EZZSTEEL REPORTS CONSOLIDATED FY 2014 RESULTS

Cairo, 3 June 2015 – ezzsteel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 December 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Million	FY 2013	FY2014	YoY % (+/-)
• **Net sales**	21,294	**19,398**	-9
• **Gross profit**	2,331	**691**	-70
• **EBITDA***	2,297	**649**	-72
• **Net profit before tax and minority interest**	980	**(862)**	
• **Net profit after tax and minority interest**	130	**(697)**	
• **Earnings per share ****	0.24	**(1.28)**	
• **Net debt to equity**	1.29	**2.43**	

**EBITDA = sales – cost of goods sold – selling & marketing expense – G&A expense + depreciation and amortisation*

*** EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period*

Comment

Commenting on the results, Mr Paul Chekaiban, Chairman and Managing Director of ezzsteel, said:

"In 2014, ezzsteel suffered from the compounded effect of the continued deterioration in the global steel sector, and the detrimental conditions in which our industry operates in Egypt. In coordination with the parties concerned, ezzsteel is implementing a number of corrective measures which ensure that the negative financial performance of 2014 is not repeated."

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About ezzsteel

ezzsteel (formerly: Al Ezz Steel Rebars) is the largest independent steel producer in the Middle East and North Africa, and the Egyptian market leader, with a total actual capacity of 5.8 million tonnes of finished steel.

In 2014, the Company produced 3.6 million tonnes of long products (typically used in construction) and 790,000 tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

All of the below financial breakdowns are based on ezzsteel's consolidated financials, which include the financial performance of ESR/ERM, EZDK and EFS.

Sales & Production

Consolidated net sales for FY 2014 were EGP 19.4 billion, representing a decrease of 9 per cent year on year. This decrease in sales is principally due to constant disruption of utilities, especially during the summer months. Long product prices were up 1.3% and flat products were up 2.7% in the local market, while long export prices were up 0.6% and flat export prices rose by 2.4%.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	5,458	8,367	1,723	**15,548**
Flat	-	3,606	-	**3,606**
Others		232	13	**245**
Total	**5,458**	**12,205**	**1,736**	**19,399**

Long steel products accounted for EGP 15.5 billion, or 80 per cent of sales in FY 2014, while flat steel products represented 19 per cent of sales at EGP 3.6 billion. Long product exports accounted for 4 per cent of total long sales. Flat product exports accounted for 40 per cent of total flat sales.

Sales Value EGPMn	**Domestic**	**per cent**	**Export**	**per cent**
Long	14,942	96	606	4
Flat	2,148	60	1,458	40

Long sales volumes were 3.44 million tonnes during FY 2014, 8 per cent lower than the 3.74 million tonnes sold during the same period last year. During the period, the company took the strategic decision to maintain a relatively consistent market position, despite weaker pricing.

Flat sales volumes, which were concentrated at EZDK, fell by 20 per cent to 796,716 tonnes in FY 2014, due to lower production. Both the domestic and export market saw significant reductions in volumes, as weak international markets made sales of flat products unattractive.

The group’s consolidated sales volumes totalled 4.3 million tonnes in FY 2014, a decrease of 9 per cent from the 4.7 million tonnes sold in FY 2013.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 31 December 2014 were 28 per cent, 63 per cent, and 9 per cent respectively.

Long steel production volumes totalled 3.6 million tonnes during FY 2014, down 3 per cent compared to FY 2013. Flat steel production volumes decreased by 20 per cent to 789,727 tonnes for the period, compared to 989,938 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2014 represented 96 per cent of sales, reflecting a decrease in gross profit margin from 11 per cent in FY 2013 to 4 per cent in FY 2014.

EFS’s Cost of Goods Sold, at 120 per cent, reflects the continued low capacity utilization level currently at that facility. At EZDK, the continuing shortage of natural gas impacted DRI production, forcing the company to use more expensive scrap and thereby suppressing margin.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	5,658	12,131	1,954	19,398
COGS	5,536	11,216	2,342	18,707
COGS/Sales	**98%**	**93%**	**120%**	**96%**

Gross profit

Gross profit of EGP 691 million was recorded for FY 2014, a decrease of 70 per cent from the EGP 2.3 billion recorded in FY 2013.

EBITDA

EBITDA for FY 2014 amounted to EGP 649 million, representing a decrease of 72 per cent from EGP 2.3 billion in FY 2013.

Tax

During 2014, ezzsteel had a tax charge of EGP42m and benefited from an additional deferred tax asset of EGP 68 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 697 million for FY 2014, in comparison to a profit of EGP 130 million for FY 2013.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 916 million and net debt of EGP 12.69 billion. The company has a gearing of Net Debt / Equity of 2.42 times.

Post period events

On the 18 January 2015, ezzsteel announced that it had signed an EGP 1.7 billion, long term loan agreement with the National Bank of Egypt, as lead arranger & facility agent, and Arab African International Bank, as lead arranger & security agent. The funds raised will help the company to restructure existing facilities.

On 18 April 2015, the Egyptian Trade Ministry announced that it would impose an eight percent import tariff on rebar - reinforced steel bars - for three years.

Outlook

With the expected start of production of our new direct reduction plant in Suez by the end of the year, we are continuing to implement the strategic industrial vision that has been the key for our success over the past 20 years. This will make a significant contribution to our future performance.

