

ELSEWEDY ELECTRIC Reports Q1 2018 Results Posting a Steady 2% Increase in Revenues to EGP 9.9 billion Y-o-Y; Expanding Contribution from Wires & Cables and Double-Digit Growth in Meters and Transformers

Q1 2018 Consolidated Financial Highlights

Revenues	Gross Profit	EBITDA	Net Profit after Minority
EGP 9,981.6 million ▲ 2% y-o-y	EGP 1,727.5 million ▼ 32% y-o-y	EGP 1,556.2 million ▼ 26% y-o-y	EGP 1,402.5 million ▼ 7% 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 quarter ending 31 March, 2018, reporting revenues of EGP 9,981.6 million, up 2% year-on-year. The company's net profit after minority interest posted a 7% decrease to EGP 1,402.5 million, yielding a net profit margin of 14.1%.

Summary Income Statement

EGP (000)'s	Q1-2018	Q1-2017	% Change
Revenue	9,981,593	9,784,772	2%
Gross Profit	1,727,478	2,524,560	-32%
Gross Profit Margin	17.3%	25.8%	
EBITDA	1,556,243	2,108,619	-26%
EBITDA Margin	15.6%	21.6%	
Net Income After Minority	1,402,483	1,508,945	-7%
Net Income After Minority Margin	14.1%	15.4%	

Financial Highlights

- **Revenues** grew 2% y-o-y to EGP 9,981.6 million in Q1 2018. Revenue growth was largely driven by the company's core wires and cables segment, which grew by 18% y-o-y, with growing contribution from its fastest growing segments, meters and transformers.
- **Gross Profit** posted a 32% y-o-y decline to EGP 1,727.5 million in Q1 2018, representing an 8.5 percentage-point fall in gross profit margin to 17.3%.
- **SG&A** expense for the quarter stood at EGP 515.3 million, up 1.3% y-o-y, with SG&A as a percentage of revenues remaining unchanged between Q1 2017 and Q1 2018 at 5.2%.

- **EBITDA** fell by 26% y-o-y to record EGP 1,556.2 million in Q1 2018, yielding an EBITDA margin of 15.6% compared to 21.6% in Q1 2017.
- **Net Profit after Minority Interest** came in at EGP 1,402.5 million in Q1 2018 compared to EGP 1,508.9 million posted in the same period last year, representing a 7% decline y-o-y. Meanwhile, net profit margin stood at 14.1% versus 15.4% last year.
- **Net debt** as at 31 March, 2018 recorded EGP 369.1 million, down by 26% q-o-q from EGP 496.8 million posted on 31 December, 2017.
- **Inventory** grew slightly q-o-q, recording EGP 7,880.3 million as at 31 March, 2018, representing less than 1% growth from EGP 7,818.9 million carried at 31 December, 2017. **Account receivables** decreased by 9% q-o-q to post EGP 10,915.3 million at the close of Q1 2018, while **Accounts payable** grew at a rapid pace, posting EGP 3,700.5 million as at 31 March, 2018 and up 18% q-o-q.

Note from Our CEO

Over the past 18 months since the float of the Egyptian pound and the kick-off of the government's economic reform program, El Sewedy Electric has delivered exceptional top-line growth and above-average profitability thanks to its export competitiveness and Egyptian pound cost base. In the first quarter of 2018, we are seeing year-on-year growth and margins return to normalized rates as the favourable base effect that characterized 2017 is now behind us. Nevertheless, we continued to deliver double-digit growth in our primary segment, wires & cables, while our meters and transformers segments have both shown consistent exponential growth with their sales increasingly contributing to our consolidated top-line and profitability. Overall, our profitability margins in the first quarter of the year recorded gains over our pre-devaluation 2016 levels.

At our turnkey projects segment, challenging market conditions weighed down on the segment's performance, however, we are actively exploring new growth avenues with a particular focus on infrastructure. To this end, we have recruited and assembled a best-in-class business development team which is currently in the process of screening and identifying EPC tenders across infrastructure projects such as electricity, water treatment and desalination projects.

