptian General Petroleum Corporation | 1 302 308 | 8 028 414 |
| Payments for acquisition of available -for- sale investments | (6 022 624) | (14 354 197) |
| Payments for acquisition of investments in associates | - | (18 379 135) |
| Dividend of sister companies | 1 200 000 | - |
| Payments for investments in Treasury bills more than three months | (31 112 088) | (5 978 477) |
| Net cash used in investing activities | (33 165 284) | (46 543 273) |
| Cash flows from financing activities | | |
| Repayment of long-term loans & bank facilities | (5 993 932) | (53 122 035) |
| Proceeds from long-term loans & bank facilities | - | 38 697 960 |
| Proceeds from short-term loans & bank facilities | 7 758 798 | 5 455 580 |
| Repayment of short-term loans & bank facilities | (50 042 679) | (181 722) |
| Proceeds from bank overdraft | 26 172 | 7 142 691 |
| Repayments for minority interests | - | (787 500) |
| Minority Interests | 41 424 300 | (5 400 037) |
| Dividends paid | (9 094 834) | (10 568 815) |
| Net cash used in financing activities | (15 922 175) | (18 763 928) |
| Foreign currency translation differences | (7 965 200) | 1 875 523 |
| Net change in cash and cash equivalents during the year | (58 878 926) | (56 888 711) |
| Cash and cash equivalents at beginning of the year | 346 901 181 | 372 351 161 |
| Cash and cash equivalents at end of the year | 288 022 255 | 315 462 450 |