Divisional Overview

EZDK Sales (EGP):	**FY 2013**	**FY 2014**	
Value:	13,808	12,131	Mn
Volume: Long: Flat:	 2,074,954 999,307	 1,863,247 796,716	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 12 46	 7 42	
EBITDA:	2,342	875	Mn
Production:			
Long Products:	2,042,927	1,976,894	Tonnes
Flat Products:	989,938	789,729	Tonnes
Billets:	2,086,699	2,038,082	Tonnes
ESR/ERM Sales (EGP):			
Value:	6,414	5,658	Mn
Volume:	1,357,360	1,204,043	Tonnes
Exports as % of Sales:	8%	1%	
EBITDA:	107	(41)	Mn
Production:			
Long Products:	1,359,217	1,227,470	Tonnes
Billets:	791,369	742,531	Tonnes
EFS Sales (EGP):			
Value:	1,906	1,954	Mn
Volume: Long: Flat:	 313,901 -	 379,094 -	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 - -	 - -	
EBITDA:	(169)	(222)	Mn
Production:			
Long Products:	312,529	388,896	Tonnes
Flat Products:	-	-	Tonnes
Billets:	415,439	331,866	Tonnes

– Ends –

Disclaimer:

This press release is issued by ezzsteel (formerly: Al Ezz Steel Rebars S.A.E.) the "Company", in connection with the disclosure of the Company's financial results for the 12 month period ending 31 December 2014.This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward-looking statements. Recipients of this document should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East and changes in the business strategy of the Company and various other factors. These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of ezzsteel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, none of such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to ezzsteel's actual results.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For the Financial Year Ended December 31, 2014
And Auditor's Report

KPMG

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Translation from Arabic

AUDITOR'S REPORT

To The Shareholders of Ezz Steel Company

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as of December 31, 2014 and the consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2014 and of its consolidated financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of matters

Without qualifying our opinion, we draw attention to the followings:

1- As explained in note no. (35-1) to the consolidated financial statements, Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.
The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. The company's management has taken procedures to revoke the ruling with all its consequences resulting there from.
During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, and the court session was delayed to December 5, 2013 then the said case was adjourned to overturn the judgment issued by the lower court due to the fact that the administration of justice in this regard. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on September 5, 2015. Currently, it is difficult 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. (32-3-1) of the notes to the consolidated financial statements. 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 concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.
The company'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 company'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 against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million fell due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts are LE 254.2 million, including delay interest amounting to LE 35 million.
The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No.405 of 2011. A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No.963 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert for the lawsuit and it was postponed for that. However, the said delegated expert has not commenced his task up to this date.

3- As explained in note no. (20-1) and (36-2) of the notes to the consolidated financial statements there is a dispute raised between Al Ezz El Dekheila for Steel - Alexandria (EZDK) company and the Sales Tax Authority about the amount of the additional tax on materials stevedoring category 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 company including the lift of attachment on the company's balances at the various banks.

The Sales Tax Authority is of the opinion that there is a necessity to be committed to the settlement of the additional tax in order to cease all the procedures that were previously mentioned. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year, 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 banks in favor 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 due to the fact that they are not subjected to sales tax. Furthermore, 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.

4- As explained in note no. (33-4) of the notes to the consolidated financial statements, and In the light of the current economic circumstances in the Arab Republic of Egypt and the scarcity of foreign currencies in the official banking markets, and the impact thereof on increasing the exchange rate risk and operational risk, the Company and its subsidiaries' management applies extraordinary procedures to face such risks, and that by providing some of its requirements of cash in foreign currency at exceptional exchange rates, that differ from the official exchange rates declared in the official banking markets after approving them and their related internal documents by the Company and its subsidiaries' Board of Directors and top management, as the best assessment of the exchange rates from its point of view.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, June 2, 2015

KPMG Hazem Hassan
Public Accountants and Consultants
(23)

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of 31 December:

	Note No.	2014 LE(000)	2013 LE(000)
Long Term Assets			
Fixed assets (net)	(4)	11 072 630	11 287 009
Projects under construction	(5)	4 068 263	3 177 523
Investments in associates	(6-1)	115	115
Financial investments available-for-sale	(6-2)	109 880	109 880
Long term lending to others	(7-1)	32 062	31 160
Sales tax installments	(8)	197 511	172 333
Goodwill	(3-8)	315 214	315 214
Total long term assets		**15 795 675**	**15 093 234**
Current Assets			
Inventory	(9)	4 093 098	3 225 266
Trade and notes receivable	(10)	84 828	167 112
Debtors and other debit balances	(11)	1 836 517	1 108 358
Suppliers - advance payments		696 938	68 297
Investments in treasury bills	(3-7)	50 493	43 124
Cash and cash equivalents	(13)	916 239	2 153 736
Total current assets		**7 678 113**	**6 765 893**
Current Liabilities			
Banks - overdraft	(14)	68 463	86 431
Loan installments and facilities due within one year	(15)	7 533 817	6 547 153
Bonds loan due within one year	(25)	—	437 798
Installments due within one year	(20-2)	112 200	56 100
Trade and notes payable	(16)	1 861 548	1 687 555
Trade receivables - advance payments		438 580	267 489
Creditors and other credit balances	(17)	505 897	532 399
Income tax		41 787	400 949
Liability of the supplementary pension scheme	(18)	3 045	1 233
Provisions	(19)	204 616	197 312
Total current liabilities		**10 769 953**	**10 214 419**
Increase of current liabilities over current assets		**(3 091 840)**	**(3 448 526)**
Total investment		**12 703 835**	**11 644 708**
Financed as follows:			
Shareholders' Equity			
Issued and paid - up capital	(22-2)	2 716 325	2 716 325
Reserves	(23)	379 346	379 346
Retained earnings		1 256 765	1 252 538
Net (loss) for the year / profit for the year		(696 559)	129 616
Treasury stocks	(24)	(71 921)	(71 921)
Foreign entites translation reserve		441 773	404 226
Interim dividends for employees & board of directors in subsidiaries		(32 556)	(51 844)
		3 993 173	**4 758 286**
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)		
Total holding company shareholders' equity		**3 993 173**	**4 758 286**
Non-controlling interest		1 241 444	1 727 489
Total Shareholders' equity		**5 234 617**	**6 485 775**
Long Term Liabilities			
Long-term loans	(15)	5 894 183	3 426 968
Other liabilities	(20)	802 454	892 816
Deferred tax liabilities	(26-1)	772 581	839 149
Total long term liabilities		**7 469 218**	**5 158 933**
Total equity and long term liabilities		**12 703 835**	**11 644 708**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated financial statements.