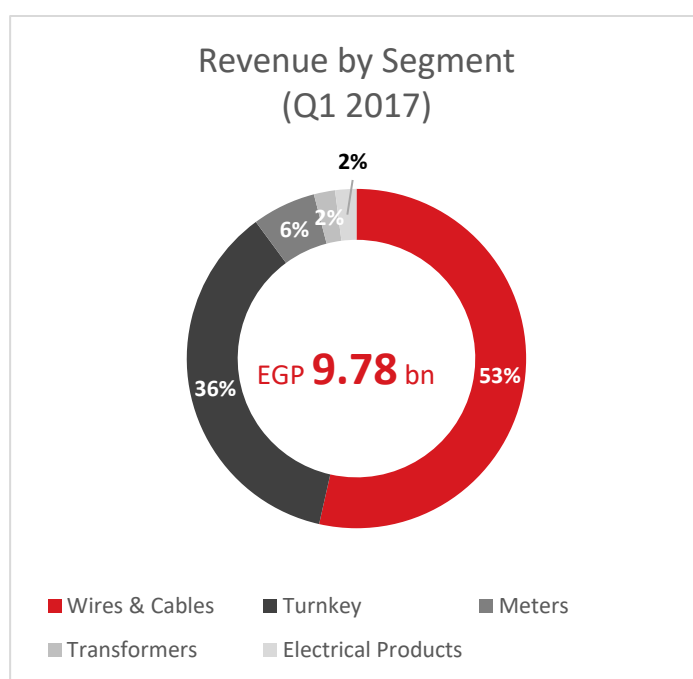
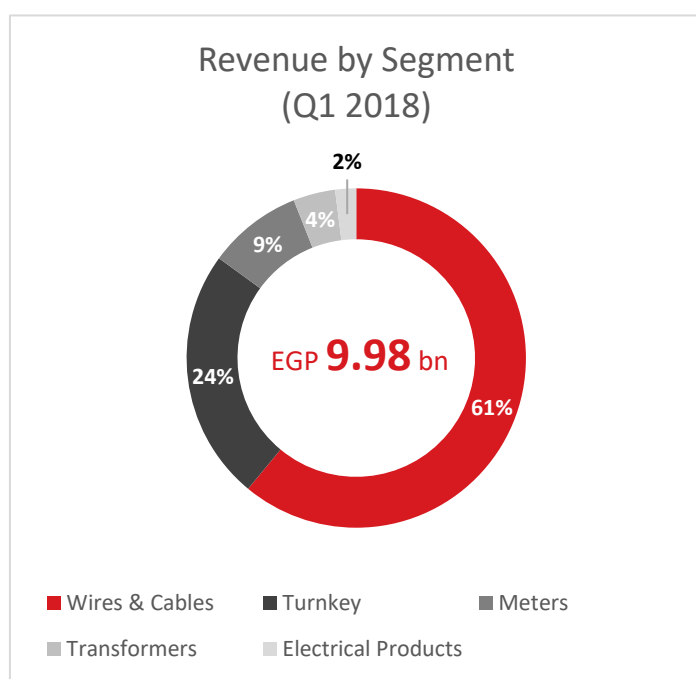
In parallel, we are also pushing ahead with our strategy of building recurring revenue streams in the power generation space through the ownership of facilities as an Independent Power Producer (IPP), putting together an IPP team dedicated to screening and evaluating investment opportunities in this fast-growing market. This is a natural outgrowth of El Sewedy Electric's decade-long track record in Egypt's power sector, and we are uniquely positioned to leverage both our reputation as an EPC contractor of choice and our expertise as a fully integrated energy solutions provider to venture beyond project execution operations and into ownership and long-term value creation.

Ahmed El Sewedy

Revenue Analysis by Segment

The company's core wires and cables segment contributed highest to total revenue during the first quarter of the 2018, bringing in 61.3% of revenues (Q1 2017: 53.0%), while sales from the turnkey projects segment contributed 24.1% to the company's top-line during the same period (Q1 2017: 36.3%). Meters and transformers segments' contribution grew conservatively to 8.9% (Q1 2017: 6.4%) and 4.0% (Q1 2017: 2.1%) respectively in Q1 2018 while the contribution from other electrical products fell by less than 1 percentage point to 1.7% during the same period (Q1 2017: 2.3%).

