

*Translation from Arabic*

**Ezz Steel Company**  
**(An Egyptian Joint Stock Company)**

**Consolidated Interim Financial Statements**  
**For The Nine Months Ended September 30, 2021**  
**& Limited Review Report**

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## **Limited Review Report On Consolidated Interim Financial Statements To The Board Of Directors of Ezz Steel Company**

### **Introduction**

We have performed a limited review on the accompanying consolidated statement of financial position of Ezz Steel Company "an Egyptian joint stock company" as of September 30, 2021 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

The financial statements of for the year ended December 31, 2020, was audited by another auditor who expressed an Unqualified opinion on those statements on April 1, 2021.

### **Scope Of Limited Review**

We conducted our limited review in accordance with Egyptian Standard on Review Engagements no. 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

### **Conclusion**

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2021 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

### **Emphasis Of Matters**

Without qualifying our conclusion, we draw attention to the following:

- 1- As explained in note no. (1-3) of the notes to the Consolidated Interim Financial Statements, the company and its subsidiaries have incurred retained losses amounted to L.E 12,972 Billion as of September 30, 2021 stated in consolidated statement of financial position, also liabilities exceed assets (Deficit in Shareholder's Equity) with an amount of L.E 5,2 Billion at that date, as Al Ezz Flat Steel company (EFS)-subsidiary company- has incurred accumulated retained losses till September 30, 2021 with an amount of LE 10,081 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 742 Million,



Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till September 30, 2021 amounted to LE 5.816 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 525 Million, the total amount of these deferred tax assets is amounted to LE 1,267 Billion stated in deferred tax assets in the consolidated statement of financial position at that date, the management of these subsidiaries have prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses.

The tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) – amounted to LE 219 Million according to the forms received from the Tax Authority on February 17, 2011 in addition to delay penalties concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

The subsidiary's management opinion is that the tax inspection was previously made for the company pertaining to these years, and an agreement was reached in the Internal Committee, while the disputed point pertaining to the cancellation of the development duty on the exempted movable tax base was referred to the Appeal Committee which issued a resolution on June 12, 2010 to the effect of cancelling the development duty imposed on the exempted movable tax base, while the other tax bases shall remain exempted for the disputed years. The due tax was paid in full as per the resolution of the Internal Committee; accordingly, the dispute amicably came to an end and became final and decisive.

The subsidiary's management and its legal advisor are of the opinion that the company's tax position is stable as the resolution of the Appeal Committee supported the company and the company's position became indisputable from the legal point of view. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit of discharge from any indebtedness before the court under no. 405 of the year 2011.

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above-mentioned dispute. The paid amounts are LE 254 Million, including delay interest amounted to LE 35 Million.

The subsidiary company is of the opinion that this procedure shall not change the legal and tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling pertaining to lawsuit No. 405 of 2011. Currently, it is difficult in the meantime to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

- 2- As explained in note no. (38-2) of the notes to the Consolidated Interim Financial Statements, there is a dispute raised between Al Ezz El Dekheila for Steel – Alexandria company (subsidiary company) and the Sales Tax Authority regarding the amount of the additional sales tax in return for right of use the equipment of mining ores dock related to the handling of ores in El - Dekheila Port, amounting to LE 127.5 Million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to LE 104 Million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the subsidiary including the lift of attachment on the subsidiary's balances at the various banks.

However, the subsidiary's management paid an amount of LE 127.5 Million which represents the additional tax claimed, along with its right to maintain a reservation on the settlement. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the company's balances at the said banks in favor of the Port Authority.



Based on the opinion of its tax advisor, the subsidiary company's management is of the opinion that Alexandria Port Authority is not entitled to claim the company to pay sales tax in return for right of use of the equipment of mining ores dock related to the handling of ores in El - Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment due to the fact that they are not subjected to sales tax. Furthermore, the payment of such amount by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax.

Cairo, Egypt  
November 14, 2021

**Sherin Nouredin** **Egypt**  
(RAA 6809)  
(EUSA 88)  
**Moore Egypt**



**Ezz Steel Company**  
**(An Egyptian Joint Stock Company)**

**Consolidated Statement of Financial Position as of:**

	Note No.	30/9/2021 LE (000)	31/12/2021 LE (000)
<b><u>Non-Current Assets</u></b>			
Fixed assets (Net)	(11-1)	22 462 287	23 291 803
Projects under construction	(12)	1 208 886	212 660
Long term investments	(13)	5 621	4 721
Deferred tax assets	(31-1)	1 459 372	2 120 703
Long term lending to others	(14)	48 583	45 380
Other assets	(15)	32 016	35 858
Goodwill	(40-9)	315 214	315 214
<b>Total non-current assets</b>		<b>25 531 979</b>	<b>26 026 339</b>
<b><u>Current Assets</u></b>			
Inventory	(16)	10 065 814	6 676 756
Trade and notes receivable	(17)	6 150 819	2 875 782
Debtors and other debit balances	(18)	5 509 343	4 404 704
Suppliers - advance payments		742 946	331 373
Investments in treasury bills	(40-8)	173 522	249 732
Cash and cash equivalents	(20)	3 330 537	2 223 086
<b>Total current assets</b>		<b>25 972 981</b>	<b>16 761 433</b>
<b>Total Assets</b>		<b>51 504 960</b>	<b>42 787 772</b>
<b><u>Shareholders' Equity</u></b>			
Issued and paid - up capital	(21-2)	2 716 325	2 716 325
Reserves	(22)	182 090	182 090
Modification surplus of fixed assets	(11-3)	1 363 223	1 446 615
Retained losses		( 12 972 223)	( 15 527 223)
Treasury stocks	(23)-	( 82 302)	( 71 921)
<b>Deficit in holding company shareholders' equity</b>		<b>( 8 792 887)</b>	<b>( 11 254 114)</b>
Non-controlling interest		3 564 206	2 291 033
<b>Deficit in shareholders' equity</b>		<b>( 5 228 681)</b>	<b>( 8 963 081)</b>
<b><u>Liabilities</u></b>			
<b><u>Non-Current Liabilities</u></b>			
Long-term loans	(28)	13 907 226	11 634 621
Long-term liabilities	(30)	3 885 625	3 717 624
Finance lease liabilities	(29)	310 999	365 994
Deferred tax liabilities	(31-1)	3 609 066	3 661 950
<b>Total non-current liabilities</b>		<b>21 712 916</b>	<b>19 380 189</b>
<b><u>Current Liabilities</u></b>			
Banks - overdraft	(20)	214 874	155 949
Credit facilities and loan installments due within one year	(28)	23 861 060	22 812 438
Finance lease liabilities due within one year	(29)	71 030	64 566
Trade and notes payable	(24)	5 556 418	5 092 590
Customers - advance payments		1 091 431	1 008 553
Creditors and other credit balances	(25)	3 131 382	2 827 430
Income tax liabilities		497 595	34 304
Liability of the supplementary pension scheme	(26)	23 983	20 771
Provisions	(27)	572 952	354 063
<b>Total current liabilities</b>		<b>35 020 725</b>	<b>32 370 664</b>
<b>Total liabilities</b>		<b>56 733 641</b>	<b>51 750 853</b>
<b>Total shareholder's equity and liabilities</b>		<b>51 504 960</b>	<b>42 787 772</b>

The accompanying notes from no. (1) to no. (41) form are an integral part of these consolidated Interim financial statements.

Managing Director

Mr. Hassan Ahmed Nour

Chairman

cc./ Mamdouh Fakh El Dien Hussein-El Rouby

Limited Review "attached"

**Ezz Steel Company**  
**(An Egyptian Joint Stock Company)**

**Consolidated Statement of Income**

	Note No.	<u>For The Nine Months Ended 30 September</u>		<u>or The Three Months Ended 30 September</u>	
		<u>2021</u> <u>LE (000)</u>	<u>2020</u> <u>LE (000)</u>	<u>2021</u> <u>LE (000)</u>	<u>2020</u> <u>LE (000)</u>
Sales (net)	(40-18)	49 056 410	26 457 517	18 639 216	8 631 532
<b>Less :</b>					
Cost of sales	(3)	( 39 138 158)	( 26 194 581)	( 15 101 205)	( 8 446 319)
<b>Gross profit</b>		<b>9 918 252</b>	<b>262 936</b>	<b>3 538 011</b>	<b>185 213</b>
<b>Add / (Less):</b>					
Other operating revenues	(4)	68 169	86 842	22 075	35 048
Selling and marketing expenses	(5)	( 694 752)	( 430 187)	( 256 163)	( 194 250)
Administrative and general expenses	(6)	( 1 022 411)	( 1 121 683)	( 335 890)	( 382 050)
Other operating expenses	(7)	( 970 356)	( 132 622)	( 208 614)	( 81 380)
<b>Operating profit (loss)</b>		<b>7 298 902</b>	<b>(1 334 714)</b>	<b>2 759 419</b>	<b>(437 419)</b>
<b>Add / (Less):</b>					
Finance income	(8)	89 678	63 598	33 207	24 167
Finance cost	(8)	( 2 596 609)	( 2 926 430)	( 832 197)	( 911 231)
Foreign currency exchange gains	(8)	73 842	( 76 896)	( 14 405)	( 22 138)
<b>Net finance cost</b>		<b>(2 433 089)</b>	<b>(2 939 728)</b>	<b>(813 395)</b>	<b>(909 202)</b>
<b>Net profit (loss) for the period before income tax</b>		<b>4 865 813</b>	<b>(4 274 442)</b>	<b>1 946 024</b>	<b>(1 346 621)</b>
<b>(Less)/Add:</b>					
Income tax		( 497 595)	( 25 902)	( 306 932)	( 9 800)
Deferred tax	(31-2)	( 608 447)	189 453	( 276 575)	17 109
<b>Total Income Tax</b>		<b>(1 106 042)</b>	<b>163 551</b>	<b>( 583 507)</b>	<b>7 309</b>
<b>Net profit (loss) for the period</b>		<b>3 759 771</b>	<b>(4 110 891)</b>	<b>1 362 517</b>	<b>(1 339 312)</b>
<b>Attributable to:</b>					
Owners of the holding company		2 480 531	( 2 772 770)	896 996	( 928 652)
Non-controlling interest		1 279 240	( 1 338 121)	465 521	( 410 660)
<b>Net profit (loss) for the period</b>		<b>3 759 771</b>	<b>(4 110 891)</b>	<b>1 362 517</b>	<b>(1 339 312)</b>
<b>Basic and diluted profit (loss) per share for the period (LE/share)</b>	(9)	<b>4.65</b>	<b>( 5.19)</b>	<b>1.68</b>	<b>( 1.74)</b>

The accompanying notes from no. (1) to no. (41) form are an integral part of these consolidated Interim financial statements.

**Ezz Steel Company**  
**(An Egyptian Joint Stock Company)**

**Consolidated Statement of Comprehensive Income**

	<u>For The Nine Months Ended 30 September:</u>		<u>For The Three Months Ended 30 September:</u>	
	2021	2020	2021	2020
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Net profit (loss) for the period	3 759 771	( 4 110 891)	1 362 517	( 1 339 312)
<b>(Less)/Add:</b>				
<b>Other comprehensive income items</b>				
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	( 128 595)	( 131 240)	( 42 708)	( 43 532)
Foreign currencies entities translation differences	—	( 43 797)	—	( 56 649)
<b>Total comprehensive income</b>	<u>3 631 176</u>	<u>( 4 285 928)</u>	<u>1 319 809</u>	<u>( 1 439 493)</u>
<b>Attributable to:</b>				
Owners of the holding company	2 397 139	( 2 877 872)	869 306	( 994 466)
Non-controlling interest	<u>1 234 037</u>	<u>( 1 408 056)</u>	<u>450 503</u>	<u>( 445 027)</u>
	<u>3 631 176</u>	<u>( 4 285 928)</u>	<u>1 319 809</u>	<u>( 1 439 493)</u>

The accompanying notes from no. (1) to no. (41) form an integral part of these consolidated interim financial statements.