Chairman & Managing Director

Paul Philipe Chekaiban

Auditor's Report "attached"

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For the Financial Year Ended 31 December:

	No.	2014 LE(000)	2013 LE(000)
Sales (net)	(3-17)	19 397 847	21 293 953
Less :			
Cost of good sold	(27)	(18 707 319)	(18 963 368)
Gross profit		690 528	2 330 585
Less:			
Selling and marketing expenses	(28)	(143 369)	(144 559)
Administrative and General expenses	(29)	(604 604)	(566 003)
Impairment loss on assets	(12)	(962)	(6 812)
Provisions	(19)	(14 756)	(8 713)
Total expenses		(763 691)	(726 087)
(Loss) \ profit from operating activities		**(73 163)**	**1 604 498**
Finance cost			
Interest & finance expenses		(880 746)	(862 057)
Interest income		72 339	98 049
Amortization of bonds issuance expenses		(2 200)	(2 200)
Foreign exchange differences		(27 802)	37 221
Net finance cost		**(838 409)**	**(728 987)**
Add :			
Reversal of impairment loss on assets		37	13 792
Provisions no longer required		—	4 429
Other revenues		37 505	85 643
Capital gain		11 933	759
		49 475	**104 623**
Net (loss) profit for the year before income tax		**(862 097)**	**980 134**
(Less) Add :			
Income tax	(3-19)	(41 786)	(400 949)
Deferred tax	(26-2)	68 304	(51 295)
Net (loss) profit for the year		**(835 579)**	**527 890**
Attributable to:			
owners of the company		(696 559)	129 616
Non-controlling interest		(139 020)	398 274
Net (loss) profit for the year		**(835 579)**	**527 890**
(Losses) Earnings per share for the year (LE/share)	(34)	**(1.36)**	**0.05**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of cash flows
For the Financial Year Ended 31 December:

	Note No.	2014 LE(000)	2013 LE(000)
Cash flows from operating activities			
Net (loss) profit for the year before income tax		(862 097)	980 134
Adjustments to reconcile net (loss) profit to net cash (used in) provided by operating activities			
Depreciation	(4)	706 868	676 889
Amortization of accrued interest on treasury bills		(4 456)	(5 303)
Amortization of bond issuance costs		2 200	2 200
Reversal of impairment loss on assets	(12)	(37)	(13 792)
Impairment loss on assets	(12)	962	6 812
Provisions	(19)	14 756	8 713
Provisions no longer required		—	(4 429)
Capital gain		(11 933)	(759)
Interest & finance expenses		880 746	862 057
Present value difference of long term lending		(1 819)	(1 576)
Differences resulting from the change in liability of the supplementary pension scheme		16 533	15 070
Foreign currency exchange differences		9 057	(61 919)
		750 780	**2 464 097**
Changes in working capital			
Inventory		(853 977)	426 036
Trade receivables, debtors and other debit balances		(1 081 553)	(464 548)
Trade payables, creditors and other credit balances		36 442	394 109
Liability of the supplementary pension scheme		5 097	3 597
Used provisions	(19)	(7 452)	(12 156)
Cash (used in) provided by operating activities		**(1 150 663)**	**2 811 135**
Income tax paid		(400 949)	(274 848)
Interest paid		(863 845)	(857 335)
Net cash (used in) provided by operating activities		**(2 415 457)**	**1 678 952**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(1 236 006)	(826 562)
Payments for purchase of financial investment (treasury bills)		(195 863)	(227 838)
Proceeds from reclaim of financial investment (treasury bills)		192 950	237 025
Proceeds from sale of fixed assets		12 721	759
payments for sales tax authotity - installment of capital goods		(25 177)	—
Payments for lending others		(20 716)	(32 367)
Proceeds from lending others		15 594	16 251
Net cash used in investing activities		**(1 256 497)**	**(832 732)**
Cash flows from financing activities			
Proceeds from credit facilities		2 480 729	1 112 828
Payments for long term liabilities		(28)	(4 392)
Proceeds from blocked time-deposits and current accounts		924 697	(896 507)
Payments for loans		(359 286)	(1 417 757)
Proceeds from loans		1 268 803	1 111 511
Payments for bond loan		(440 000)	—
Dividends paid		(470 678)	(491 613)
Net cash provided by (used in) financing activities		**3 404 237**	**(585 930)**
Net change in cash and cash equivalents		(267 717)	260 290
Cash and cash equivalents at beginning of the year	(13)	868 057	603 393
Translation differences		1 230	4 374
Cash and cash equivalents at the end of the year	(13)	**601 570**	**868 057**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity

