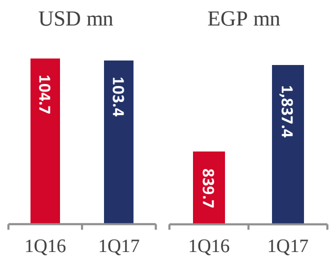
Egypt Kuwait Holding Co. Releases Q1 2017 Earnings Results

EKH achieves on-the-ground growth in excess of currency devaluation; continues to deliver on its investment strategy with growing attributable net income.

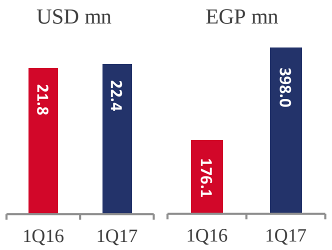
Key Highlights of Q1 2017

USD 103.4 mn in Revenues	USD 38.4 mn in Gross Profit	37% Gross Profit Margin	USD 30.2 mn in Operating Income
29% Operating Margin	USD 24.5 mn Attributable EBITDA	USD 27.9 mn in Net Income	USD 22.4 mn in Attributable Net Income

Group Revenue



Attributable Net Income



15 May 2017 | 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 2017.

Revenues recorded USD 103.4 million in Q1 2017, remaining somewhat flat compared to the USD 104.7 million posted in the same period last year despite the translation of underlying company financials into US dollars from Egyptian pounds. EKH's Attributable Net Income posted USD 22.4 million in Q1 2017, up 3% y-o-y versus the USD 21.8 million recorded in the same period last year. In EGP terms, Attributable Net Income growth stood at 127% y-o-y in Q1 2017.

Comments from the Chairman, Mr. Moataz Al-Alfi

Overall, I am very pleased with our results for the first quarter of this year. Our financial performance is a reflection of EKH's resilience and solid investment strategy that has not only seen it weather the storm, but also capitalize on it. In Q1 2017, we delivered impressive on-the-ground growth and margin expansion across the board, allowing us to completely offset the effect of the Egyptian Pound's float despite our financials being denominated in US dollars.

Revenues for the first quarter of the year recorded USD 103.4 million, remaining relatively flat compared to the USD 104.7 million posted in Q1 2016. However, our top-line grew more than two-fold y-o-y when factoring in the 50% devaluation of the Egyptian Pound. Meanwhile, our strategy of cleaning out minorities in our proven winners allowed us to grow our attributable net income even in US Dollar terms. EKH's performance is now more balanced across its portfolio, with a sharper focus on core businesses yet diverse enough with each business unit contributing to and driving growth during the quarter.

Sprea Misr continues to outperform thanks to a business model that sees it capitalize on the current market dynamics of higher import costs and the residual restrictions on the availability of foreign currency for non-essential imports. The natural import substitute play reported some USD 32.9 million in Q1 2017, increasingly contributing to EKH's top-line at 32%. We continue to view Sprea as a high-growth business with significant upside potential. Following the success witnessed with our sulfonated naphthalene formaldehyde (SNF) investment, we've expanded our capacities to 88 ktpa as we seek to capture a larger share of the market and serve unmet demand that is otherwise satisfied through imports.

Additionally, we're pushing ahead with plans to expand our export footprint into African markets having recently acquired a 28,000 sqm land plot adjacent to the current plant. The planned EGP 100 million investment — 70% of which has already been deployed — will unlock opportunities to grow Sprea's export revenues to as much as 50% by 2019, while its proximity will allow for centralization of administrative functions and in-turn maximize profitability. Meanwhile, efforts are underway to kick-start EKH's venture into the production of medium density fibreboard (MDF) which shares the same favorable dynamics of the SNF market.

We are also glad to report that natural gas supply to AlexFert has remained consistent and is satisfying production needs to the point where we now operate at utilization rates higher than nameplate capacity. This was further buoyed by higher urea prices during the quarter leading to a 27% y-o-y growth in revenues to USD 49.7 million. Meanwhile, utilization rates north of 119% reflected positively on margins with the company's bottom-line turning a 145% y-o-y growth to USD 13.7 million with a 13-point expansion in net profit margin to 27%.