Ess Steel Company  
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity  
For The Nine Months Ended September 30, 2021

	Capital	Reserves	Modification surplus of fixed assets	Retained losses	Treasury stocks	Foreign entities translation reserve	Total / (Deficit in) holding company shareholders equity	Non-controlling interest share in the capital increase of the subsidiary	Non-controlling interest	Total / (Deficit in) shareholders' equity
	LE.(000)	LE.(000)	LE.(000)	LE.(000)	LE.(000)	LE.(000)	LE.(000)	LE.(000)	LE.(000)	LE.(000)
Balance as of 1/1/2020 (Modified)	2 716 325	182 090	1 334 264	(13 803 846)	( 71 921)	2 778 780	( 6 864 308)	1 109 514	1 720 904	( 4 033 890)
<b>Comprehensive income</b>										
Net loss for the period	-	-	-	(2 772 770)	-	-	(2 772 770)	-	(1 338 121)	( 4 110 891)
<b>Other Comprehensive Income</b>										
Realized portion of modification surplus of fixed assets (transferred to retained losses during the period)	-	-	( 81 138)	-	-	-	( 81 138)	-	( 50 102)	( 131 240)
Foreign entities translation differences	-	-	-	-	-	( 23 964)	( 23 964)	-	( 19 833)	( 43 797)
Total comprehensive income (transferred to retained losses during the period)	-	-	( 81 138)	( 2 772 770)	-	( 23 964)	( 2 877 872)	-	( 1 408 056)	( 4 285 928)
<b>Transactions with company's shareholders</b>										
The non-controlling interest's share of dividends for the year 2019	-	-	-	-	-	-	-	-	( 2 745)	( 2 745)
The company's share and non-controlling interests in the distributions of employees and the board of directors of the subsidiaries for the year 2019	-	-	-	( 4 275)	-	-	( 4 275)	-	( 3 289)	( 7 564)
The contribution of NCI in the increase in capital of the subsidiary	-	-	221 516	(1 815 298)	-	477 687	(1 116 095)	(1 109 514)	1 109 514	-
The effect of the change in the percentage of the contribution in the subsidiary companies For The Period	-	-	221 516	(1 819 573)	-	477 687	(1 120 370)	(1 109 514)	2 219 575	( 10 309)
Total transactions with the company's shareholders	2 716 325	182 090	1 474 642	(18 315 051)	( 71 921)	3 232 503	(10 781 412)	-	2 382 525	( 8 198 887)
Balance as of 30/9/2020	2 716 325	182 090	1 446 615	(15 527 223)	( 71 921)	-	( 11 254 114)	-	2 291 033	( 8 963 081)
<b>Comprehensive income</b>										
Net profit for the period	-	-	-	2 480 531	-	-	2 480 531	-	1 279 240	3 759 771
<b>Other comprehensive income items</b>										
Realized portion of modification surplus of the fixed assets (transferred to retained losses during the period)	-	-	( 83 392)	-	-	-	( 83 392)	-	( 45 203)	( 128 595)
Total comprehensive income (transferred to retained losses during the period)	-	-	( 83 392)	2 480 531	-	-	2 397 139	-	1 234 037	3 631 176
<b>Transactions with company's shareholders</b>										
The non-controlling interest share in subsidiary company's dividends of year 2020	-	-	-	( 5 830)	-	-	( 5 830)	-	( 4 333)	( 10 163)
Purchase treasury stocks	-	-	-	-	( 10 381)	-	( 10 381)	-	-	( 10 381)
Purchase treasury stocks in subsidiary company	-	-	-	( 3 093)	-	-	( 3 093)	-	-	( 4 827)
Total transactions with the company's shareholders	2 716 325	182 090	1 363 223	(12 972 223)	( 82 302)	-	( 8 792 887)	-	3 564 206	( 5 238 681)

**Ezz Steel Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Cash flows**  
**For The Nine Months Ended 30 September:**

	Note No.	2021 LE(000)	2020 LE(000)
<b><u>Cash flows from operating activities</u></b>			
Net profit (loss) for the period before income tax		4 865 813	( 4 274 442)
<b><u>Adjustments to reconcile Net losses to net cash used in operating activities</u></b>			
Depreciation	(11-1)	1 086 383	1 071 972
Amortization of other assets	(15)	3 842	3 886
Amortization of accrued interest on treasury bills		( 23 780)	( 14 985)
Amortization of the difference from the change in the fair value of the long term lending		( 1 838)	( 2 519)
Capital Gain	(4)	( 783)	( 493)
Impairment loss on assets	(7)	105 993	700
Interest & finance costs	(8)	2 596 609	2 926 430
Provisions formed during the period	(7)	218 889	47 841
Differences of changing in liability of the supplementary pension scheme	(26)	23 768	21 433
Financial grants for the development of the gas station			
Foreign currency exchange differences		( 81 268)	51 287
<b>Net profit before change in current assets and liabilities</b>		<b>8 793 628</b>	<b>( 168 890)</b>
<b><u>Changes in</u></b>			
- Inventory		(3 459 514)	( 339 027)
- Trade receivables, debtors and other debit balances		794 497	( 6 105 267)
- Trade payables, creditors and other credit balances		(2 898 975)	7 967 889
- lending to employees		( 4 039)	5 442
- Liability of the supplementary pension scheme		( 4 715)	( 2 253)
<b>Net</b>		<b>3 220 882</b>	<b>1 357 894</b>
Finance interests paid		(2 529 072)	( 2 125 726)
Income tax paid		( 34 304)	( 65 065)
Used provisions			( 3 092)
Used from the impairment of assets		—	( 1 659)
<b>Net cash flows used in operating activities</b>		<b>657 506</b>	<b>( 837 648)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets and projects under construction		( 1 253 164)	( 267 857)
Proceeds from sale of fixed assets		855	—
Payments for purchase of investments in subsidiaries		( 900)	(600.00)
Payments for purchase of treasury stocks		( 15 208)	—
Proceeds from retrieval of financial investments (treasury bills)		521 174	376 500
Payments for purchase of financial investments (treasury bills)		( 421 009)	( 445 758)
<b>Net cash flows used in investing activities</b>		<b>( 1 168 252)</b>	<b>( 337 715)</b>
<b><u>Cash flows from financing activities</u></b>			
Net (Payment) proceeds for credit facilities		201 285	3 025 868
Joint revolving financing of subsidiaries		( 1 252 038)	( 1 019 618)
Proceeds (payments) from loans and other liabilities		2 719 807	( 121 389)
Net proceeds from finance lease contracts		( 48 532)	( 32 227)
Change in time-deposits and restricted current accounts		( 29 563)	12 404
Paid dividends to non-controlling interest		( 2 124)	(2,745.00)
Paid dividends to employees and Board of Directors			( 7 565)
<b>Net cash provided by financing activities</b>		<b>1 588 835</b>	<b>1 854 728</b>
<b>Change in cash and cash equivalents during the period</b>		<b>1 078 089</b>	<b>679 365</b>
<b>Cash and cash equivalents at the beginning of the period</b>	(20)	<b>1 926 864</b>	<b>1 567 109</b>
Translation differences of financial statements of foreign currency		—	( 3 140)
<b>Cash and cash equivalents at the end of the period</b>	(20)	<b>3 004 953</b>	<b>2 243 334</b>

The accompanying notes from no. (1) to no. (41) form an integral part of these consolidated Interim financial statements.

**Ezz Steel Company**  
**(An Egyptian Joint Stock Company)**

**Notes to the Consolidated Interim Financial Statements**  
**For The Nine Months Ended September 30, 2021**

**1. BACKGROUND**

**1.1 Basic Information**

- Al Ezz Steel Rebars Company “an Egyptian Joint Stock Company” was established under the provisions of Law No. 159 of 1981 and was registered in the Commercial Register in Menofia Governorate under No. 472 on April 2, 1994. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette issue No. 231 of April 1994. The Company is located in Sadat City.
- The term of the company is 25 years from the date of registration of the company in the commercial register. On October 24, 2018, the Company's Extraordinary General Assembly decided to extend the company's term for another 25 years starting from April 2, 2019. The necessary procedures are being taken to amend the Company's Commercial Register in this regard.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to “Ezz Steel”, this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebanon Street- El Mohandseen – Cairo – Arab Republic of Egypt.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

**1.2 Subsidiaries**

**Al Ezz Rolling Mills Company (ERM) – an Egyptian joint Stock Company** – was established in 1986 under Law No. 43 of 1974, which was replaced by Law No. 8 of 1997, which was replaced by Law No. 72 of 2017 by issuance investment law.

**Al Ezz El Dekheila for Steel - Alexandria (EZDK) – an Egyptian Joint Stock Company** – was established in 1982 as a Joint Investment Company under Law No. 43 of 1974 which was replaced by Law No. 8 of 1997, adjusted by Law No. 72 of 2017 by issuance investment law.

**Al Ezz El Dekheila for Steel - Alexandria (EZDK) has the following subsidiaries:**

**Al Ezz Flat Steel Company (EFS) – an Egyptian Joint Stock Company** – was established in 1998 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997, which was replaced Law No. 72 of 2017 by issuance investment law.

**Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) – an Egyptian joint stock company** – was established according to the decree of the specialized committee in the Ministry of Economy and Foreign Trade (corporate fine) under the provisions of Law No. 159 of 1981.

**Misr for Pipes & Casting Industry Company – an Egyptian joint stock company** – was established in August 29, 1992 under the provisions of Law No. 159 of 1981.

**1.3 The Purpose of the Company and its subsidiaries**

The Company and its subsidiaries purpose is the manufacturing, trading and distribution of iron and steel products of all kinds and associated products and services.

The following is an analysis of investments in the subsidiary Companies of Ezz Steel Company which are included in the Consolidated Interim Financial Statements:

	<u>30/9/2021</u>	<u>31/12/2020</u>
	<u>Percentage Share</u>	<u>Percentage Share</u>
	%	%
Al Ezz Rolling Mills Company (ERM)	64.061 (Direct and Indirect) through Al Ezz El Dekheila	64.061 (Direct and Indirect) through Al Ezz El Dekheila
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	64.06 Direct	64.06 Direct
Al Ezz Flat Steel (EFS)	64.06 (Direct & Indirect) Through Al Ezz El Dekheila	64.06 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	57.657 (Indirect) Through Al Ezz El Dekheila	57.657 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	55.16 (Indirect) Through Al Ezz El Dekheila	55.16 (Indirect) Through Al Ezz El Dekheila

**The main financial indicators for the company and some of its subsidiaries:**

- The subsidiaries company have incurred retained losses amounted to L.E 12.972 Billion as of June 30, 2021 included in company's consolidated statement of financial position, also its liabilities exceed its assets (Deficit in Shareholder's Equity) with an amount of L.E 5.2 Billion at that date, as Al Ezz Flat Steel company (EFS) -subsidiary company- has incurred accumulated retained losses till June 30, 2021 with an amount of LE 10.081 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 742 Million, Also Al Ezz Rolling Mills company (ERM) -subsidiary company- has incurred accumulated retained losses till June 30, 2021 amounted to LE 5.816 Billion, which deferred tax asset was recognized for it at that date with an amount of LE 525 Million, hence the total amount of these deferred tax assets is amounted to LE 1.267 Billion stated in deferred tax assets in the consolidated statement of financial position at that date. The company's management has prepared a budget for the years from 2021 to 2026 in which it adopts the achievement of profit and improves the results of operations during these years, in addition to a plan of obtaining the support and financing required for operations from Al Ezz El Dekheila For Steel – Alexandria (subsidiary company), which will reflect positively on the operational and financial indicators in the subsequent years, and to have the tax benefits of the tax carried forward losses.