For the Financial Year Ended December 31, 2014

	Capital LE (000)	Reserves LE (000)	Retained earnings LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Interim dividends for employees & board of directors in subsidiaries LE (000)	Net profit/(loss) LE(000)	Total holding company Shareholders LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2013	2 716 325	367 420	1 351 784	273 693	(71 921)	(43 719)	4 385	4 597 967	1 644 069	6 242 036
Setting off profit of year 2012 in retained earnings	—	—	4 385	—	—	—	(4 385)	—	—	—
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK interim dividends of 2012	—	—	(43 719)	—	—	43 719	—	—	—	—
Company's share & non-controlling interst in employees and the board of directors' share in EZDK dividends of 2012	—	—	(47 304)	—	—	—	—	(47 304)	(41 134)	(88 438)
EZDK company's share & non-controlling interst in employees and the board of directors' share in Contra Steel Company dividends of 2012	—	—	(649)	—	—	—	—	(649)	(540)	(1 189)
Transferred to legal reserve	—	11 926	(11 926)	—	—	—	—	—	—	—
Dividends for the year 2012 to non-controling interest in EZDK Company	—	—	—	—	—	—	—	—	(121 385)	(121 385)
Result of Disposal of Ezz Algeria company according to its liquidation	—	—	(33)	—	—	—	—	(33)	(29)	(62)
Company's and non-controlling share in employees and the board of directors' share in EZDK in the interim dividends of 2013	—	—	—	—	—	(51 844)	—	(51 844)	(45 801)	(97 645)
Non controlling share in EZDK Company interim dividends of 2013	—	—	—	—	—	—	—	—	(182 078)	(182 078)
Translation differences of foreign entities	—	—	—	130 533	—	—	—	130 533	76 113	206 646
Net profit for the year	—	—	—	—	—	—	129 616	129 616	398 274	527 890
Balance as of 31/12/2013	**2 716 325**	**379 346**	**1 252 538**	**404 226**	**(71 921)**	**(51 844)**	**129 616**	**4 758 286**	**1 727 489**	**6 485 775**
Setting off profit of year 2013 in retained earnings	—	—	129 616	—	—	—	(129 616)	—	—	—
Company's share & non-controlling interst in employees and the board of directors' share in EZDK interim dividends of 2013	—	—	(122 859)	—	—	51 844	—	(71 015)	(63 017)	(134 032)
Dividends for the year 2013 for non-controlling interst in EZDK	—	—	—	—	—	—	—	—	(182 078)	(182 078)
The company's share & non-controlling interst in employees and the board of directors' share in EZDK interim dividends of 2014	—	—	—	—	—	(32 556)	—	(32 556)	(27 085)	(59 641)
Dividends for the year 2014 for non-controlling interst in EZDK	—	—	—	—	—	—	—	—	(91 039)	(91 039)
Transferred to retained earnings - Adjustment to Non controlling	—	—	(2 530)	—	—	—	—	(2 530)	(2 106)	(4 636)
Translation differences of foreign entities	—	—	—	37 547	—	—	—	37 547	18 300	55 847
Net loss for the year	—	—	—	—	—	—	(696 559)	(696 559)	(139 020)	(835 579)
Balance as of 31/12/2014	**2 716 325**	**379 346**	**1 256 765**	**441 773**	**(71 921)**	**(32 556)**	**(696 559)**	**3 993 173**	**1 241 444**	**5 234 617**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated financial statements.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the consolidated financial statements
For the nine Months Ended September 30, 2014

1. BACKGROUND

- 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 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.
- 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 Lebnon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- Chairman is Mr. / Paul Philipe Chekaiban.
- The company is – a subsidiary company- of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" which contributed in the company's capital by 65.36%.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

Subsidiaries

Al Ezz Rolling Mills Company (ERM) – previously named Al Ezz Steel Mills Company (ESM) – an Egyptian joint Stock Company - was established in 1986 under Law No. 43 of 1974, which was replaced by law No. 8 of 1997.

Ezz Steel Algeria Company S.P.A - was established in 2008 under the Algerian law. Investments in Ezz Steel Algeria company was reclassified under the item of debtors and other debit balances caption since December 31, 2013, as the company was struck off from the Commercial Registry in Algeria on September 3, 2013.

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.

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.

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) – 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 – was established in August 29, 1992 under the provisions of law No. 159 of 1981.

The Purpose of the Company & Its Subsidiaries

The Company and its subsidiaries purpose is 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 financial statements:

	31/12/2014 Percentage Share %	31/12/2013 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91	98.91
Al Ezz Steel Algeria	98	98
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	54.59
Al Ezz Flat Steel (EFS)	63.84 (Direct & Indirect) Through Al Ezz El Dekheila	63.84 (Direct & Indirect) Through Al Ezz El Dekheila

And the following is an analysis of investments in the subsidiary Companies of Al Ezz El Dekheila For Steel - Alexandria (EZDK) which are included in the consolidated financial statements:

	31/12/2014 Percentage Share %	31/12/2013 Percentage Share %
Al Ezz Flat Steel (EFS)	55	55
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	90	90
Misr for Pipes & Casting Industry Company	87 (Indirect)	87 (Indirect)

Issuance of Consolidated | Financial Statements

This Consolidated Financial Statements were approved by the company's management on June 2, 2015.

2. Basis For The Preparation of The Consolidated Financial Statements

2.1 Statement of compliance

This consolidated financial statement has been prepared in accordance with Egyptian Accounting Standard.

2.2 Basis of measurement

These consolidated financial statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in thousands of Egyptian pound.

2.4 *Use of estimates and judgments*

The preparation of the 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 going basis. Any differences to accounting estimates are recognized in the year in which the estimate is revised if these differences affects the period of the revision and future periods then these differences are recognized in the year of the revision and future years.

And the following represents the most significant items in which assumption and professional judgment has been mad:

- Impairment loss on assets.
- Recognition of deferred tax assets.
- Contingencies and Provisions.

2.5 *Basis of consolidation*

- The consolidated 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, this control is determined by the ability to control the financial and operational policies of the subsidiary with the objective of acquiring benefits from its operations. Future voting rights in the ability of control are also taken into consideration, a subsidiary company is not included in the consolidated financial statements if the holding company loses it's control over the financial and operational policies in this subsidiary.
- All inter-Company balances, transactions and unrealized profits were eliminated.
- Non-controlling interest in the net equity and in net earnings of subsidiary companies are included in a separate item "non controlling interest" in the consolidated 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 financial statements. Non controlling share in profits and losses of the subsidiary companies are included in a separate line item in the income statement.
- The provided profit and losses from acquisition or selling shares from non-controlling interest without changing of the mother company's control, its directly recorded in shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The group's companies apply the following accounting policies on constant basis which conform to that applied in all presented years.

3.1 Foreign currency translation

The Company maintains its books of account in Egyptian pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of transactions. At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the declared exchange rates by the banks which the company deal with at that date thereof. The exchange differences resulting from the value of transactions carried during the period and the value of retranslation at the balance sheet date are recorded in the statement of income.

Financial statements of Al Ezz Flat Steel (EFS)

EFS maintains its accounting records in US Dollar. For the purpose of preparation of the consolidated financial statements, the assets and liabilities are translated into Egyptian Pound at the closing exchange rate ruling at the financial statements date. The income statement items are translated into Egyptian Pound at the average exchange rate for the year. Equity items are translated by historical rate and Exchange differences arising from the translation are recorded in the shareholders equity.

3.2 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 income statement 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.

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

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

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

3.3 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 company 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 income statement as an expense when incurred.

3.4 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.

3.5 Investments in associates

Investments in associates are accounted for using the equity method (equity accounted investees) 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 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 investee.