Although wires and cables continue to represent the lion's share of revenues at EGP 6,114.9 million, growth in the segment slowed significantly in the first quarter of 2018 to 18% y-o-y compared to 75% during the same period in the previous year. The turnkey projects segment also witnessed a 32% y-o-y revenue decline in Q1 2018 to EGP 2,406.0 million despite the previous year's 183% y-o-y in Q1 2017. The meters segment continued to grow rapidly in Q1 2018, climbing 42% y-o-y to EGP 888.8 million, while other electrical products decreased by 25% y-o-y to EGP 86 million. The transformers segment recorded the fastest rate of growth, with revenue growing by 99% y-o-y to EGP 402 million in Q1 2018 despite being the slowest growing segment in Q1 2017.

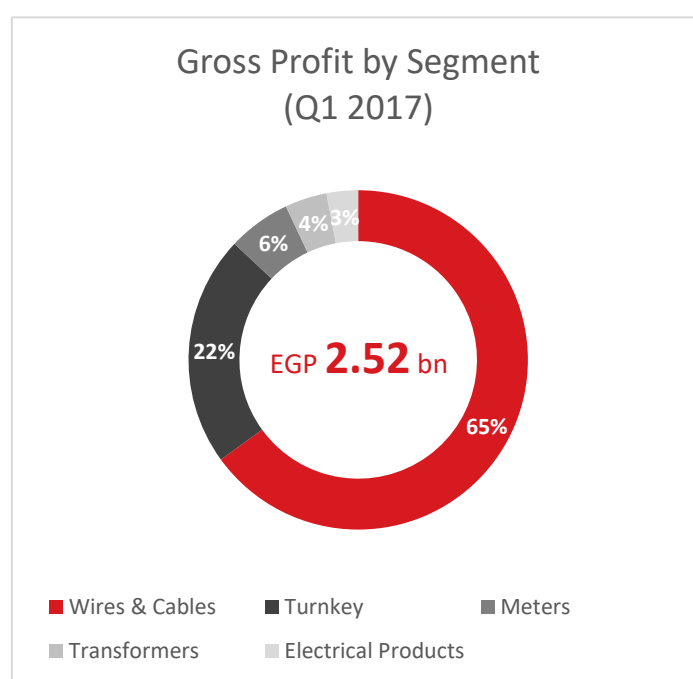
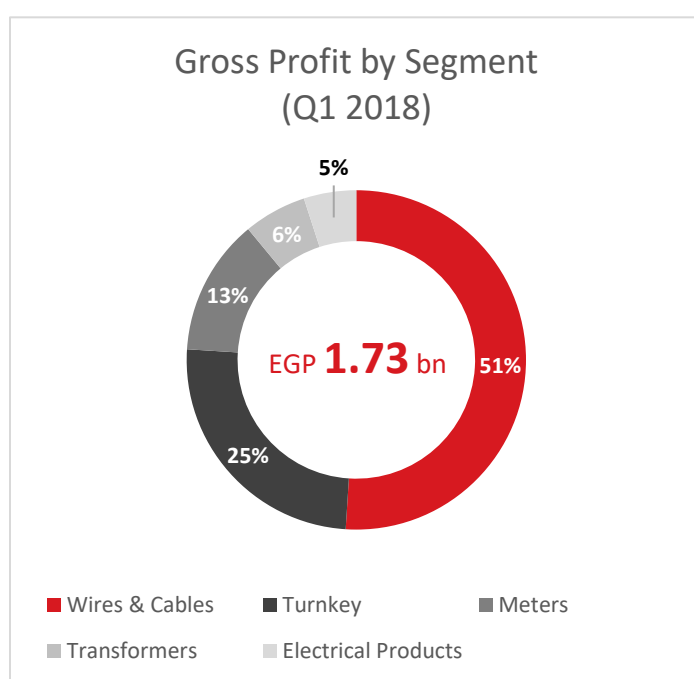


Summary of Revenues by Segment

EGP (000)'s	Q1-2018	Q1-2017	Change
Wires & Cables	6,114,900	5,184,109	18.0%
Turnkey Projects	2,405,975	3,548,571	-32.2%
Meters	888,838	624,744	42.3%
Transformers	402,213	201,641	99.5%
Other Electrical Products	169,668	225,706	-24.8%
Total	9,981,594	9,784,772	2.0%