**1.4 Issuance of Consolidated Interim Financial Statements**

- These Consolidated Interim Financial Statements were approved by the company's BOD for issuance on Nov 14, 2021.

**2. Basis for the preparation of the consolidated interim financial statements**

**2.1 Statement of compliance**

These Consolidated Interim Financial Statements have been prepared in accordance with Egyptian Accounting Standards and in light of Egyptian laws and regulations related to.

**2.2 Basis of measurement**

These Consolidated Interim Financial Statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.

During 2016, the Group's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates", the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex, as described in details in (Note no. 40-2).

**2.3 Functional and presentation currency**

These Consolidated Interim Financial Statements are presented in thousands of Egyptian pounds

**2.4 Use of estimates and judgments**

The preparation of the Consolidated Interim Financial Statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the current circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any differences to accounting estimates are recognized in the year in which the estimate is revised if these differences affect the year of the revision and future periods then these differences are recognized in the year of the revision and future periods.

And the following represents the most significant items in which assumption and professional judgment have been made:

- \* Impairment loss on assets.
- \* Recognition of deferred tax assets.
- \* Contingencies, liabilities and Provisions.
- \* Operational useful life of fixed assets.

**2.5 Fair value measurement**

The fair value of financial instruments is determined based on the market value of financial instruments or similar financial instruments at the financial position without deducting any estimated future costs of sale. Financial assets values are determined at current prices for the purchase of those assets, while determining the value of financial liabilities at the current prices, which would settle those commitments.

In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into account recent transactions prices, guided by the current fair value of other substantially similar instruments - discounted cash flow method - or any other methods to produce reliable results.

When using the discounted cash flow method as a method of evaluation, future cash flows are estimated based on the best estimate of the management. Discount rate used is determined in the light of the prevailing market price at the date of the financial position for financial instruments similar in nature and terms.

**2.6 Basis of consolidation**

- The Consolidated Interim Financial Statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the Holding Company, the Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the investee.
- All inter-Company balances, transactions and unrealized profits were eliminated.
- Non-controlling interest in the net equity and in net earnings of subsidiaries are included in a separate item "non-controlling interest" in the Consolidated Interim Financial Statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the Consolidated Interim Financial Statements. Non-controlling share in profits and losses of the subsidiary companies are included in a separate line item in the consolidated statement of income.
- The provided profit and losses from acquisition or selling shares from non-controlling interest without changing of the holding Company's control, it's directly stated in the shareholders' equity.

**3. COST OF SALES**

	Note No.	For the Nine months ended 30 September:		For the three months ended 30 September:	
		2021	2020	2021	2020
		LE (000)	LE (000)	LE (000)	LE (000)
Raw Materials		29 181 571	15 924 821	11 195 064	3 802 550
Salaries & wages		1 690 045	1 526 124	567 666	499 328
Fixed assets depreciation	(1-11)	1 054 912	1 037 962	345 671	345 309
Other assets amortization	(15)	3 842	3 886	1 281	1 294
Supplementary pension scheme cost		18 648	16 831	6 216	5 610
Manufacturing overhead expenses		9 080 198	8 535 680	3 148 582	2 375 606
<b>Manufacturing cost</b>		<b>41 029 216</b>	<b>27 045 304</b>	<b>15 264 480</b>	<b>7 029 697</b>
Change in inventory—finished goods and work in process		(1 891 058)	(850 723)	(163 275)	2 416 622
		<b>39 138 158</b>	<b>26 194 581</b>	<b>15 101 205</b>	<b>8 446 319</b>

**4. OTHER OPERATING REVENUES**

	For the Nine months ended 30 September:		For the three months ended 30 September:	
	2021	2020	2021	2020
	LE (000)	LE (000)	LE (000)	LE (000)
Capital gains	783	493	(2)	-
Other revenues	67 386	86 349	22 077	35 048
	<b>68 169</b>	<b>86 842</b>	<b>22 075</b>	<b>35 048</b>

**5. SELLING & MARKETING EXPENSES**

	Note No.	For the Nine months ended 30 September:		For the three months ended 30 September:	
		2021	2020	2021	2020
		LE (000)	LE (000)	LE (000)	LE (000)
Salaries & wages		89 128	75 612	30 458	23 219
Advertising expenses		71 796	95 095	20 472	64 011
Fixed assets depreciation	(11-1)	527	449	155	229
Supplementary pension scheme cost		1 318	1 190	439	397
Other expenses		531 983	257 841	204 639	106 394
		<b>694 752</b>	<b>430 187</b>	<b>256 163</b>	<b>194 250</b>

**6. ADMINISTRATIVE & GENERAL EXPENSES**

	Note No.	For the Nine months ended 30 September:		For the three months ended 30 September:	
		2021	2020	2021	2020
		LE (000)	LE (000)	LE (000)	LE (000)
Salaries & wages		615 388	715 163	204 305	212 935
Spare parts and maintenance		6 537	6 701	2 620	2 001
Fixed assets depreciation	(11-1)	30 944	33 561	9 967	10 839
Supplementary pension scheme cost		3 421	3 412	1 140	1 138
Other expenses		366 121	362 846	117 858	155 137
		<b>1 022 411</b>	<b>1 121 683</b>	<b>335 890</b>	<b>382 050</b>

**7. OTHER OPERATING EXPENSES**

	For the Nine months ended 30 September:		For the three months ended 30	
	2021	2020	2021	2020
	<u>LE (000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Donations	511 126	58 559	260 340	47 413
Impairment of assets	(19) 105 993	700	82 861	228
Formed provisions	(27) 218 889	47 841	87 889	46 212
Other expenses	134 348	25 522	(222 476)	(12 473)
	<u>970 356</u>	<u>132 622</u>	<u>208 614</u>	<u>81 380</u>

**8. FINANCE INCOME AND COST**

	For the Nine months ended 30 September:		For the three months ended 30 September:	
	2021	2020	2021	2020
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Finance and interest income	89 678	63 598	33 207	24 167
Interest & finance cost	(2 596 609)	(2 926 430)	(832 197)	(911 231)
Foreign currency exchange	73 842	(76 896)	(14 405)	(22 138)
Net finance costs	<u>(2 433 089)</u>	<u>(2 939 728)</u>	<u>(813 395)</u>	<u>(909 202)</u>

**9. BASIC AND DILUTED PROFIT (LOSSES) PER SHARE FOR THE PERIOD**

	For the Nine months ended 30 September:		For the three months ended 30 September:	
	2021	2020	2021	2020
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Owners of the holding company share</b>				
Net profit (loss) for the period (LE 000)	2 480 531	(2 772 770)	896 996	(928 652)
Weighted average number of outstanding shares during the period (share)*	532 891 832	533 802 313	532 891 832	533 802 313
<b>Basic and diluted profit (loss) per share for the period (LE/share)</b>	<u>4.65</u>	<u>(5.19)</u>	<u>1.68</u>	<u>(1.74)</u>

\* 10 373 195 shares were eliminated for calculating the weighted average number of outstanding shares during the Nine Months Ended September 30, 2021 which represent treasury stocks (comparing to 9 462 714 shares on December 31, 2020) (Note no. 23).

**10. EMPLOYEE BENEFITS**

- The employees of the company and some of its subsidiaries are granted an end of service benefits through insurance and provident fund for the employees of Al Ezz Industrial Group registered on 22/2/2000, that according to conditions and determinants included in the fund regulation. The company's contribution to the fund is represented in defined contribution where the company pays all the saving and insurance subscriptions according to the conditions and the percentage mentioned in the fund regulations and this is based on the subscription fees that is determined using the monthly basic salary at 1/1/2000 in addition to the annual salary increase.
- The value of the of the subscriptions incurred by the parent company and some of its subsidiary companies for the nine Months ended September 30, 2021 amounted to L.E 14 136 K has been included in salaries and wages in the statement of income (against L.E 14 808 K for the same period from year 2020).

## 11. FIXED ASSETS (NET)

11.1 The following is the movement of fixed assets during the current period and comparative periods:

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvements	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
<b>Cost:</b>								
As of January 1, 2020	783 733	10 031 991	35 792 987	316 474	466 361	227 554	3 902	47 623 002
Additions during the period	-	79 455	331 764	1 955	10 605	17 491	-	441 270
Disposals during the period	-	( 79)	( 63 918)	( 3 994)	( 1 509)	( 428)	-	( 69 928)
Translation differences of foreign currency	( 4 057)	( 107 931)	( 246 286)	( 28)	( 863)	( 2 824)	-	( 361 989)
As of September 30, 2020	779 676	10 003 436	35 814 547	314 407	474 594	241 793	3 902	47 632 355
As of January 1, 2021	779 274	9 993 755	35 832 239	313 084	478 244	244 961	3 902	47 645 459
Additions during the period	2 867	19 209	200 130	637	11 624	22 471	-	256 938
Disposals during the period	-	( 1 174)	( 13 528)	( 4 816)	( 1 990)	( 2 803)	-	( 24 311)
As of September 30, 2021	782 141	10 011 790	36 018 841	308 905	487 878	264 629	3 902	47 878 086
<b>Accumulated depreciation:</b>								
As of January 1, 2020	-	2 902 465	19 562 871	291 701	242 652	145 949	3 902	23 149 540
Depreciation for the period	-	175 592	838 561	8 112	35 354	14 353	-	1 071 972
Accumulated depreciation of disposals during the period	-	( 79)	( 62 709)	( 3 994)	( 1 501)	( 428)	-	( 68 711)
Translation differences of foreign currency	-	( 29 320)	( 109 444)	( 27)	( 736)	( 1 736)	-	( 141 263)
As of September 30, 2020	-	3 048 658	20 229 279	295 792	275 769	158 138	3 902	24 011 538
As of January 1, 2021	-	3 103 586	20 498 065	297 968	286 901	163 314	3 902	24 353 656
Depreciation for the period	-	173 231	858 595	5 008	33 110	16 439	-	1 086 383
Accumulated depreciation of disposals during the period	-	( 1 174)	( 13 458)	( 4 816)	( 1 989)	( 2 803)	-	( 24 240)
As of September 30, 2021	-	3 275 563	21 343 202	298 160	318 022	176 950	3 902	25 415 799
<b>Carrying amount:</b>								
As of September 30, 2020	779 676	6 954 778	15 585 268	18 615	198 825	83 655	-	23 620 817
As of December 31, 2020	779 274	6 890 249	15 334 174	15 116	191 343	81 647	-	23 291 803
As of September 30, 2021	782 141	6 736 227	14 675 639	10 745	169 856	87 679	3 902	22 462 287
Fixed assets fully depreciated and still in use as of September 30, 2021	-	364 943	2 203 539	273 934	151 103	108 313	-	3 105 734

The land item includes a piece of land with a total area of 928 M<sup>2</sup> purchased by Ezz flat steel from Gulf of Suez Development Company with a total value LE 28 Million, including the Suez governorate fees amounting to LE 5 Million for the part of establishing an industrial project the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.

Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.

Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now, which amounted to LE 29.64 Million.

Depreciation for the period charged to the statement of income is as follows:

Note	For The Nine Months Ended 30 September:	
	2021	2020
No.	L.E.(000)	L.E.(000)
(3)	1 054 912	1 037 962
(5)	527	449
(6)	30 944	33 561
	1 086 383	1 071 972

Cost of sales

Selling and marketing expenses

Administrative &amp; General expenses



**11.2 Leased fixed assets:**

Fixed assets include leased assets as of September 30, 2021 as follows:

	Cost at 30/9/2021 <u>LE (000)</u>	Accumulated depreciation at 30/9/2021 <u>LE (000)</u>	Net at 30/9/2021 <u>LE (000)</u>	Net at 31/12/2020 <u>LE (000)</u>
Land *	70 000	-	70 000	70 000
Building **	145 000	19 635	126 271	128 083
	<u>215 000</u>	<u>19 635</u>	<u>196 271</u>	<u>198 083</u>

\* During 2018, the company signed a contract of sale and lease back for 7 years ending 2025 for a plot of land owned by the company, Land cost amounted to L.E. 70 Million, as shown in note no. (29), the company issued an official power of attorney cannot be canceled or revoked in favor of HD Lease in the signing of the initial and final purchase and sale contracts and the final transfer of ownership to it or to other in front of the Real Estate Authority for the above-mentioned plot of land.