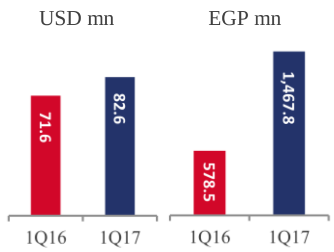
On the energy distribution front, we are anticipating an upward revision in fees for government-contracted grid-connections following the float of the Egyptian pound. Once implemented, the new pricing will allow NatEnergy to resume installations and fully capitalize on raw materials secured for some 60 thousand clients at pre-float rates. We are already capturing higher-margin business thanks to our efforts of targeting private sector connections which are priced at marketable rates. This was reflected on our revenues where the y-o-y decline in US Dollar terms was narrower than the effect of a c.50% devaluation in the Egyptian Pound. We are optimistic that a new pricing agreement with the government will be finalized soon enough, setting us on a steady course to meeting our targeted 100 thousand connections this year.

Lastly, I would like to highlight EKH's significantly improving cash position with a total balance as at the end of the period of USD 516 million and a net cash position of some USD 331 million, thanks in part to the efforts of our treasury function. Our liquid balance sheet positions us well to pursue multiple avenues of growth, be it acquiring minority stakes, investing in our proven winners or venturing into new greenfields with favorable dynamics, and affords us the ability to distribute higher dividends as yet another means of maximizing shareholder value.

80%

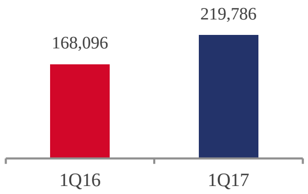
of Group Revenues in Q1 2017

Revenues



Total Fertilizer Sales

(Tons)



Fertilizers & Petrochemicals

EKH has investments in two operational companies in the Fertilizer & Petrochemical Segment: Alexandria Fertilizers Company (AlexFert) and Sprea Misr for Production of Chemicals & Plastics Company. A third investment. The company's Fertilizer & 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 US$ mn unless otherwise indicated	Q1 2016	Q1 2017	% Change
Revenues	71.6	82.6	*15%*
Gross Profit Margin	*28%*	*33%*	*5 ppt*
EBITDA Margin	*30%*	*37%*	*7 ppt*
Net Profit	12.8	22.8	*79%*
Net Profit Margin	*18%*	*28%*	*10 ppt*
Net Profit attributable to EKH	9.3	14.3	*54%*

The Fertilizer & Petrochemical segment posted a stellar performance in the first quarter of 2017, with top and bottom-line recording strong double-digit growth and margin expansion across the board. The segment recorded revenues of USD 82.6 million in Q1 2017, up 15% y-o-y despite the effect of translating subsidiaries' financials into US dollars from Egyptian pounds. Utilization rates north of 100% at AlexFert coupled with strong operational performance by Sprea saw profitability margins for the segment expand during Q1 2017, with bottom-line posting USD 22.8 million, up an impressive 79% y-o-y and yielding a net profit margin of 28% versus 18% in Q1 2016.

Sprea Misr continued to capitalize on its position as an import substitute with a growing export footprint. The company's top-line surged 124% y-o-y to EGP 584 million in Q1 2017 compared to the EGP 261 million posted in the same period last year. In USD terms, Sprea's top-line recorded a 1.2% y-o-y growth in Q1 2017 to USD 32.9 million even as the Egyptian Pound lost more than 50% of its value to trade at EGP 18.15 to the USD versus a rate of EGP 8.88 in the same period last year. Meanwhile, the company's pricing power and cost control initiatives saw it carry top-line gains down to its bottom-line which posted a 28% y-o-y increase in dollar terms to USD 9.2 million, with a 10-point expansion in net profit margin to 28%.

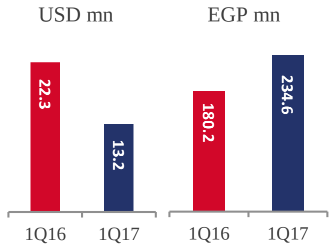
The strong growth for the quarter was equally volume and price driven, where Sprea continued to ramp-up capacities at its sulfonated naphthalene formaldehyde (SNF, an additive for ready-mix concrete) facilities; grew its production of formica sheets; and hedged against the Egyptian Pound's devaluation by successfully linking 100% of its pricing to the US Dollar. The strong demand for Sprea's wide range of products is thanks to a multitude of growth drivers across the industries it serves, including agriculture (formurea), consumer goods (melamine-urea) demographics (formica) and building materials (SNF). Additionally, Sprea's production resiliency affords it flexibility in reacting to shifting market dynamics and the ability to constantly open new avenues for growth. In that regard, the company is currently exploring opportunities that complement its businesses such as the production of medium density fibreboard (MDF), a product that shares similar dynamics to the SNF market, not to mention venturing deeper into the SNF value chain itself.