3.6 Available-for-sale investments

Available-for-sale investments are initially measured at fair value and as of the reporting 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 balance sheet 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.

3.7 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.

3.8 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 balance sheet 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.

3.9 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.

3.10 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.

3.11 Cash and cash equivalents

Cash and cash equivalents in the 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.

3.12 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.

3.13 Impairment

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 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 profit or loss.

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 years are assessed at each reporting 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.

3.14 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 income statement.

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

3.15 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 reporting date to disclose the best estimate on the current year.

3.16 Share capital

Repurchase of share capital
When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction in the owner's equity.

3.17 Revenues

a) Sales revenues

Sales revenues are recognized when the risks and benefits of goods are transferred to the purchaser at delivering the goods. The sales is not recognized in case of non assurance of the collection of these revenue or inability to determine any related costs or any expected sales return or the continues of the management relation with the sold product.

b) Dividends

Dividends income is recognized in the profit or loss on the date the Company's right to receive payments is established.

c) Interest income

Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

3.18 Earnings per share

The Group presents basic 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.

3.19 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the 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 the balance sheet date.

Deferred tax is provided using the balance sheet 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 balance sheet 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 years.

4. FIXED ASSETS (NET)

	Land LE (000)	Buildings LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leasehold improvments LE (000)	Total LE (000)
Cost as of January 1, 2014	661 307	4 024 814	15 705 922	149 384	99 706	60 494	3 902	20 705 529
Additions during the year	—	27 994	221 485	37 695	20 243	6 688	—	314 105
Disposals during the year	—	(60)	(65 338)	(21 592)	(2 287)	—	—	(89 277)
Translation differences of foreign entities	2 673	71 058	160 814	61	405	1 069	—	236 080
Cost as of December 31, 2014	**663 980**	**4 123 806**	**16 022 883**	**165 548**	**118 067**	**68 251**	**3 902**	**21 166 437**
Accumulated depreciation as of January 1, 2014	—	1 248 482	7 960 084	98 009	69 621	38 422	3 902	9 418 520
Depreciation for the year	—	96 951	576 726	18 685	9 050	5 456	—	706 868
Accumulated depreciation of disposals	—	(32)	(64 612)	(21 585)	(2 242)	—	—	(88 471)
Translation differences of foreign entities	—	10 762	45 180	56	360	532	—	56 890
Accumulated depreciation as of december 31, 2014	—	**1 356 163**	**8 517 378**	**95 165**	**76 789**	**44 410**	**3 902**	**10 093 807**
Carrying amount as of December 31, 2014	**663 980**	**2 767 643**	**7 505 505**	**70 383**	**41 278**	**23 841**	—	**11 072 630**
Carrying amount as of December 31, 2013	**661 307**	**2 776 332**	**7 745 838**	**51 375**	**30 085**	**22 072**	—	**11 287 009**
Fixed assets fully depreciated and still in use as of December 31, 2014	—	**133 533**	**237 580**	**63 354**	**48 285**	**19 049**	**3 903**	**505 704**

— The land item includes a piece of land with a total area of 928356.25 m2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 million including the Suez governorate fees amounting to LE 5 million (equivalent to US$ 956 K) for the purpose of establishing an industrial project, however, this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land in the name of the company are being under process.

— Al Ezz El Dekheila For Steel - Alexandria company is still in order to complete 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 about LE 29.64 million.

— Depreciation for the year charged to statement of income as follows for the financial year ended December 31,:

	2014 LE(000)	2013 LE(000)
Operating expenses	691 093	666 474
Selling expenses	2 847	2 252
General & administrative expenses	12 928	8 163
	706 868	**676 889**

5. PROJECTS UNDER CONSTRUCTION

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Constructions expansion		31 644	10 269
Machinery under installation		2 842 986	2 204 254
Capitalized borrowing cost		665 236	414 349
Temporary License for Al Ezz Rolling Mills Company	(35-1)	275 569	259 441
Design and construction of administrative building		3 930	3 930
Advance Payments for purchase of land		471	471
Advance payments for purchase of machinery		228 377	284 095
Advance payments for building		345	306
Advance payments for purchase of furniture		-	408
Letter of credit for purchase of assets		19 705	-
		4 068 263	**3 177 523**

6. INVESTMENTS

	Participation Percentage %	Investments cost 31/12/2014 LE (000)	Investments cost 31/12/2013 LE (000)
6-1 Investments in associates			
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
Contribution in EZDK Steel UK LTD – note no. (36-1)	50	-	-
		115	**115**

6.2 Financial investments Available-for-sale	Note No.	Investments cost 31/12/2014 LE (000)	Investments cost 31/12/2013 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment*		109 800	109 800
		127 606	**127 606**
Less:			
Impairment loss on Arab Company for Special Steel	(12)	17 726	17 726
		109 880	**109 880**

* This item is represented in the participation of Ezz Rolling Mills Company- a subsidiary company- in Al Ezz Group Holding Company For Industry & Investment "Ezz Industries" by 6 100 000 shares that constitutes a participation percentage of 3.813% and the legal procedures required to transfer the ownership of the said shares in the subsidiary company are currently in process.

7. LONG TERM LENDING TO OTHERS

7-1 Long term lending is represented in the following:

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		9 790	8 656
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(7-2)	17 665	17 669
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(7-4)	1 245	1 915
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(7-5)	2 085	1 303
Employees' housing loan for those who were negatively affected by gate No.(8) project - paid on installments over a period up to 7 years (interest free)	(7-6)	1 277	1 617
		32 062	**31 160**

7.2 Present value of the employees' housing loan installments:

The book value of the employees' housing loan installments:

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Total employees' housing loan		33 631	33 441
Less:			
Short term lending (under the item of debtors & other debit balances)	(11)	4 301	4 049
Nominal value of the long term- employees' housing loan		**29 330**	**29 392**
Less:			
Differences resulting from the change in the fair value of the employees' housing loan		11 665	11 723
The present value of the employees' housing long term loan installments		**17 665**	**17 669**

7.3 The employees' housing loan of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the young employees in the company to have their own residential unit with an amount of LE 37 million, according to Board of Directors' decree during the years 2012/2013. The Board of Directors agreed in its meeting held on March 13, 2013 to increase the (interest free) loan for the employees housing with an amount of LE 7 million thus, the amount of the loan became LE 37 million. This loan was granted according to specific regulations to achieve the goal and guarantee the company's right to recover the loan during 10 years as it is deemed as revolving loan that grants the beneficiary from this project 30% of the value of the apartment which is equivalent to LE 30 k to be paid on installments over 10 years without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department.