\*\* During 2016, the company concluded a finance lease contracts for two floors in Nile Plaza building for 8 years ending 2024 as shown in note no. (29).

**11.3** The following is the movement during the year for modification surplus of fixed assets which is resulting from the adoption of the special accounting treatment related to dealing with the effects of floating foreign currency exchanges rates which is included in Annex (A) of the Modified Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates":

	<u>LE (000)</u>
Modification surplus of fixed assets at floating foreign exchange rate date (November 3, 2016)	4 013 795
Income tax	(903 104)
<b>Net modification surplus of fixed assets after income tax</b>	<b>3 110 691</b>
Recognized portion till <b>December 31, 2020</b>	(869 811)
<b>Net modification surplus of fixed assets at December 31, 2020</b>	<b>2 240 880</b>
Recognized portion during the nine Months Ended September 30, 2021	(128 595)
<b>Net modification surplus of fixed assets at September 30, 2021</b>	<b>2 112 285</b>
<b>Attributable to:</b>	
Owners of the holding Company	1 363 224
Non-controlling interest	749 061
	<u>2 112 285</u>

**12. PROJECTS UNDER CONSTRUCTION**

	30/9/2021 <u>LE (000)</u>	31/12/2020 <u>LE (000)</u>
Constructions expansion	8 615	19 572
Machinery under installation	1 154 928	114 186
Advance payments for purchase of fixed assets	45 343	78 902
	<u>1 208 886</u>	<u>212 660</u>

**13. LONG TERM INVESTMENTS**

	<u>30/9/2021</u> <u>LE (000)</u>	<u>31/12/2020</u> <u>LE (000)</u>
<b>13-1 Investments in subsidiaries</b> <i>(Not included in the Consolidated Interim Financial Statements )</i>		
- Al Ezz for medical industries (30% owned by Ezz Steel company and 30% by Al Ezz El Dekheila for Steel – Egypt (EZDK) The subsidiary company was established on August 11, 2020, 25% of the capital was paid, the company did not practice any activities yet to date, and the company hasn't prepared any financial statements yet.	1 500	600
<b>13-2 Investments in associates</b>		
- Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	90	90
- Al Ezz El Dekheila for Steel – Egypt (EZDK) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	25	25
- EZDK Steel UK LTD – (Note no. 38-1) (50% owned by Al Ezz El Dekheila for Steel – Alexandria)	1	1
<b>13-3 Investments available-for-sale</b>		
- Arab Company for Special Steel (SAE) (1% owned by Ezz El Dekheila for Steel – Alexandria).	4 263	17 726
- The Egyptian Company for Cleaning and Security Services (30.80% owned by Al Ezz Steel Company)	80	80
- Atlantic Pacific Transport Ltd. (5% owned by Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)).	4 016	4 016
	<u>9 975</u>	<u>22 538</u>
<b>Less:</b>		
- Impairment loss in Arab Company for Special Steel	4 263	17 726
- Impairment loss in EZDK Steel UK LTD	1	1
- Impairment loss in Egyptian German Co. for Flat Steel Marketing (Franco) L.L.C (under liquidation)	90	90
<b>Impairment loss in long term investments (Note no.19)</b>	<u>4 354</u>	<u>17 817</u>
	<u>5 621</u>	<u>4 721</u>

**14. LONG TERM LENDING TO OTHERS**

Long term lending is represented in the following:

	Note	<u>30/9/2021</u> <u>LE (000)</u>	<u>31/12/2020</u> <u>LE (000)</u>
Employees' advance payments		80 955	75 623
Employees' loans present value		30 510	31 241
		<u>111 465</u>	<u>106 864</u>
<b>Less:</b>			
Employees' loans and advances due within the year	(18)	<u>(53 411)</u>	<u>(52 143)</u>
Long term employees' loans and advances		58 054	54 721
<b>Less:</b>			
Differences resulted from change in the fair value of long-term employees' loans		(9 471)	(9 341)
		<u>48 583</u>	<u>45 380</u>

**15. OTHER ASSETS**

The amount is represented in the paid-up amount by Al Ezz Flat Steel Company (EFS) – subsidiary company – to Industrial Development Authority for the approval of the steel rebar production license:

Cost at January 1, 2021	<u>LE (000)</u> 35 858
<b>(Less):</b>	
Amortization for the period	(3 842)
<b>Net at september 30, 2021</b>	<u>32 016</u>

**16. INVENTORY**

	<u>30/9/2021</u> <u>LE (000)</u>	<u>31/12/2020</u> <u>LE (000)</u>
Raw materials and supplies	3 915 708	2 324 738
Work in process	917 630	319 757
Finished products	3 035 107	1 741 922
Spare parts and supplies	1 967 279	1 980 166
Goods in transit	180 122	281 397
Letters of credit	49 968	28 776
	<u>10 065 814</u>	<u>6 676 756</u>

- The inventory amounted to EGP 100 million after deducted the impairment in the inventory as of 30 SEP 2021.

**17. TRADE AND NOTES RECEIVABLE**

	<u>Note</u> <u>No.</u>	<u>30/9/2021</u> <u>LE (000)</u>	<u>31/12/2020</u> <u>LE (000)</u>
Trade receivables		2 761 836	1 682 047
Trade receivables – Related parties	(32-1)	9 004	8 731
Notes receivable		3 410 100	1 215 125
		<u>6 180 940</u>	<u>2 905 903</u>
<b>Less:</b>			
Impairment loss on trade receivables	(19)	(30 121)	(30 121)
		<u>6 150 819</u>	<u>2 875 782</u>

**18. DEBTORS AND OTHER DEBIT BALANCES**

	<u>Note</u> <u>No.</u>	<u>30/9/2021</u> <u>LE (000)</u>	<u>31/12/2020</u> <u>LE (000)</u>
Deposits with others		1 241 651	1 231 024
Tax Authority	(18-1)	1 699 543	1 224 017
Tax Authority – usufruct	(18-2)	127 477	127 477
Tax Authority – VAT		1 132 219	862 167
Customs Authority		137 033	22 503
Accrued revenues		1 569	587
Prepaid expenses		76 751	69 041
Alexandria Port Authority		19 570	19 570
Employees' loans and advance payments due within a year	(14)	53 411	52 143
Letters of credit cash margin		3 637	4 491
Letters of guarantee cash margin	(33-1)	135	135
Due from related parties	(32-2)	33 320	20 531
Advance payment under the account of employees' dividends		35 006	35 816
The Cairo Economic Court	(18-3)	35 060	35 060
Other debit balances	(18-4)	996 602	750 651
		<u>5 592 984</u>	<u>4 455 213</u>
<b>Less:</b>			
Impairment loss on debtors and other debit balances	(19)	(83 641)	(50 509)
		<u>5 509 343</u>	<u>4 404 704</u>

- 18-1 The Tax Authority balances include an amount of LE 254.2 Million represents an advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects penalties and fines for years 2000/2004 according to what is mentioned in detail in Note no. (35-3-1) in addition to an amount of LE 215 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008. and amount of LE 25 Million paid under the income tax account from 2014 to 2017.
- 18-2 Tax Authority – usufruct balances represent the value of advance payments of additional sales tax for the usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 127.5 Million – (Note no. 38-2).
- 18-3 The Cairo Economic Court balance represents the amount due to the company in the previously paid amounts after deducting the penalties that judged in the misdemeanour No. 368 of the year 2013 related to the monopoly of Steel Bars product against some officials of the group companies that the Court of Cassation issued on November 25, 2014 which is amounted to LE 20.5 Million and the legal procedures are in process to redeem this amount from the court.
- 18-4 The other debit balances item includes an amount of LE 49.5 Million represents 15% of the license related to the second production line which Ezz Rolling Mills Company- a subsidiary company- paid on February 2012.

## 19. IMPAIRMENT LOSS ON ASSETS

	Note	1/1/2021	Formed during the period	Used during the period	30/9/2021
<u>Impairment loss on:</u>	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Long term investments	(13)	17 817	-	(13 463)	4 354
Inventory	(16)	27 254	72 861	-	100 115
Trade and notes receivable	(17)	30 121	-	-	30 121
Debtors and other debit balances	(18)	50 509	33 132	-	83 641
Advance payments for suppliers		2 332	-	-	2 332
		<u>128 033</u>	<u>105 993</u>	<u>(13 463)</u>	<u>220 563</u>

## 20. CASH AND CASH EQUIVALENTS

	30/9/2021	31/12/2020
	<u>LE (000)</u>	<u>LE (000)</u>
Banks - time deposits	238 754	232 370
Banks – current accounts	2 895 324	1 867 530
Cheques under collection	131 411	59 091
Cash on hand	65 048	64 095
	<u>3 330 537</u>	<u>2 223 086</u>
<b>Less:</b>		
Banks – overdraft	(214 874)	(155 949)
Restricted time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(110 710)	(140 273)
<b>Cash and cash equivalents in the statement of cash flows</b>	<u><b>3 004 953</b></u>	<u><b>1 926 864</b></u>

## 21. CAPITAL

### 21.1 Authorized capital

The company's authorized capital is LE 8 Billion.

### 21.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 K (Two Billion, Seven Hundred and Sixteen Million, Three Hundred and Twenty-Five Thousand Egyptian Pound) distributed over 543 265 027 share with a par value of LE 5 per share paid in full. The issued and paid in capital after the increase was registered in the Commercial Register with No. 1176 Menouf city on October 30, 2008.

The shareholders and the percentages of their contribution at the date of the financial position are as follows:

Shareholder	30/9/2021			31/12/2020
	Number of Shares	Par Value L.E	Contribution %	Contribution %
- Al Ezz Group holding for industry and investment (Ezz industries) *	-	-	-	38.403
- Engineer / Ahmed Abd El Aziz Ezz*	356 933 139	1 784 665 695	65.701	27.298
- Al Ezz for Rolling mills (subsidiary company)	9 462 714	47 313 570	1.742	1.742
- Others	176 869 174	884 345 870	32.557	32.557
	<u>543 265 027</u>	<u>2 716 325 135</u>	<u>100.00</u>	<u>100.00</u>

- \* Some subsidiaries of "Al Ezz Group Holding company for Industry & Investment "Ezz Industries" have sold their shares in Ezz steel company on April 21 2020, which represent a percentage of contribution of 27.29% for Eng/ Ahmed Abdelaziz Ezz, consequently the percentage of the mentioned company contribution (direct and indirect) in Ezz steel company after this transaction is 38.403% on December 31 2020, rather than 65.25% until April 2020.
- \*\* As part of the restructuring Al-Ezz Holding Co. for Industrial and Investment ( Al- Ezz Holding Group ) on 7/6/2021 sold its shares, which represented a contribution rate of 38.403% to Eng/ Ahmed Ezz.

## 22. RESERVES

	30/9/2021 LE (000)	31/12/2020 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital) **	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital	(3 796 829)	(3 796 829)
	<u>182 090</u>	<u>182 090</u>

- \* **Legal reserve:** 5% of net profit should be appropriated to form legal reserve; the Company will stop appropriation once the legal reserve balance reaches 50% of the Company's issued capital; in case the reserve balance becomes less than stated percentage, the appropriation will continue and The legal reserve may be used for the benefit of the Company based on a proposal by the Board of Directors after approval by the General Assembly.
- \*\* **Other reserves:** Additional paid in capital resulted from capital increase for the acquisition of Al Ezz El Dekheila for Steel shares, and bonds converted to shares.