Gross Profit Analysis by Segment

Gross profit for Q1 2018 stood at EGP 1,727.5 million, down 32% y-o-y due to falling gross profit in the company's core revenue contributors, its wires & cables and turnkey projects segments. Profit from wires & cables, which contributed 51.0% of the company's gross profit in Q1 2018, came in at EGP 881.0 million for Q1 2018 which representing a y-o-y decrease of 46%. Turnkey projects, which accounted for 24.9% of gross profit in Q1 2018, saw its gross profit fall by 23% y-o-y to stand at EGP 430.7 million in Q1 2018. Gross profit from meters came in at EGP 223.0 million, up 60% y-o-y and contributing 12.9% to the company's total gross profit in Q1 2018. Meanwhile, the transformers segment booked a gross profit of EGP 106.8 million, almost unchanged from the same period on the previous year, with its contribution to total gross profit up by 2.0 percentage points to 6.2%.



Summary of Gross Profit by Segment

EGP (000)'s	Q1-2018	Q1-2017	Change
Wires & Cables	880,976	1,645,910	-46.5%
Turnkey Projects	430,672	561,527	-23.3%
Meters	223,037	139,596	59.8%
Transformers	106,777	106,482	0.3%
Other Electrical Products	86,015	71,045	21.1%
Total	1,727,478	2,524,560	-31.6%

Segments Overview

Wires & Cables Segment

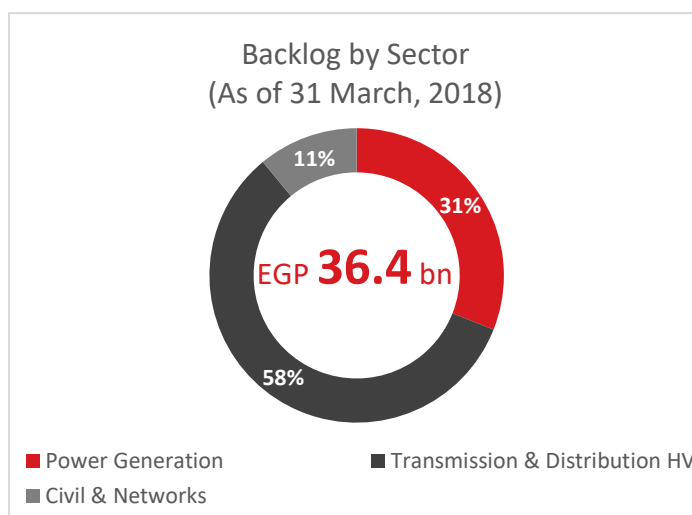
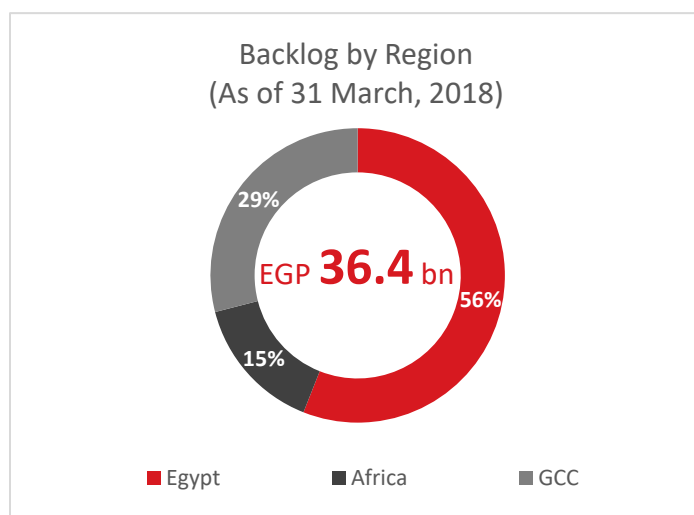
Revenues from wires & cables stood at EGP 6,114.9 million in Q1 2018, representing a y-o-y increase of 18.0% with revenue growth being predominantly price-driven. The segment's sales volume increased 2% y-o-y to 33,731 tons sold in Q1 2018 compared to 33,027 in the same period last year. The segment's gross profit fell by 46% y-o-y to EGP 881 million in Q1 2018 on the back of decreasing gross profit per ton, which fell to a normalised level EGP 20,647 in Q1 2018 from EGP 30,890 in Q1 2017, albeit remaining significantly higher than 2016 levels (FY2016: EGP 10,790). The segment recorded a GPM of 14.4% in Q1 2018, representing a 17 percentage-point decline and contributed 51.0% to the company's total gross profit compared to 65.2% in the same period last year.