The number of beneficiaries from this loan till December 31, 2014 is 1 477 beneficiary with a total value of LE 33.6 million and the collectible due installments during the year amounted to LE 4.3 million which is recorded under the item of debtors & other debit balance – short term lending, the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated balance sheet date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

7.4 The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 k per employee or LE 18 k per employee with one or more members of his family, in addition to the financial support provided by the company with an amount of LE 1 000 per employee, LE 1500 per employee with one member of his family or LE 2 000 per employee with two members of his family according to the Human Resources Manager's decision on December 19, 2012 provided that the said loan shall be paid over 24 months. Thus, the installments due for collection in one year amounted to LE 3.3 Million were recorded under the item of debtors & other debit balances- short term lending (note no.11).

7.5 The employees advance payments Hajj and Jerusalem visit loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees once in their career with an amount of LE 30 k which the company provide financial support to the employee with an amount of LE 4 k and premium the remaining amount for 6 years according to the Human Resources Manager's decision on March 28, 2013. Thus, the installments due for collection in one year amounted to LE 479 k were recorded under the item of debtors & other debit balances- short term lending (note no.11).

7.6 Present value of the installments of the employees' housing loan granted to those who were negatively affected by gate no. (8) Project:

The book value of the employees' housing loan installments:

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Total employees' housing loan		2 255	2 708
Less:			
Short term lending (under the item of debtors & other debit balances)	(11)	513	507
Nominal value of the long term- employees' housing loan for those who were negatively affected by gate No.(8) project		**1 742**	**2 201**
Less:			
Differences resulting from the change in the fair value of the employees' housing loan for those who were negatively affected by gate No.(8) project		465	584
The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments		**1 277**	**1 617**

The employees' housing loan for those who were negatively affected by gate no. (8) project of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the employees and the negatively affected by gate No.(8) project from apartments No.(6) till No.(15) related to Al Ezz El Dekheila for Steel – Alexandria company, according to Head of Human Resources Department decree on September 18, 2013.

This loan was granted by an amount of LE 3 k per year within a maximum limit LE 20 k according to the remaining years for the beneficiary until the retirement age to be paid on installments without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department. The number of beneficiaries from this loan till December 31, 2014 is 171 beneficiary with a total value of LE 2.4 million to be paid on installments over a period up to 7 years and the collectible due installments during the year amounted to LE 513 k which is recorded under the item of debtors & other debit balance – short term lending (note no.11), the balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated balance sheet date according to a discount rate which is determined by the company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

8. SALES TAX INSTALLMENTS

Sales tax installments amounting to LE 197 511 k as of December 31, 2014 represent in the balance of sales tax installments related to import capital goods (against to LE 172 333 k as of December 31, 2013) in Ezz Rolling Mills Company- a subsidiary.

9. INVENTORY

	31/12/2014	31/12/2013
	LE (000)	LE (000)
Raw materials and supplies	1 345 103	1 159 556
Work in process	283 685	183 877
Finished products	1 048 425	464 605
Spare parts and supplies	1 323 973	1 324 722
Goods in transit	74 262	68 356
Goods on consignment	17 650	-
Letter of credit	-	24 150
	4 093 098	**3 225 266**

Write-down of inventory from finished products and spare parts and supplies by an amount of LE 5 637 k arising from slow moving items (against LE 3 969 k as of 31/12/2013).

10. TRADE AND NOTES RECEIVABLE

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Trade receivables		105 081	178 876
Notes receivable		9 404	17 893
		114 485	**196 769**
Less:			
Impairment loss on trade receivables	(12)	29 657	29 657
		84 828	**167 112**

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Deposits with others		579 387	246 425
Tax Authority *		796 405	558 131
Tax Authority – usufruct **		127 477	127 477
Customs Authority		18 407	3 241
Accrued revenues		326	1 325
Prepaid expenses		35 444	35 393
Alexandria Port Authority		42 489	42 489
Short - term lending – employees' housing loan	(7-2)	4 301	4 049
Short - term lending – employees' loans		12 704	9 823
Short - term lending – employees' Umrah loans	(7-4)	3 288	2 870
Short - term lending – employees' Hajj and Jerusalem visit loans	(7-5)	479	264
Short - term lending – employees' housing loan for those who were negatively affected by gate No.(8) project	(7-6)	513	507
Letters of guarantee cash margin		135	135
Due from related parties	(21-1)	185 202	42 532
Advance payment under the account of employees' Dividends		35 874	63 034
The Cairo Economic court***		35 060	-
Other debit balances****		11 880	32 736
		1 889 371	**1 170 431**
Add:			
Notes receivable		3500	7 800
		1 892 871	**1 178 231**
Less:			
Impairment loss on debtors and other debit balances	(12)	56 354	69 873
		1 836 517	**1 108 358**

* The Tax Authority balances include an amount of LE 254 million represents 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 according to what is mentioned in detail in Note No.(32-3-1) in addition to an amount of LE 231 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.

** Tax Authority – usufruct balances represents the value of advance payments of additional sales tax 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 128 million Note No. (36-2).

*** The Cairo Economic court balance represents the due to company in the previously amounts paid after deducting the penalties that judged in the misdemeanor No. 368 of the year 2013 related to the monopoly of Steel Bars product against some officers of the group companies that the Court of Cassation issued on November 25, 2014 judged to amending value of the penalties from LE 200.5 million to LE 20.5 million and the legal procedures are currently made to refund this amount from the court.