## 23. TREASURY STOCKS

Treasury stocks represent the number of 9 462 714 shares of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and they are classified as treasury stocks for the consolidation purposes.

On January 5, 2021 the parent company's Board of Directors decided to purchase treasury shares with a percent of 1% of the paid-up capital of the company and a maximum of one Million shares, the Managing Director was delegated to set prices and the period for purchasing treasury shares within the company's available sources of financing and liquidity, the Financial Regulatory Authority approved this transaction. The total number of shares purchased is 910 481 Shares with an amount of L.E 10 381 K. So, the total number of treasury shares becomes 10 373 195 shares with a total cost of LE 82,302 K.

**24. TRADE AND NOTES PAYABLE**

	<u>30/9/2021</u>			<u>31/12/2020</u>
	<u>Due within one year</u>	<u>Long term</u>	<u>Total</u>	<u>Total</u>
	<u>LE (000)</u>	<u>Note No. (30)</u>	<u>LE (000)</u>	<u>LE (000)</u>
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Trade payables	4 046 714	-	4 046 714	3 629 958
Notes payable	1 623 998	2 516 360	4 140 358	5 238 598
	<b>5 670 712</b>	<b>2 516 360</b>	<b>8 187 072</b>	<b>8 868 556</b>
Deferred interest	(114 294)	(300 491)	(414 785)	(840 163)
	<b>5 556 418</b>	<b>2 215 869</b>	<b>7 772 287</b>	<b>8 028 393</b>

As of September 30, 2021, trade and notes payable include an amount of installments due to the Electricity and natural gas supplying Companies, the company and its subsidiaries made an agreement with the mentioned companies to reschedule the payment of dues which amounted to L.E 3681.5 Million to be paid on maximum of 48 monthly installment beginning from the date of the agreement, in addition to an annual interest stated on the rescheduling agreement mentioned above.

**25. CREDITORS AND OTHER CREDIT BALANCES**

	<u>Note</u>	<u>30/9/2021</u>	<u>31/12/2020</u>
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
Accrued interest		462 980	631 889
Accrued expenses		1 666 588	1 328 939
Tax Authority		239 032	417 820
Performance guarantee retention		77 837	58 621
Sales tax instalments		96 483	96 483
Dividends payable		11 668	1 606
Due to related parties	(32-3)	72 613	109 183
Deferred revenue for grants	(30-3)	750	817
Other credit balances		503 431	182 072
		<b>3 131 382</b>	<b>2 827 430</b>

**26. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME**

As of the first of January 2013, according to decision of the Board of Directors of Al Ezz El Dekheila for Steel - Alexandria dated December 27, 2012, the Company resolved to grant the employees of the company the benefit of supplementary pension scheme as well as Contra Steel company, for the benefit of any case of retirement at the age of sixty, death or occupational disability of any employee as the company grants all the employees a fixed monthly pension at the age of sixty for ten years and the pension amount is determined based on the year of disbursement and the subscription is collected from the employees of the company based on their age categories while the company bears the remaining cost. The cost of the supplementary pension scheme during the Six Months Ended September 30, 2021 amounted to L.E 23.9 Million charged to the consolidated financial statement according to the actuary's report issued annually.

	Note No.	30/9/2021 LE (000)	31/12/2020 LE (000)
<b>Balance at the beginning of January</b>		<b>217 500</b>	<b>196 732</b>
<b>Add:</b>			
Present service cost		2 402	2 841
Return cost		21 470	25 737
<b>Amounts recognized in the consolidated statement of income</b>		<b>23 872</b>	<b>28 578</b>
		<b>241 372</b>	<b>225 310</b>
Actuarial (profits) losses from the defined benefits pension scheme		(103)	(3 907)
Employees paid subscriptions during the period / year		6 437	7 982
		<b>247 706</b>	<b>229 385</b>
<b>Less:</b>			
Paid pensions during the period / year		(11 153)	(11 885)
<b>Total liabilities of supplementary pension scheme</b>		<b>236 553</b>	<b>217 500</b>
<b>Distributed as follows:</b>			
Included in current liabilities		23 983	20 771
Included in long-term liabilities	(30)	212 570	196 729
		<b>236 553</b>	<b>217 500</b>

The main actuarial assumptions used by the company according to the study prepared by the actuary are represented as follows: -

	30/9/2021	31/12/2020
<b>Average assumptions to determine the liabilities of the benefits</b>		
A- Average discount rate	14.06 %	14.06 %
B- Average inflation rate	14.5 %	14.5 %
<b>Average assumptions to determine the net cost of the benefits</b>		
A- Average discount rate	14 %	14 %
B- Average inflation rate	3.63 %	3.63 %

## 27. PROVISIONS

	1/1/2021 LE (000)	Formed during the period LE (000)	30/9/2021 LE (000)
Tax and claims provision	352 108	218 889	570 997
Employees Lawsuits provision	1 955	-	1 955
	<b>354 063</b>	<b>218 889</b>	<b>572 952</b>

**34- LOANS & CREDIT FACILITIES**

Borrowing company	Borrowing purpose	Interest rate %	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
<b>24-1 Ezz Steel</b>						
Loans - local currency	Restructuring of the credit facilities granted to the company.	1.5% over Corridor for the first year 2% over Corridor starts from the second year	172,409	720,158	892,567	Registering a first degree commerce mortgage on the company, the company should keep its share in the subsidiaries without any amendments, also keeping some financial ratios and indicators that are specified in the loan agreement during the period of the loan.
Banks - credit facilities		Average 8.50 % for the Egyptian Pound, and 4.70 % for the US Dollar	4,036,482	-	4,036,482	Without guarantees within a limit of LE 4,025 Billion.
<b>24-2 Al Ezz El Dokhla for Steel - Alexandria</b>						
Loans - local currency	To finance Steel Returns activities.	Variable interest Corridor deposit 2.5% Corridor lending + 1.5% - 1.75% over monthly Libor 3% - 4.5%	11,524	29,834	38,358	
Loans - foreign currency		Variable interest	480,584	1,707,022	2,187,606	
Banks - credit facilities	To finance working capital and letters of credit.	Average lending and discount rate published from the Central Bank on withdrawn amounts of the Egyptian pound and based on Libor rate on withdrawn amounts of the US Dollar	16,394,959	5,051,054	21,446,013	
<b>24-3 Al Ezz El Dokhla for Steel</b>						
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.	Related to lending and discount rate published from the Central Bank of Egypt	18,387	22,065	40,452	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge and possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of the banks.
Loans - foreign currency		variable interest related to the Libor price.	107,692	154,929	262,621	
Banks - credit facilities		Based on an variable interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest deficit balance.	692,456	1,026,782	1,719,238	Possession mortgage on inventories and joint guarantee from Al Ezz El Dokhla for Steel - Alexandria Company and waiving of all export contracts for the banks favor and depositing all local sales revenue in the banks and the insurance on inventories against robbery in favor of banks, also keeping some financial ratios and indicators
<b>24-4 Ezz Rolling Mills</b>						
Loans - local currency	To finance activities of DRI Factory.	Lending rate for one night from Central Bank before 2 work days beginning from every interest period (3 months for the first and second section) and (monthly for the Third section) in addition to the margin.	834,972	5,195,382	6,030,354	Within a 3.05 Billion Limit guaranteed by a group of realstate mortgages and a commercial mortgage and a joint guarantee from Al Ezz El Dokhla for Steel - Alexandria Company.
Banks - credit facilities		0.5% - 1.75% over Corridor on the used portion from the limit.	214,595	-	214,595	Joint guarantee from Al Ezz El Dokhla for Steel - Alexandria Company.
<b>Balance as of June 30, 2021</b>			<b>23,861,060</b>	<b>13,907,226</b>	<b>37,768,286</b>	
<b>Balance as of December 31, 2020</b>			<b>22,812,438</b>	<b>11,654,621</b>	<b>34,467,059</b>	

The group Companies had benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and no additional fines or fees applied on postponing the payment based on the instructions of the Central Bank of Egypt on March 15, 2020 and its appendices, related to the precautionary procedures against the effect of corona virus pandemic, also benefited from the central bank initiative related to the modification of the interest rate, to be 3% for the credit facilities the companies obtained after the date of the initiative.



**28.1 Ezz Steel Company (Holding company)**

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly instalment, the first instalment accrued on August 2015 starting from the ending of first six months of the first withdrawal on February 5, 2015 with an average return of 3.5% above Corridor published from the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company got the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till September 30, 2021 deducted from the loan balance.
- The instalments paid until September 30, 2021 amounted to LE 959 Million (against LE 895 Million December 31, 2020).
- The company has benefited from the central bank of Egypt initiative related to postponing the credit maturities for six months, ending in September 15, 2020 and no additional fines or fees applied on postponing the payment based on the instructions of the Central Bank of Egypt on March 15, 2020 and it's appendixes, related to the precautionous procedures against the effect of corona virus pandemic.
- During the year 2020 and after the end of the period of postponing payment of the interest according to the Central Bank initiative, the banks which granted the loans have modified the instalments with an amount of L.E 152 479 K according to an appendix of the loan, the amount represents the accrued interest on the loan balance for the period from 3/11/2019 to 31/12/2020' to pay the loan plus interest in 16 quarterly instalments starting from March 31, 2021 to December 31, 2024 , the interest rate was modified to 1.5% above the Corridor rate for the first year and 2% above the Corridor rate starts from second year from the date of activating the loan appendix.

**28.2 Al Ezz El Dekheila for Steel – Alexandria (Subsidiary)**

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted LE 800 Million for 3 years ending in October 17, 2021 and the balance as of September 30, 2021 is LE 795.53 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted to LE 1.5 Billion or its equivalent in foreign currencies. Its balance amounted to LE 1415.22 Million as at September 30, 2021 whose due date is January 2022.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2022, amounted to LE 600 Million or its equivalent in foreign currency. Its balance amounted to LE 627.24 Million as at September 30, 2021.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2023 with a total amount of USD 158 Million or its equivalent in local currency. Its balance amounted to LE 1,232.42 Million as of September 30, 2021 and a part in foreign currency amounted to L.E 980.64 Million equivalent to USD 62.16 Million.
- The Company obtained from a revolving medium term credit facility from Bank Misr and National Bank of Egypt to finance the working capital of Al Ezz Rolling Mills Company and Al Ezz Flat Steel Company (subsidiaries companies), that Bank Misr is the security agent and National Bank of Egypt as the revenue calculation bank (Indirect contributor through Alahly Capital company for investments) whose due date is July 19 , 2021 renewable annually, its balance amounted to L.E 2,845.39 Million as of September 30, 2021.
- The company obtained a medium-term loan from Qatar National Bank – Al Ahly for the purpose of restructuring part of the outstanding debt by USD 69.5 Million. The loan is to be paid in 26 quarter annual instalment ending at Aug 31, 2025. The balance as of Sep 30, 2021 is amounted to USD 43.65 Million equivalent to LE 688.57 Million

*Ezz Steel Company**Notes to the consolidated interim financial statements for the Nine months Ended September 30, 2021 (Continued)*

- The company obtained a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with an amount of USD 61.5 Million and the loan is to be paid in twenty-eight quarter annual instalment ending at November 28, 2025. The balance as of September 30, 2021 amounted to USD 35.2 Million equivalent to LE 555.31 Million.
- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalment ending at January 15, 2026. The balance as of September 30, 2021 is amounted to USD 35.34 Million equivalent to LE 557.53 Million.
- The company obtained a medium-term loan from HSBC to finance the development and construction of the second direct reduction plant at an amount of EURO 12.5 Million and LE 80 Million. the loan is to be paid in 12 Semi-annual instalments ending on January 15, 2026, the balance as of September 30, 2021 is amounted to LE 38.36 Million and a portion of foreign currency amounted to USD 9.08 Million equivalent to LE 143.25 Million.
- The company obtained a medium-term loan from NBK for the purpose of restructuring part of the outstanding debt by USD 20 Million. The loan is to be paid in 26 quarter annual instalment ending at August 28, 2026. The balance as of September 30, 2021 is amounted to USD 15.4 Million equivalent to LE 242.95 Million.