Meanwhile, reliable natural gas availability has seen AlexFert reach utilization rates averaging 119% during Q1 2017, in-turn driving revenue growth by 28% y-o-y to USD 49.7 million. Top-line improvement was also driven by higher urea prices y-o-y compared to Q1 2016. In terms of operating margins, incremental production in excess of the plant's design capacity carries no cost save for natural gas, hence AlexFert's gross profit margin for the quarter expanded to 30% compared to 25% in Q1 2016. Likewise, EBITDA and net profit margins both recorded improvement to 38% (up seven points) and 27% (up 13 points), respectively. The company recorded a bottom-line of USD 13.7 million in Q1 2017, up an impressive 145% y-o-y.

Management notes that while urea prices are expected to wane during Q2 2017 owing to seasonality in demand, AlexFert should still continue to record y-o-y improvement thanks to improved utilization rates and continued natural gas availability. This is underscored by a number of factors, namely improved natural gas production from existing concessions, new natural gas discoveries expected to come online by year-end 2017, and an overall shift in Egypt's energy mix that is freeing up gas allocation to industry.

13%
of Group Revenues
in Q1 2017

Revenues



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 include a local and global marine transport of crude oil and petroleum products through ETC.

Energy & Energy-Related

in US$ mn unless otherwise indicated	Q1 2016	Q1 2017	% Change
Revenues	22.3	13.2	*(41%)*
Gross Profit Margin	*37%*	*32%*	*(5 ppt)*
EBITDA Margin	*36%*	*31%*	*(4 ppt)*
Net Profit	7.5	4.4	*(41%)*
% Margin	*33%*	*33%*	-
Net Profit attributable to EKH	5.7	3.7	*(35%)*

The Energy & Energy-Related segment recorded revenues of USD 13.2 million in Q1 2017, a 41% y-o-y decline owing to management's decision to halt government-subsidized installations pending an upward revision in fees post the float of the Egyptian Pound. Additionally, lower revenues also reflect the float's translation effect on NatGas and Fayoum's EGP-denomination financials. The segment's bottom-line mirrored its top-line performance posting a 41% y-o-y decline to USD 4.4 million, however, net profit margin was maintained at 33% thanks to the utilization of raw materials acquired pre-float to service the higher-margin private sector installations.

On a q-o-q basis, NatEnergy saw revenues increase 32% compared to Q4 2016 figure of USD 9.9 million, again driven by implementing higher-margin installations as well as increased focus on its customer service revenue streams.

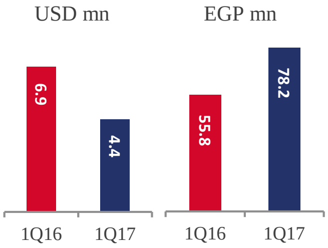
With liquefied natural gas (LNG) and compressed natural gas (CNG) prices on the rise, and a doubling in liquefied petroleum gas (LPG), management expects a significant acceleration in the pace of business going forward and aims to increase its c.1.1 million connected clients within five years to 1.8 million clients

Meanwhile, Kahraba's expansion plans remain on track with some 30 MW in new capacities to be added within the coming months — bringing the total to 70 MW. Management notes that anticipated increase in electricity prices and the company's linking of the price of electricity to that of its feed-in natural gas, which is priced in USD, will bode well for its performance in 2017.

7%

of Group Revenues in Q1 2017

Revenues



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. 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.

The Diversified segment contributed USD 4.4 million to EKH's attributable net income for Q1 2017, down from USD 6.9 million in the same period last year on the back of lower returns from EKH's available-for-sale portfolio.

Outlook

Management remains optimistic with the regards to the outlook of EKH's businesses, viewing the current macroeconomic themes at play as affording it a unique opportunity to push for organic growth while keeping an eye for new investments and/or acquisition opportunities. EKH will continue to leverage its flexible business model in utilizing its resources in the best possible manner as it seeks to maximize shareholder value.