Wires & Cables Segment Financial Highlights

	Q1-2018	Q1-2017	Change
Revenues Before Intercompany Sales (EGP 000's)	9,389,129	8,193,236	15%
Revenues After Intercompany Sales (EGP 000's)	6,114,899	5,184,109	18%
Gross Profit (EGP 000's)	880,976	1,645,910	-46%
GP Margin Before Intercompany Sales	9.4%	20.1%	
GP Margin After Intercompany Sale	14.4%	31.7%	
Cables Sales Volumes (Tons)	33,731	33,027	2%
Cables Gross profit per ton (EGP)	20,647	30,890	-33%

Turnkey Projects

Revenues from the turnkey projects segment fell by 32.2% y-o-y, posting EGP 2,406 million in Q1 2018.



The segment's contribution to total revenue also fell, standing at 24.1% in Q1 2018 compared to 36.3% in the same quarter last year. As of Q1 2018, backlog had grown to EGP 36.4 billion from EGP 30 billion in the previous quarter. Gross profit from the segment recorded EGP 430.7 million in Q1 2018, down 23% y-o-y and yielding a GPM of 17.9% versus 16.0% in Q1 2017.

Meters Segment

The meters segment continued to expand rapidly in Q1 2018, climbing 42% y-o-y in Q1 2018 to EGP 888.8 million, and contributing 8.9% to total revenues for the quarter (Q1 2017: 6.4%). Segment growth was completely price-driven, with total volume sold standing at 920,170 meters in Q1 2018 compared to 955,497 meters sold in Q1 2017. Gross profit outpaced revenue growth and recorded a 60% y-o-y increase in Q1 2018 to EGP 223.0 million, yielding a GPM of 25.1%. Gross profit per meter was EGP 242, up 66.0% y-o-y compared to EGP 146 in Q1 2017.

Meters Backlog
(As of 31 March, 2017)

EUR **101** mn

Meters Segment Financial Highlights

	Q1-2018	Q1-2017	Change
Revenues Before Intercompany Sales (EGP 000's)	965,517	654,205	48%
Revenues After Intercompany Sales (EGP 000's)	888,838	624,744	42%
Gross Profit (EGP 000's)	223,037	139,596	60%
GP Margin Before Intercompany Sales	23.1%	21.3%	
GP Margin After Intercompany Sale	25.1%	22.3%	
Sales Volumes (meters)	920,170	955,497	-4%
Gross profit per meter (EGP)	242	146	66%

Transformers Segment

Transformers was the fastest growing segment across the company's business lines in Q1 2018, growing by 99% y-o-y to EGP 402.2 million. Growth was primarily driven by volumes, which rose 61%, with the remainder of growth attributed to rising prices. Gross profit remained almost constant between the two periods, increasing by 0.3% y-o-y to EGP 106.8 million, while the segment's GPM fell significantly by 26.3 percentage points.

Transformers Backlog
(As of 31 March, 2018)

USD **91.5** mn

Transformers Segment Financial Highlights

	Q1-2018	Q1-2017	Change
Revenues Before Intercompany Sales (EGP 000's)	459,230	268,702	71%
Revenues After Intercompany Sales (EGP 000's)	402,213	201,641	99%
Gross Profit (EGP 000's)	106,777	106,482	0.3%
GP Margin Before Intercompany Sales	23.3%	39.6%	
GP Margin After Intercompany Sale	26.5%	52.8%	
Sales Volumes (MVA)	1,841	1,145	61%
Gross profit per MVA (EGP)	57,993	92,997	-38%

Other Electrical Products

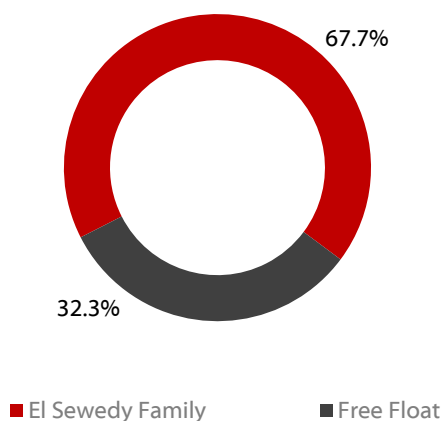
The other electrical products segment recorded revenues of EGP 169.7 million in Q1 2018, down 25% y-o-y and yielding a gross profit of EGP 86.0 million, up 21% and representing a GPM of 50.7%.