**28.3 Al Ezz Flat Steel (Subsidiary)**

- The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank acts as the inter-creditor agent for Al Ezz Flat Steel Company - a subsidiary - as well as an agent for the international syndicated loans in which nine banks participated. According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent, The most significant guarantees provided are represented in real-estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory pledge on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favour of the banks.
- The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt.
- During year 2020, the loans granted to the company from local banks above-mentioned were rescheduled to be paid in 6 semi-annual instalments starting from 18/2/2021 and ending on 18/8/2023.
- The Banks-credit facilities amounting to L.E. 1.92 Billion on 30/9/2021 is represented in the amount used from the facilities granted by the local banks in the Egyptian pound against several guarantees, the most significant of which is a pledge on the inventory, and joint guarantee from Al-Ezz El-Dekheila Steel Alexandria, assignment of all export proceeds to the banks and depositing all local sales revenues at banks, as well as concluding insurance policy covering theft and fire of inventory in favour of the banks, as well keeping some financial ratios and indicators, during the facility period based on an interest rate related to Corridor rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.  
During year 2020, the above-mentioned credit facilities were rescheduled to be paid in 24 unequal quarterly installments according to specific percentages of the facility's balance starting from 31/3/2021 and ending on 31/12/2026.

**28.4 Al Ezz Rolling Mills (Subsidiary)**

- An approval has been made on December 10, 2020 to restructure debts by the banks participating in the long-term loan granted to the company for the purpose of establishing the reduced iron project, the restructuring includes the existing debts arising from A, B, and C sections and the calculated returns until December 31, 2020, with a maximum of 6.5 billion pounds and that the first instalment payment begins on March 31, 2021, with modifying the interest rate to become 1.5% above the corridor price during the first year from the date of activation, then applying 2% above the corridor price from the beginning of the second year from the activation date until the final maturity date, (instead of 3.5% above the corridor Lending to both section A, B and 1.75% above corridor lending to section C).
- The loan restructuring were activated on June 16, 2021.

**29. Finance lease**

	<u>Future lease payments</u>		<u>Deferred Interest</u>		<u>Present value of lease payments</u>	
	<u>30/9/2021</u>	<u>31/12/2020</u>	<u>30/9/2021</u>	<u>31/12/2020</u>	<u>30/9/2021</u>	<u>31/12/2020</u>
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Due within one year	115 347	115 347	44 317	50 781	71 030	64 566
<b>Add</b>						
Long term liabilities	386 484	473 904	75 485	107 910	310 999	365 994
<b>Total</b>	<b>501 831</b>	<b>589 251</b>	<b>119 802</b>	<b>158 691</b>	<b>382 029</b>	<b>430 560</b>

- The company signed finance lease contracts (No.4537 & 4538) with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building for Eight years ending June 2024, the contracts provide the right to the company to own those assets at a predetermined value at the end of the contract year. On July 18, 2017, the company signed appendixes to these contracts to finance fixtures and finishes for one of the leased floors and adding it to the leased asset and amending the lease contract, for Eight years ending July 2025. On September 20, 2018, the company signed an appendix to these contracts to increase the finance related to the leased asset in a form of revaluation of that asset and modify the capital lease contracts, the repayment of the extra finance will be on 32 quarterly equally instalment starts from December 20, 2018 till September 20, 2026, The cost of acquiring these two floors has been included in the buildings item in the fixed assets of the company in accordance with the Egyptian Accounting Standard No. (49) Leasing contracts.
- On November 13, 2016, the company signed a finance lease contract (Contract no.4675) with Corplease (Leasing Company) to finance the fixtures and finishes for the floors that have been leased in Nile Plaza building for the period of Eight years ending November 2024.
- During December 2018, the company signed contracts of sale and lease back (Contract no.1) with HD company For Capital Lease for a piece of land of the lands owned by the company, and as per the contracts with the mentioned company, the lease is for 7 years ending December 25, 2025, and the contract gives the company the right to own the mentioned land at the end of the contract's period at predetermined amount in the contract. It has been determined that the above-mentioned contracts are not representing the sale of the plot of land. Accordingly, the plot of land has been re-recognized in the fixed assets and recognized a financial liability equal to the proceeds of transfer, that is in accordance with Egyptian accounting standard (49) Lease Contracts.
- During October 2020, an appendix has been concluded for the finance lease contracts mentioned above and that was based on the decrees taken by the Central Bank of Egypt as of March 16, 2020 as some installments were postponed for 6 months in addition to decreasing interest rates, where quarterly post-paid checks has been issued till March 2027 after recalculating deferred interests based on the new interest rates.

**30. LONG TERM LIABILITIES**

	<u>Note No.</u>	<u>30/9/2021</u> <u>LE (000)</u>	<u>31/12/2020</u> <u>LE (000)</u>
Notes payable	(24)	2 516 360	3 531 106
Liability of the supplementary pension scheme	(26)	212 570	196 729
lending from others	(30-1)	583 230	584 342
Fixed asset purchase creditors	(30-2)	873 956	-
Deferred revenue for grants	(30-3)	-	750
		<b>4 186 116</b>	<b>4 312 927</b>
Unamortized portion of present value of the notes payable		(300 491)	(595 303)
<b>Present value for the long-term liabilities</b>		<b>3 885 625</b>	<b>3 717 624</b>

- 30.1** Al Ezz Flat Steel Company – (subsidiary company) borrowed USD 37 Million equivalent to LE 583 Million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks virtue of the guarantee of SACE, thereof the interests of the loan are calculated based on variable interest rate related to LIBOR.

- 30.2 Fixed asset purchase creditors represented in the due to Danilli, on 27/1/2021 the company agreed with the mentioned supplier to reschedule the payment of the dues and the added interest according to the following:

The liability due to the supplier according to the purchase invoices in addition to the calculated interest on it starting from 1/11/2020 is paid in quarterly installments ends in 2026.

The settlement agreement includes that the supplier will waive the right to due interest which calculated on the liability of supplying machinery and equipment during the prior years for the period from the invoice due date until 31/10/2020, this is in case of the company paying all the quarterly installments based on the settlement agreement.

The company and Al Ezz El Dekheila for Steel- Alexandria signed joint guarantees in favor of the above-mentioned supplier to guarantee that the mentioned subsidiary companies would pay its dues stated in the settlement agreement.

- 30.3 Deferred revenues represent the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 820 K, deferred revenues due within one year is amounted to LE 750 K (Note no. 25).

### 31. DEFERRED TAX

#### 31.1 Recognized deferred tax assets and liabilities

	30/9/2021		31/12/2020	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Fixed assets	-	(3 549 262)	-	(3 601 513)
Provisions and assets impairment	86 516	-	47 472	-
Finance lease liabilities	21 804	-	25 455	-
Tax losses	1 316 786	-	2 013 633	-
Losses from foreign currency translation	34 266	-	34 143	-
Gains from foreign currency translation	-	(59 804)	-	(60 437)
	<u>1 459 372</u>	<u>(3 609 066)</u>	<u>2 120 703</u>	<u>(3 661 950)</u>
Net deferred tax (liability)		<u>(2 149 694)</u>		<u>(1 541 247)</u>

#### 31.2 Recognized deferred tax charged to the consolidated statement of income:

	30/9/2021 LE (000)	30/9/2020 LE (000)
Net deferred tax	(2 149 694)	(1 667 750)
<b>Less/ (Add):</b>		
Translation differences	-	16 269
Previously charged deferred tax	(1 541 247)	(1 876 472)
<b>Deferred tax</b>	<u>(608 447)</u>	<u>189 453</u>

#### 31.3 Unrecognized deferred tax assets

	30/9/2021 LE (000)	31/12/2020 LE (000)
Impairment loss on Receivables and debtors	8 502	8 498
Provisions	89 894	65 619
Tax losses	982 212	660 068
	<u>1 080 608</u>	<u>734 185</u>

Deferred tax assets have not been recognized in respect of the above items due to uncertainty of the utilization of their benefits in the foreseeable future.

**32. RELATED PARTIES TRANSACTIONS**

The company conducts commercial transactions with related parties. The following is the most important of these transactions and related balances:

	<u>Nature of Transaction</u>	<u>Transaction Volume during the period LE (000)</u>	<u>Balance as of 30/9/2021 Debit/(credit) LE (000)</u>	<u>Balance as of 31/12/2020 Debit/(credit) LE (000)</u>
<b>32.1 Items included in trade and notes receivable</b>				
-	Al Ezz for Trading and Distributing Building Materials (Affiliated company)		9 004	8 731
			<u>9 004</u>	<u>8 731</u>
<b>32.2 Items included in debtors and other debit balances</b>				
-	Gulf of Suez Development Company (Affiliated company)	-	79	49
-	Al Ezz for Ceramics and Porcelain (GEMMA) (affiliated company)	Rent 696	24 182	20 482
-	Al Ezz for medical industries (subsidiary)	Purchases 92	9 059	-
			<u>33 320</u>	<u>20 531</u>
<b>32.3 Items included in creditors and other credit balances</b>				
-	Al Ezz Group Holding Company for Industry & Investment (Shareholder)		(72 594)	(109 164)
-	Al Ezz for Trading and Distributing Building Materials (Affiliated company)		(19)	(19)
			<u>(72 613)</u>	<u>(109 183)</u>

**33. CONTINGENT LIABILITIES**

33.1 Contingent liabilities are represented in the amount of the letters of guarantee which are not covered that were issued by the Company's banks and subsidiaries in favour of others and the uncovered letters of credit, detailed as follows:

	<u>30/9/2021 Equivalent LE (000)</u>	<u>31/12/2020 Equivalent LE (000)</u>
<b>Letters of guarantee</b>		
Egyptian Pound	6 510	18 253
US Dollar	17 347	17 380
<b>Letters of credit</b>		
US Dollar	2 437 356	2 268 841
Euro	69 762	425 814

The letters of guarantee fully covered issued by the banks of the company and its subsidiaries in favour of others on June 30, 2021 amounted to LE 135 K (against LE 135 K as of December 31, 2020 fully covered) (Note no.18).

33.2 The settlement agreement with one of the foreign suppliers (Note no.30-2) includes the supplier claims Al Ezz Flat Steel (subsidiary company) for interest that will be calculated in agreement with the company on the liability of supplying spare parts during previous years amounted to 15 483 K Euro which is stated in the suppliers balance as of 30/6/2021 from the invoice due date until 31/10/2020, this is in case of the company does not pay all the liabilities stated in the settlement agreement in the due dates.

**34. CAPITAL COMMITMENTS**

The capital commitments of El Ezz El Dekhaila as of September 30, 2021 amounted to LE 30.62 Million, (whereas the amount as of December 31, 2020 is LE 88 Million).

**35. TAX POSITION****35.1 Ezz Steel Company****35.1.1 Corporate tax**

- The Company enjoyed tax exemption according to article No. (24) from Law No. (59) for 1979 related to development of the new urban communities, the Company was granted a tax exemption for a period of ten years which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2017 and there are no outstanding dues or tax disputes.
- The company submitted tax returns for the years 2018:2020 under Law No. 91 of 2005 on the due legal dates, currently the tax inspection is being prepared for those years.

**35.1.2 Sales tax and VAT**

- The Tax Authority inspected the Company's books until year 2015 and the company paid the tax differences in full.
- Tax returns are submitted according to Value Added Tax law on the due legal dates.