Looking ahead, we expect to grow our foreign currency receipts for existing businesses and to expand the businesses where we hold a market niche and unique competitive advantage. This is particularly true of **Sprea** where future growth will be driven by expanding its regional footprint with a focus on Africa, as well as investments in new businesses complementary to its current operation. Sprea is pushing forward with the additional of 22 Ktons in SNF production capacity and aims to invest in a new 88 Ktons plant that will allow it to serve the export market after covering local demand. Meanwhile, the board of directors has signed-off on EKH's MDF project which aims to capture supply gaps in the Egyptian market as well as extract additional value from the company's existing products — namely glue which constitutes 30% of MDF's raw materials.

Meanwhile, **AlexFert** is poised to continue delivering solid results now as the company is receiving its full natural gas allocation — a development that has seen it operate above its nameplate capacity — setting the company on a clear path to regaining its market position and delivering growth and profitability to the group.

Finally, with the government of Egypt maintaining a steady course for its energy reform program, **NatEnergy** is ideally positioned to capture the upside and deliver long-term organic growth both through its natural gas construction business, NatGas, as well as its power generation play Kahraba.

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.

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STOCK SYMBOL

EKHO.CA

CAPITAL

Issued and Paid-In Capital: USD 256.1mn
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 2017	Q1 2016
Energy & Energy Related		
Revenues	13 158 100	22 305 403
% Contribution	13%	21%
COGS	8 944 349	14 154 687
Gross Profit	4 213 751	8 150 716
% Margin	32%	37%
Fertilizers & Petrochemicals		
Revenues	82 580 162	71 629 762
% Contribution	80%	68%
COGS	55 413 995	51 456 643
Gross Profit	27 166 168	20 173 119
% Margin	33%	28%
Diversified		
Revenues	7 673 771	10 732 587
% Contribution	7%	10%
COGS	667 293	1 215 619
Gross Profit	7 006 478	9 516 968
% Margin	91%	89%
Total Revenues	**103 412 034**	**104 667 752**
COGS	65 025 637	66 826 949
Gross Profit	38 386 397	37 840 803
% Margin	37%	36%
Selling Expenses	858 815	2 790 938
G&A	7 309 495	5 952 953
Operating Income	**30 218 087**	**29 096 912**
% Margin	29%	28%
Interest Net	3 655 256	656 525
FX Gain / Loss	(1 379 628)	2 883 904
Capital Gain	998 189	68 879
Other Income (Expenses)	1 514 000	10 819 106
Net Income before Tax	**35 005 904**	**43 525 326**
Income Tax	7 848 252	6 063 660
Differed Tax	(713 840)	(490 197)
Net Income from Continued Operations	**27 871 492**	**37 951 863**
Gain (Loss) from Discontinued Operations	-	(10 948 951)
Net Income	**27 871 492**	**27 002 912**
Non-Controlling Interest	5 488 279	5 171 282
Attributable Net Income	**22 383 213**	**21 831 630**

Balance Sheet

(in US$)	Q1 2017	FY 2016
Fixed Assets (Net) & Projects under Construction	233 764 243	233 880 932
Investments in Associates	64 691 307	63 782 363
Investments Available for Sale	117 953 739	116 953 348
Financial investments held-to-maturity	114 136 767	113 528 198
Other long-term Assets	69 971 403	69 493 955
Total Long-Term Assets	**600 217 459**	**597 638 796**
Cash	272 711 432	242 186 165
Investments in Treasury Bills & Bonds	20 783 438	18 613 529
Investments Held for Trading	16 260 691	15 159 821
Total Receivables & Other Debtors	70 048 539	44 441 573
Assets Held for Sale	38 368 005	38 368 005
Inventory & Work in Progress	55 821 450	54 103 292
Due from EGPC	1 750 814	1 416 404
Total Current Assets	**475 744 369**	**414 288 789**
Total Assets	**1 075 961 828**	**1 011 927 585**
Bank Overdraft and STL	81 786 710	81 055 075
Due to Suppliers and Sub-Contractors	11 397 400	14 250 675
Due to EGPC	35 415 596	23 983 418
Provisions	23 105 070	21 448 727
Debtors and Other Credit Balances	169 273 623	99 497 366
Liabilities Held for Sale	4 600	4 600
Total Current Liabilities	**320 982 999**	**240 239 861**
Long-Term Loans	102 883 988	119 409 164
Other Long-Term Liabilities	317 468	372 908
Deferred Tax Liability	25 966 680	26 571 939
Total Long-Term Liabilities	**129 168 136**	**146 354 011**
Paid-in Capital	256 110 292	256 110 292
Reserves	191 513 013	188 894 520
Fair Value Reserve	(161 571 234)	(170 395 430)
Retained Earnings	307 353 461	325 259 517
Translation Adjustments	(210 297 930)	(212 373 270)
Formed versus-based payment transactions on shares	17 561 848	17 561 848
Parent's Shareholders' Equity	**400 669 450**	**401 057 477**
Non-Controlling Interest	225 141 243	224 276 236
Total Shareholders' Equity	**625 810 693**	**625 333 713**
Total SHE + Total Liabilities	**1 075 961 828**	**1 011 927 585**