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

Shareholders Structure

(as at 31 March, 2018)



Share Information

SWDY.CA on the EGX

Number of Shares	218,418,000
Share Price (31 Mar 2018)	EGP 216.00
Market Cap (31 Mar 2018)	EGP 47.2 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	Q1-2018	Q1-2017	Change
Sales			
Wires & Cables	6,114,899,301	5,184,109,015	
Electrical Products	1,460,719,074	1,052,091,655	
Turnkey Projects	2,405,975,133	3,548,570,913	
Total Sales	9,981,593,507	9,784,771,583	2%
COGS	(8,254,115,428)	(7,260,211,959)	
Gross Profit	1,727,478,079	2,524,559,624	-32%
Gross Profit Margin	17.3%	25.8%	
SG&A	(515,265,098)	(508,762,907)	
Other Operating Income	85,434,481	38,176,888	
Other Operating Expense	(47,579,567)	(185,005,136)	
Income from Investments	152,868,669	112,234,557	
EBITDA	1,556,242,562	2,108,619,958	-26%
EBITDA Margin	15.6%	21.6%	
Depreciation & Amortization	(153,305,998)	(127,416,932)	
FX Gain / (Loss)	61,493,066	5,235,815	
EBIT	1,464,429,630	1,986,438,841	-26%
Interest Expense	(93,852,206)	(171,517,397)	
Interest Income	323,353,272	50,982,967	
Interest Income / (Expenses)	229,501,066	(120,534,430)	
EBT	1,693,930,696	1,865,904,411	-9%
Tax	(262,401,027)	(327,161,143)	
Net Income	1,431,529,669	1,538,743,268	
Minority Interest	(29,047,184)	(29,798,734)	
Net Income After Minority Interest	1,402,482,485	1,508,944,534	-7%

Consolidated Balance Sheet

EGP	31-03-17	31-12-17	31-03-18
Assets			
Long Term Assets			
Fixed Assets	4,532,986,896	4,723,555,823	4,760,318,407
Investments	1,388,384,558	1,243,216,097	1,381,984,175
Other long term Assets & Good will	339,049,973	654,890,203	632,408,421
Other Long Term Receivables	3,579,786,132	3,486,374,869	3,078,935,576
Total Long term Assets	9,840,207,559	10,108,036,992	9,853,646,579
Current Assets			
Inventories	8,149,806,566	7,818,948,364	7,880,297,469
Receivables	11,555,170,133	12,006,589,372	10,915,311,395
Other Debit balance	6,042,509,183	2,872,604,585	5,083,865,300
Due from Related Parties	622,880,715	548,573,297	643,903,628
Cash & Cash Equivalents	7,431,012,479	9,072,732,756	9,740,137,674
Total Current Assets	33,801,379,076	32,319,448,374	34,263,515,466
Total Assets	43,641,586,635	42,427,485,366	44,117,162,045
Liabilities			
Current Liabilities			
Bank Overdraft & Short Term loans	9,792,251,887	8,390,195,283	9,172,936,508
Accounts Payable	2,316,692,835	3,139,495,170	3,700,516,567
Other Credit balance	15,344,648,569	13,247,452,036	12,262,331,545
Due to Affiliates	370,345,456	371,383,820	432,989,636
Provisions	1,180,176,445	1,030,717,996	1,030,384,048
Total Current Liabilities	29,004,115,192	26,179,244,306	26,599,158,304
Equity			
Issued and Paid Capital	2,234,180,000	2,184,180,000	2,184,180,000
Retained Earnings	7,159,376,983	9,429,130,905	10,716,794,923
Others	2,333,800,958	1,899,112,879	1,818,787,854
Total Parent's Shareholders' Equity	11,727,357,941	13,512,423,779	14,719,762,777
Minority Interest	589,288,544	643,304,985	557,986,800
Total Equity	12,316,646,485	14,155,728,764	15,277,749,577
Long Term Loans	1,462,004,889	1,179,333,318	936,273,816
Other long term Liabilities	858,820,069	913,178,979	1,303,980,347
Total long term Liabilities	2,320,824,958	2,092,512,297	2,240,254,164
Total Liabilities & Equity	43,641,586,635	42,427,485,366	44,117,162,045