**35.1.3 Salary tax**

- The tax inspection was done till 2016 and there are no outstanding due.
- The tax inspection was done for years 2017/2018 and disputes are being resolved by the Internal Committee.
- The tax inspection was done for year 2019 and the settlement and payment in progress.

**35.1.4 Stamp tax**

- The tax inspection was done till 2018 and there are no outstanding due.
- As for the years 2019/2020 currently Preparing for inspection

**35.1.5 Property tax**

- The tax assessment issued and paid up to 31/12/2021.

**35.2 Al Ezz Rolling Mills Company****35.2.1 Corporate tax**

- The Company established its factory in the 10th of Ramadan City and according to the article No. (24) of Law No. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company, the tax inspection has resulted in approved tax losses amounting to LE 73 862 K in 2016 and LE 1 321 347 K in 2017
- The tax return was submitted on its legal date for years 2018 till 2020 according to the income tax law No. 91 for 2005 and its amendments,

**35.2.2 Sales tax and VAT**

- The Tax Authority inspected the Company's books until 2015 and the taxes due were paid.
- The Tax Authority inspected the Company's books for year 2016 till 2018 and the tax inspection result is waiting.
- The monthly tax returns are submitted on their legal due dates.

**35.2.3 Salary tax**

- The Company's books have been inspected until year 2015 and the taxes due were paid and there are no outstanding dues on the company.
- The Tax Authority inspected the Company's books for year 2016 till 2018 and disputes are being resolved by the Internal Committee.
- The company deducts and submits its tax for year 2019 and 2020.

**35.2.4 Stamp tax**

- The Tax Authority inspected the Company's books until year 2018 and all disputes were settled and there are no outstanding dues.
- The tax inspection hasn't been requested for year 2019 and 2020 yet.

**35.2.5 Property tax**

- The tax assessment issued and paid up to 31/12/2020.

**35.3 Al Ezz El Dekheila for Steel – Alexandria Company****35.3.1 Corporate Tax**

- The Company's books have been inspected until year 2017 and there are no outstanding dues on the company.
- The tax inspection for years 2018 and 2020 are in progress.
- **The situation of tax disputes:**
- The period 2000-2004: for the exemption of flat steel project amounted to LE 254 Million, the dispute is currently submitted to committee of tax dispute settlement.
- The period 2005-2006: for the exemption of flat steel project (5<sup>th</sup> year) amounted to LE 215 Million, the dispute is currently submitted to administrative court.

**35.3.2 Salary Tax**

- The tax inspection for the years until 2016 were done and there are no outstanding.
- Tax inspection for the years 2017 till 2020 are in progress.

**35.3.3 Sales Tax and VAT**

- The Tax Authority inspected the Company's books until year 2015 and all disputes were settled and there are no outstanding dues.
- Years from 2016/2020 were examined and the tax due was fully paid .

**35.3.4 Stamp Tax**

- The Tax Authority inspected the Company's books until year 2016 and all disputes were settled and there are no outstanding dues.
- Tax inspection is not performed yet for the years 2017 to 2020.

**35.3.5 Property tax**

- The decision of the committee of tax dispute settlement approved by the Minister of Finance was issued to reduce the annual real estate tax from LE 17 million to LE 10.7 million, and a settlement was made with the real estate taxes Agami, and the credit due balance (to the company) has been recognized amounted to LE 32.1 million as of September 30, 2020.

**35.4 Al Ezz Flat Steel Company****35.4.1 Corporate tax**

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license was being cancelled and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's book from the commencement of activity until 2018 and resulted in tax losses.

**35.4.2 Salary Tax**

- The tax inspection was made and there are no tax claims on the company since the beginning of the business till 2016.
- The tax inspection for years from 2017 to 2019 were done and dispute currently resolved in the internal committee.

**35.4.3 Sales tax and VAT**

- The Tax Authority inspected the Company's books until 31/12/2018, tax assessment issued and paid up at legal date and there are no dues.
- The company submits the monthly tax return on the legal due dates and the inspection for year 2019 and 2020 hasn't been requested by the tax authority yet.

**35.4.4 Stamp tax**

- Tax inspection was issued and made from 2008 until 2018 and there are no claims on the Company.
- The company submitted the tax returns on the legal due dates for year 2019 and 2020 and the tax inspection hasn't been requested by the tax authority yet.

**35.4.5 Real Estate Tax**

- The tax assessment issued and paid up to 31/12/2020.

**36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****36.1 Financial instruments**

The Company's financial instruments are represented in cash and cash equivalents, trade receivables, debtors, investments, trade payables, notes payable, creditors, loans and bank credit facilities, and finance lease liabilities, book value of these financial instruments does not differ significantly from its fair value at the financial position date.

**36.2 Interest rate risk**

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities, finance lease liabilities and some rescheduled suppliers liabilities which amounted to LE 38 853 954 K as of September 30, 2021 (LE 37 585 797 K as of December 31, 2020). Financing interest and expenses related to these balances amounted to LE 2 596 609 K during the period (LE 2 926 430 K during the comparative period from the previous year). Restricted time-deposits and current accounts amounted to LE 349 464 K as of September 30, 2021

(LE 372 643 K as of December 31, 2020), interest income related to these time-deposits and current accounts amounted to LE 89 678 K during the current period (LE 63 598 K during the comparative period from the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

**36.3 Credit risk**

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the financial position date is:

		30/9/2021	31/12/2020
	Note No.	LE (000)	LE (000)
Long term lending to others	(14)	48 583	45 380
Trade and notes receivables	(17)	6 150 819	2 875 782
Debtors and other debit balances	(18)	5 509 343	4 404 704
Suppliers - advance payments		742 946	331 373
Cash and cash equivalents	(20)	3 265 489	2 158 991

**36.4 Foreign currency risk**

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 3 095 913 K and LE 9 686 135 K respectively on September 30, 2021.

The Company's net exposures in foreign currencies at the financial position date are as follows:

<u>Foreign Currency</u>	<u>(Deficit)/Surplus</u> <u>Thousands</u>
US Dollars	(379 967)
Euro	(32 116)
Swiss Frank	13
Sterling Pound	(155 002)
Japanese Yen	(66 288)
AED	3

As shown in (Note no. 40-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the financial position date.

Foreign currencies rates as of the financial position date are as follows:



	Closing rates as of:	
	<u>30/9/2021</u>	<u>31/12/2020</u>
US Dollars	15.7400	15.7700
Euro	18.2741	19.4113
Swiss Frank	16.8721	17.9184
Sterling Pound	21.1986	21.5828
AED	4.2854	4.2935

## 37. THE LITIGATION STATUS

### 37.1 Workers Lawsuits Regarding Profits

Some of the employee's terminal employees filed lawsuits to claim of a calculation profits and social insurance allowances for previous years, in which the rejection and fall were judged except one lawsuit. The company's management and its legal advisor believe that the company has adhered to the correct law in disbursing the profits of its employees and social allowances in accordance with its legal system and without prejudice to the rights of any of its employees.

### 37.2 Lawsuits before Court Concerning the Trespass on The Company's land

-some of infringements occurred by some individuals and companied on a part of the company lands ,an area 17 acres purchased from the stare property protection Authority – Alexandria Governorate within large area approximately 10 acres which was allocated and received by the company according the handover report dated 13 December 1998 issued by the governor Alexandria no. 80 of year 1993 . The company paid the full price of that land in accordance with the agreement between the company and state property protection authority dated 19 June 2008 , where the infringements were removed on 12 September 2017 , and the company received the land according to the handover report from the state property protection authority and ALAjami neighborhood after removing the infringements by direct method , The company was registered the plot of the land where located in the ware houses of row materials in the southern land of the company .

- The legal procedures have been completed to register the purchased plot land from Alexandria governorate in Omzaghia , and its area is 109 acres , 11 carat , 23 share after excluding regulatory losses, according to the final sale contract registered with no. 4869 year 2021 dated at 13/9/2021 – public notary Alexandria , which was previously allocated the company at 18/4/1999.

## 38. OTHER TOPICS

### 38.1 *EZDK Steel UK limited Company (Subsidiary company)*

An agreement was made with EZDK Steel UK LTD in 2005 to represents the Ezz Dekheila Steel Company - Alexandria abroad without having the right to contract in its name, whether in the purchase or sale operations, this company also provides legal, marketing and financial services to Al Ezz Dekheila Steel - Alexandria in exchange for 50% of all expenses of that company plus 5%.

On July 11, 2011, a ruling was issued by the judicial bodies in the United Kingdom to subject EZDK Steel UK LTD, a subsidiary company, to be under the managerial control of BDO LLP England Institute in the United Kingdom due to its insolvency and based on the fact that the shareholders reached an agreement in regard to the procedures necessary to be taken to the effect of the company's liquidation.

However, the company still under the managerial control of that Institute till the Consolidated Interim Financial Statements date (the investment cost reached the amount of LE 510 with a participation percentage of 50% of the company's capital).

The company has contracted with a legal liquidator in the United Kingdom to complete the liquidation procedures, provided that the liquidator's fees are paid equally with Al-Ezz Group Holding Company for Industry & Investment.

**38.2 Alexandria Port Authority**

- On June 19, 2011, Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 Million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011. The amounts kept at the banks under attachment reached the amount of LE 66 Million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of Lawsuit No. 797 of 2010 filed by Alexandria Port Authority against To ensure what may be decided against the port of Alexandria regarding the tax assessment amounts for the sales tax, the company filed a lawsuit No. 1409 for the year 2011 in implementation of the request to lift the reservation in the session of September 17, 2012. And a judgment was issued to the effect of dismissing the case and the company an appeal against the lawsuit No. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year, No.35 the lawsuit deliberation was settled and the report has not been filled yet.

- The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 Million in addition to tax amounting to LE 127.5 Million till June 28, 2012 in return for usufruct of the equipment of mining ores dock related to the handling of ores in El Dekheila Port.

On October 3, 2012, the company paid the principal tax amounting to LE 104 Million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks. The sales tax authority is of the opinion the necessity of payment the additional tax in order to cease the mentioned procedures.

The company's management paid an amount of LE 127.5 Million under the account of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favour of the Port Authority.

Based on the opinion of its tax advisor, the company's management is of the opinion that Alexandria port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El - Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment as its not subjected for sales tax, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax.

The company filled lawsuit No.1609 for year 2014 civil which numbered 36522 for year 69 J Alexandria Administrative Judiciary against both of the Port Authority and the Tax Authority requesting refund of what was collected from company under the name of sales tax for the period beginning from February 15, 2003 till December 31, 2013 in an amount of L.E 249.525 Million , On November 28, 2018 session the court appointed an expert in the lawsuit, He submitted a report in which he concluded the amounts paid by the company or not to the court because it is a legal issue and the case is postponed to the session of May 19, 2021. The company also filed a lawsuit No. 8971 for the year 72 J Administrative Judiciary - Alexandria requesting a refund of 34 711 K Egyptian pounds, the value of what was collected under the name of sales tax on the license fee for the period from January 2014 until September 2016, the end of the general sales tax law. Based on the fact that the license fee for usufruct is not subject to the general tax on sales, and the lawsuit was referred to the State Commissioners Authority that deposited an opinion report in which it ended with the assignment of an expert in the case to examine the company's requests, the expert proceeded and deposited a report in which he concluded that the amounts paid by the company were counted, and the lawsuit was postponed to the session of November 24, 2021 for reviewing.

**39. SIGNIFICANT EVENTS**

During the first quarter of year 2020 most of the world countries, including Egypt, were exposed to the novel coronavirus (Covid-19) pandemic which its effect still exists, and caused disturbances in the majority of commercial and economic activities in general. So, it is possible to have a material impact on the elements of assets, liabilities and its recoverable value thereof, and the results of operations in the group's Consolidated Interim Financial Statements for the current year and the subsequent periods, in addition to the potential impact on the provision of raw materials, supplies necessary for production and operations, the demand on the group's products, and the available liquidity. Currently, the group is assessing and determining the size of this impact on its current Consolidated Interim Financial Statements, the management doesn't expect in the meantime, based on the latest available information, any significant impact on the current Consolidated Interim Financial Statements and its going concern, due to instability and uncertainty as a result of the current events, the magnitude of that event depends mainly on the expected time frame, in which these events and their consequences, are expected to be ended, which is difficult to determine in the meantime.