**** During the year the company written off both the investment of Al Ezz steel – Algeria which is included in debtors and other debit balances and the debit balance due from (note no. 21-1) from the company`s books amounted LE 7 610 646 and LE 6 760 380 respectively, through closing these balances with the related impairment amounted LE 14 371 026 because the company has been liquefied and written off from the commercial register in Algeria on 3/9/2013 according to the unusual general assembly for Al Ezz steel – Algeria on May 29, 2013.

12. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2014 LE (000)	Charged to the statement of income LE (000)	Used impairment during the year LE (000)	Impairment no longer required LE (000)	Balance as of 31/12/2014 LE (000)
Impairment loss on trade receivables	(10)	29 657	-	-	-	29 657
Impairment loss on debtors and other debit balances	(11)	69 873	889	(14 371)	(37)	56 354
Impairment loss on advances to suppliers		5 538	73	-	-	5 611
Impairment loss on investments available for sale	(6-2)	17 726	-	-	-	17 726
		122 794	**962**	**(14 371)**	**(37)**	**109 348**

13. CASH AND CASH EQUIVALENTS

	31/12/2014 LE (000)	31/12/2013 LE (000)
Banks – Deposits	517	181 166
Banks – current accounts	900 848	1 935 695
Cheques under collection	6 567	34 912
Cash on hand	7 337	1 068
Investment funds*	970	895
	916 239	**2 153 736**
Less:		
Cheques under collection	6 567	34 912
Banks – overdraft	68 463	86 431
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	239 639	1 164 336
Cash and cash equivalents in the statement of cash flows	**601 570**	**868 057**

* Represents a number of 4 853 investment deeds with accumulated daily interest.

14. BANKS - OVERDRAFT

This item represented within the current liabilities caption amounting to LE 68 463 K as of December 31, 2014 in banks – overdraft in Egyptian pound and US Dollars (against LE 86 431 K banks – overdraft as of December 31, 2013).

15- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose	Interest rate	Payment terms	Period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
Ezz Steel								
Loans - local currency	Payment of the last 2 installments of the bond loan	4.25% over corridor minimum 13%	10 installments Semiannual	1-5 years	22 000	410 088	432 088	The company should keep the percentage of share 54.59 % in Al Ezz El Dekhaila for Steel – Alexandria during the loan period and the company should keep the same financial ratios stated in the income statement during the loan period.
Banks - credit facilities		Average 12 % for the Egyptian Pound, and 5% for the US Dollar			1 874 606	—	1 874 606	Without guarantees within a limit of LE 2 billion.
Ezz Rolling Mills								
Loans - local currency	To finance activities of DRI Factory	Lending rate for one night from central bank before 2 working days beginning from every interest period (3 month) in addition to the margin.	Unequal quartely installments	1-10 years	111 143	2 167 042	2 278 185	Within a limit of LE 2.82 billion gruanted by group of real estate mortgages and commercial mortgage
Banks - credit facilities		3% over corridor on the uncovered portion from the limit			50 000	—	50 000	Without guarantees within a limit of LE 50 million.
Al Ezz El Dekheila for Steel - Alexandria								
Loans - local currency	To finance Steel Rebars activities	Variable interest: corridor lending + 0.5% -1.5% Average corridor lending and deposit + 2.25%	Semiannual installments fully paid in one installment on its due date	2-6 years	359 286	1 259 321	1 618 607	
Loans - foreign currency		Fixed interest: 3% - 5.5% Variable interest: over monthly Libor 4%-3%	Semiannual installments fully paid in one installment on its due date	2-8 years	—	2 057 732	2 057 732	
Banks - credit facilities	To finance working capital and letter of credit	- Average lending and discount rate puplished from the centeral bank on withdrown amount of egyptian pound - libor rate on withdrown amounts of US Dollar			3 234 358	—	3 234 358	
Al Ezz Flat Steel								
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	August18, 2004 until February 18, 2013	68 302	—	68 302	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge on inventories and possession mortgage of construction and supplying contracts.
Loans - foreign currency					690 542	—	690 542	
Banks - credit facilities		Based on an 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 debit balance.			1 123 580	—	1 123 580	Possession mortgage on inventories amounted to LE 761 million which is equivalent to US Dollars 106 million against demission of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery .and fire for the banks favor.
Balance as of December 31, 2014					7 533 817	5 894 183	13 428 000	
Balance as of December 31, 2013					6 547 153	3 426 968	9 974 121	

15.1 Ezz Steel Company (Holding company)

- On 9/6/2014 the company obtained a medium term loan from Arab African International Bank amounted to LE 437 million for the payment of the last two installments of the bond loan which is due during 2014. The loan will be paid on 10 installment due on April 30, and October 31, semi annual, the first installment due on 30/4/2015 and the last installment due in 31/10/2019, with interest rate 4.25% above the corridor issued by the Central Bank of Egypt with minimum rate 13%. due every six months and paid with the installments, also the company should keep the percentage of share in Al Ezz El Dekhaila for Steel – Alexandria of 54.59 % during the loan period and the company should keep the financial ratios stated in the loan contract during the loan period.
- An amount of LE 22 million stated in long term loan installments due within one year.
- On 9/2/2015 the loan that amounted LE 437 Million has been fully paid as a part of the deal of restructuring loans an bank facilities granted to the company (Note no. 38).

15.2 Al Ezz El Dekheila for Steel – Alexandria (Subsidiary)

- The balance of the local loans in Egyptian pounds includes the amount of LE 719 million, which is the remaining balance of a joint short-term financing contract with a group of banks were signed in February 2009, the Arab African International Bank is the Agent and the Principal coordinator for this loan (banks acting as the Principal coordinator and banks acting as participating banks) and after the deduction of 10 installments represent the paid amount until December 31, 2014. This loan is to be paid over 14 semi-annual installments, the first installment is due after 6 months from the end of the withdrawal period with an annual interest rate calculated based on the corridor rate. (The Central Bank of Egypt's declared lending rate plus 0.5% margin according to the loan contract) and the company is committed to opening a reserve account for serving the debt (before the first withdrawal date) with an amount equal to the value of the first installment and the interest accrued over the engagement amount for 6 months and the loan will be fully paid on August 2016, an amount of LE 359 million is recorded as long term liabilities installments due within one year.
- In March 28, 2010, Al Ezz El Dekheila for Steel - Alexandria acquired a revolving medium term loan from Arab African International Bank that amounted to USD 40.3 million in a manner that did not exceed the equivalent of an amount of LE 225 million for the purpose of restructuring of the company's working capital and disbursements. The loan is to be fully paid in one installment on its due date (April 2016), with interest rate of 0.5% above corridor- lending announced by the Central Bank for the Egyptian pound and 3.5% above libor for one month for US Dollar.