Cash Flows

(in us $)	Q1 2017	Q1 2016
Cash flows from operating activities		
Net profit for the period before income tax	35 005 904	43 757 010
Adjustments for:		
Depreciation of fixed assets and amortization of other intangible assets	6 706 128	7 133 891
The company's share in associated companies' profits	330 342	(1 093 946)
Unrealized gain on held for trading investments	(193 365)	(1 065 199)
Financing expenses	2 883 663	2 882 508
Interest income	(6 538 918)	(3 539 033)
Capital gains	(998 189)	(68 879)
Provisions no longer required	(10 693)	(12 469)
Provisions other than depreciation	1 659 193	22 488 111
Reversal of Impairment losses on receivables and debit balances	-	(33 086 991)
Reversal of Impairment losses on assets	(3 000 000)	-
Profit (loss) on disposal of discontinued operations - lost control	-	(11 180 635)
Operating profit before changes in assets & liabilities available from operating activities	**35 844 065**	**26 214 368**
Change in:		
Held for trading investments	(1 165 195)	6 064 682
Trade & notes receivable	(14 870 576)	(9 183 657)
Debtors & other debit balances	(11 312 696)	(8 863 868)
Inventory	(2 737 735)	3 033 865
Work in progress	1 019 577	1 489 792
Suppliers and subcontractors	(2 853 275)	3 507 860
Creditors & other credit balances	30 711 429	(8 682 435)
Egyptian General Petroleum Corporation	11 432 178	13 766 358
Blocked deposits	-	13 096 476
Time deposits	17 200 386	-
Provisions used	(162 000)	-
Financing expenses paid	(2 882 582)	(2 905 832)
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	**60 223 576**	**(1 826 267)**
Cash flows from investing activities		
Interest received	6 637 409	2 962 812
Payments for acquisition of property, plant and equipment & projects under construction	(3 762 479)	(1 555 779)
Proceeds from sale of fixed assets	276	60 087
Proceeds from sale of intangible assets	4 000 000	-
Proceeds from (payment to) the Egyptian General Petroleum Corporation	(334 410)	1 302 308
Proceeds from sale of investments available for sale	13 065 444	-
Payments for acquisition of available for sale investments	-	(6 022 624)
Payments for held to maturity financial assets	(9 241 699)	-
Proceeds from held to maturity financial assets	8 788 386	-
Dividends received from associates	-	1 200 000
Payments for investments in Treasury bills - more than three months	-	(31 112 088)
Proceeds from investments in Treasury bills - more than three months	7 794 343	-
Net cash used in investing activities	**26 947 270**	**(33 165 284)**
Cash flows from financing activities		
Repayment of long-term loans and bank facilities	(8 492 067)	(5 993 932)
Proceeds from long-term loans and bank facilities	597 894	-
Proceeds from loans and short-term bank facilities	13 105 331	7 758 798
Repayment of loans and short-term bank facilities	(21 120 324)	(50 042 679)
Proceeds from banks - overdraft	-	26 172
Repayment of bank overdraft	(39 560)	-
Non-controlling interests	(4 623 278)	41 424 300
Dividends paid	(7 510 715)	(9 094 834)
Net cash used in financing activities	**(28 082 719)**	**(15 922 175)**
Foreign currency translation differences	(1 908 838)	(7 965 200)
Net change in cash and cash equivalents during the period	**57 179 289**	**(58 878 926)**
Cash and cash equivalents at beginning of the period	103 682 428	346 901 181
Cash and cash equivalents at end of the period	**160 861 717**	**288 022 255**