**40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The following accounting policies have been applied consistently by the group's companies during all presented periods in these Consolidated Interim Financial Statements.

**40.1 Foreign currency translation**

The group maintains its accounts in Egyptian Pound. Transactions denominated in foreign currencies are translated at foreign exchange rate prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated at the foreign exchange rates prevailing, at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at that date of the transaction. Foreign currency differences arising on the translation are recognized in the consolidated statement of income at the financial position date in consolidated statement of income.

The presentation of the financial statements of Al Ezz Flat steel (subsidiary company) to be in the Egyptian pound instead of the US dollar starting from the date 31/12/2020. This is due to the fact that the Egyptian pound has become the currency in which most of the company's sales are made as well as the financing needed for operations.

**40.2 Fixed assets and depreciation**

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation - except rolling rings - is charged to the consolidated statement of income on straight-line basis over the estimated useful lives of assets. The management of the company regularly reconsiders the remaining useful lives of the fixed assets in order to determine whether they match the previously estimated useful lives and if there is a significant difference, the assets depreciation will be calculated in accordance with the remaining estimated useful life.

Leased fixed assets (The assets that ownership of the assets will be transferred to the lessee by the end of the lease contract) are recognized at cost in the beginning of lease contract, after the beginning of the lease contract the value of the leased fixed assets is determined at cost less the accumulated depreciation and the accumulated impairment loss and adjusted by any adjustments to the lease liability, the leased fixed assets is depreciated using straight line method over the estimated useful life of assets which are mentioned below.

During 2016, modified cost model was adopted by the group, which the cost and accumulated depreciation for some categories of fixed assets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) are modified using modification factors stated in annex (A) of EAS No. (13). The increase of net fixed assets which are qualified to modification, were recognized in other comprehensive income items and was presented as a separate item in equity under the name of "modification surplus of fixed assets". The realized portion of modification surplus of fixed assets is transferred to retained earnings or losses in case of disposal or abandonment of the asset which qualified for modification or usage (depreciation difference resulting from the adaption of the special accounting treatment).

The estimated useful life for each type of assets is as follows:

<u>Asset</u>	<u>Estimated useful life</u>
	<u>Years</u>
<b><u>Buildings</u></b>	
– Buildings	25 – 50
– Other buildings	8
<b><u>Machinery and equipment</u></b>	
– Machinery and equipment	5 – 25
– Rolling rings (machinery and equipment)	According to actual use (ERM 5-6)
<b><u>Vehicles</u></b>	2 – 5
<b><u>Furniture and office equipment</u></b>	
– Furniture and office equipment	3 – 10
– Central air conditioning and fixtures	8
<b><u>Tools and appliances</u></b>	4 – 5
<b><u>Improvements on leased buildings</u></b>	The lower of lease term or assets' useful lives

Profits or losses resulting from fixed assets disposal are charged to the consolidated statement of income.

#### 40.3 Cost subsequent to acquisition

The replacement cost of an asset component is recognized in the asset cost after the elimination of the cost of this component when such cost is incurred by the company and in case it is probable that future economic benefits shall inflow to the group as a result of the replacement of this component conditional on the ability to measure its cost with a high level of accuracy. However, the other costs are to be recognized in the consolidated statement of income as an expense when incurred.

#### 40.4 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to fixed assets at its cost when they are completed and are ready for their intended use.

#### 40.5 Other assets

- Other assets are licenses cost which are capable of generating future economic benefits.
- Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses.

#### 40.6 Investments in associates

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any. The Consolidated Interim Financial Statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. In case of the excess in the cost of acquisition over the company share in net fair value of the assets, liabilities and contingent liabilities as well in associates on the date of acquisition, the goodwill is recognized as a part of investment book value, thus it will be subjected to the impairment loss on the investment.

#### 40.7 Investments available-for-sale

Available-for-sale investments are initially measured at fair value and as of the Consolidated Interim Financial Statements date, the change in the fair value whether gain or loss is recognized directly in equity, except for impairment losses which are transferred to profit or loss. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

The fair value for available-for-sale investments is identified based on the quoted price of the exchange market in an active market at the consolidated financial position date, except for investments which are not quoted in a stock exchange in an active market, in this case they are measured at cost net of impairment loss.

**40.8 Investments in treasury bills**

Investments in treasury bills are stated in the financial statements are initially measured at fair value and subsequently measured by depreciated cost, the difference between acquiring cost and the realizable value during the period is amortized from acquiring date to maturity date using actual interest rate.

**40.9 Goodwill**

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets acquired at the date of acquisition. Goodwill is tested for impairment at consolidated financial position date. If events or changes in circumstances indicate that the goodwill might be impaired, impairment loss "If any" is charged to the consolidated statement of income for the year.

**40.10 Inventory**

Inventory is valued at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

- Raw materials: is valued at its cost up to bringing them to warehouses, and the outgoing is evaluated using the first in first out method.
- Spare parts, materials, and supplies are valued at cost up to bringing them to warehouses, and the outgoing is evaluated using the weighted average method.
- Work in process: according to the actual manufacturing cost which includes direct materials and labor cost in addition to share of indirect manufacturing cost incurred until the last production stage reached.
- Finished products: according to the actual manufacturing cost according to costs' statements.

**40.11 Trade and notes receivables and debtors**

Trade and notes receivable and debtors are initially stated at their fair value and subsequently measured by depreciated cost using the effective interest rate and reduced by estimated impairment losses from its value.

**40.12 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows comprise cash balances, banks current accounts, time deposits, market money fund bills and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the Group's cash management preparing are included as a component of cash equivalents. The consolidated statement of cash flows is prepared and presented according to indirect method.

**40.13 Trade and notes payable and creditors**

Trade and notes payable and creditors are primary stated at fair value and subsequently measured by depreciated cost using the actual interest rate.

**40.14 Impairment loss on assets****A. Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in consolidated income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

**B. Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at Consolidated Interim Financial Statements date for any indications that the loss has decreased or no longer exists. An impairment loss is reviewed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**40.15 Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost on an effective interest basis with any difference between cost and redemption value being recognized in the consolidated statement of income.

Borrowing cost of financing fixed assets are capitalized to finance qualified fixed assets during the construction period till the asset is reachable for use from the economical view.

**40.16 Provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. The provisions balances are reviewed on a going basis at the financial position date to disclose the best estimate on the current period.

**40.17 Share capital****Repurchase of share capital**

Upon the repurchase of issued capital shares of the company (whether direct way or by using one of its subsidiaries), it is recognized with the amount paid in return for the repurchase, process which includes all direct costs and all costs related to repurchasing, as a reduction in owners' equity, and it shall be classified as treasury stock deducted from the total owners' equity side.

**40.18 Revenues****a) Revenue Recognition.**

- Revenue is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the goods and invoice issuance. And it is probable that the economic benefits associated with the transaction will flow to the Company, and determine the costs related to selling and returned goods in trusted way with the inability of the company's management to make any letter effects on selling goods with the possibility of trusted revenue measuring, In the case of export sales, the transfer of control is extended to the goods sold in accordance with the shipping conditions.

**Egyptian Accounting Standard No. (48) - Revenue from contracts with Trade Receivables**

- Egyptian Accounting Standard No. (48) defines a comprehensive framework for determining the value and timing of revenue recognition, and this standard replaces the following Egyptian accounting standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts").
- Revenue is recognized when the Trade Receivables is able to control the goods or services. Determining when to transfer control over a period of time or at a point in time requires a degree of personal judgment.
- The incremental costs of obtaining a contract with a Trade Receivables are recognized as an asset if the company expects to recover those costs.

### The potential impact on the financial statements

- Given the nature of the company's activities, in addition to the accounting policies followed, the impact of the Egyptian Accounting Standard No. 48 on revenue recognition by the company will be immaterial.
- b) **Dividends**  
Dividends income is recognized in the consolidated income statement on the date where the company has the right to receive investees' dividends occurred after the date of acquisition.
- c) **Interest income**  
Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

#### 40.19 lease contracts

##### Finance Lease contracts

A leased asset is recognized in the company's assets, also recognize a liability that represents the present value of the unpaid finance lease installments in the company's liability.

##### Finance lease contracts (sell and lease back)

If the entity (the lessee) transfers the asset to the other entity (the lessor) and leased back the asset, the entity must determine whether the asset is being accounted for sales transaction or not, in case of not being sales transaction the lessee must continue to recognize the transferred asset and must recognize a financial liability equal to the proceeds of the transfer.

##### Operating lease contracts

Leases are classified as operating leases. Payments in respect of operating leases are charged to statement of income as expenses payments in on a straight-line basis over the lease term. (Net of value of any lease discount incentive and rent-free periods).

#### 40.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### 40.21 Income Tax

Income tax on the profit or loss for the period comprises current income tax and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantially enacted at consolidated financial position date.

Deferred tax is provided using the financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized during the upcoming periods.

#### 40.22 Grants related to assets

Grants related to fixed assets are recognized as deferred income and are recognized as income in accordance with the terms of the grant. Deferred income balance is presented in long-term liabilities after deduction of deferred income due during the period, which is shown under current liabilities.

#### 40.23 Employee benefits

The company contributes inside Egypt in Social Insurance under the Social Insurance Authority for the benefits of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions recorded in the 'salaries and wages' accounts, in addition to end of service benefits as shown in note no.(10).

**40.24 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- \* Credit risk
- \* Liquidity risk
- \* Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risks, and the Group management of capital. Further quantitative disclosures are included throughout these Consolidated Interim Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**40.24.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

This risk is mainly resulting from the Group's trade and other debtors.

- **Trade receivable & other debtors**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.

Most of Group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

- **Cash and cash equivalents**

Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.

**40.24.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**40.24.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- **Currency risk**

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.



- **Interest rate risk**

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

- **Other market prices risk**

This risk arises from changes in the price of available-for-sale investments held by the Group, the Group's management monitors the equity instruments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns and the management consults external advisors in this regard.

**40.24.4 Capital management**

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Boards of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, the Board also monitors the level of dividends paid to shareholders. There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

**41 NEW ISSUES AND AMENDMENTS ISSUED TO THE EGYPTIAN ACCOUNTING STANDARDS:**

On 18 March 2019, the Minister of Investment and International Cooperation amended some of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 of 2015, which include some new accounting standards and amendments to some existing standards that has a significant impact on the financial statements as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments "	<ol style="list-style-type: none"> <li>1- The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in the Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement", and therefore the Egyptian Accounting Standard No. (26) was amended and reissued after withdrawing the special paragraphs Topics covered by the new standard (47) and specifying the scope of the revised standard (26) to deal only with limited cases of hedge accounting according to the choice of the entity.</li> <li>2- According to the requirements of the standard, financial assets are classified on the basis of their measurement - later - either at amortized cost, or at fair value through other comprehensive income or at fair value through profit or loss, according to the business model of the entity to manage financial assets and the characteristics of the contractual cash flow of the financial asset .</li> <li>3- The model of realized losses in the measurement of impairment of financial assets has been replaced by models of expected credit losses, which requires the measurement of impairment for all financial assets measured at amortized cost and financial instruments that are measured at fair value through other comprehensive income from the moment of initial recognition of those regardless of when there is an indication of a loss event.</li> <li>4- Based on the requirements of this standard, each of the following standards has been amended: The revised Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" 2019 Egyptian Accounting Standard No. (4) "Statement of Cash Flows" Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</li> </ol>	Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.