  On March 31, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to become 1.5% above corridor- lending announced by the Central Bank and 3.5% above the libor for one month for the used amounts in foreign currency. The balance as of December 31, 2014 is LE 187 million equivalent to USD 26 million.

On August 1, 2014, the Company reached an agreement with the Arab African International Bank (AAIB) to extend the period of some short-term credit facilities granted to the Company to become a medium-term revolving facility for 3 years to be ended on October 31, 2017 in order to finance the current activity of the Company with a total amount of USD 158 million or its equivalent in local currency with an interest rate of 1.5% over the overnight lending corridor rate declared by the Central Bank of Egypt with regard to the withdrawn amounts in Egyptian Pound and 3% over the monthly Libor rate on the withdrawn amounts in US Dollar while taking into consideration that in case of any partial or entire payment of the syndicated loan, the Company can increase the revolving credit facility limit with the same amount paid.

The medium-term revolving facility included a portion in the local currency whose balance amounted to EGP 34 million, as at December 31, 2014, and another portion in the foreign currency whose balance amounted to EGP 789 million that represented the equivalent of USD 100 million and EUR 7.9 million, as at December 31, 2014.

- In April 2008, the company acquired a medium term loan from Qatar National Bank - Al Ahli – (previously named as National Societe Generale Bank) amounted to LE 150 million or its equivalent in foreign currencies the loan is to be fully paid in one installment on its due date June 30, 2013.

On July 1, 2012, the company concluded an addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to become 1.5% above corridor- lending announced by the Central Bank and 3% above libor for one month in respect of the amounts withdrawn in foreign currency.

On December 31, 2013, the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 2% above corridor- lending announced by the Central Bank and 4% above libor for one month in respect of the amounts withdrawn in foreign currency.

In addition, the date and method of the installment payment were amended, thus, instead of paying it as a lump sum payment at the end of the loan term, it shall be paid in 3 annual payments and every annual payment shall be divided into three equal monthly installments that shall fall due in September, October and November starting from September 2013 until November 2015.

As of June 30, 2014 Qatar National Bank has agreed upon extending the short term credit facilities granted to the company in addition to the remaining amount of the revolving medium term loan to become a revolving medium term facility amounting to USD 90 million or the equivalent in local currency for 3 years payable as of June 30, 2017 to finance the ongoing activities of the company with an interest rate of 1.5% above over night corridor declared by the Central Bank for the Egyptian pound withdrawals and 3% above Libor for 1 month for US Dollars withdrawals. The revolving medium term loan includes a portion in local currency amounting to LE 229 million as of December 31, 2014 and the portion in foreign currency amounting to USD 53.3 million the equivalent of EGP 383 million, which represents as of December 31, 2014.

- In December 2010, the company acquired a revolving medium term loan from Qatar National Bank - Al Ahly – (previously named as National Societe Generale Bank) amounted USD 51.95 million in a manner that did not exceed an amount of LE 300 million or its equivalent in Egyptian pound, for the purpose of financing the company's working capital and partially refinancing the company's investment relating to updates in the line of rebar mills and a project to address the new smoke and manufacturing area, turning the iron mills and / or partial refinancing of the permanent level of spare parts. The loan is to be fully paid in one installment on its due date June 30, 2016 with interest rate of 2% above Corridor – lending announced by the Central Bank with respect to the amounts withdrawn in Egyptian pounds and 3% above monthly libor with respect to the amounts withdrawn in US Dollar.

  On July 1st, 2012 the company concluded an addendum of the medium term finance contract to amend the interest rate of the US Dollar from 3% to 3.65% above libor for one month in respect of the amounts withdrawn in US Dollar and 1.5% above corridor – lending announced by the Central Bank.

  On March 31, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to become 2% above corridor- lending announced by the Central Bank and 4% above libor for one month in respect of the amounts withdrawn in foreign currency.

  On January 27, 2014 agreed to change the facility currency and withdrawal limit to become USD 50 million or equivalent by Egyptian pound.

  On September 1, 2014 the company signed the extension of medium finance contract to amend the debit interest rate for Egyptian pound to become 1.5% yearly over the corridor rate published from the Central Bank of Egypt and 3% yearly over Libor rate for one month for the used balance of foreign currency.

  The balance as of December 31, 2014 is LE 359 million equivalent to USD 50 million.

- In December 2010, the company acquired a revolving medium term loan from National Bank Of Egypt amounted USD 58.9 million within a limit of USD 100 million or its equivalent in Egyptian Pound, for the purpose of financing the general investment requirements and to balance the company's financial structure .The loan is to be fully paid in one installment on its due date October, 2015 with interest rate 3% above monthly libor with respect to the amounts withdrawn in US Dollar.

  On July 30, 2012 the company concluded an addendum of the medium term finance contract thus the balance of medium term loan amounted to LE 600 million provided that the outstanding balance amounted to USD 58.9 million shall be paid within 3 months starting from the commencement of utilizing the available limit of finance in Egyptian pound in addition to amending the interest rate of the Egyptian Pounds from 1.25% to 2.25% above corridor- lending and deposit for one night announced by the Central Bank with respect to the amounts withdrawn in Egyptian Pounds.

On January 2, 2014 Al Ezz El Dekheila for Steel - Alexandria company signed a joint guarantee contract with the National Bank of Egypt to the benefit of Al Ezz Flat Steel Company with an amount LE 200 million in addition to its interest, commissions and expenses. Accordingly, the bank reduced the medium term loan limit to be LE 200 million. On April 28, 2014 the company negotiated with National Bank of Egypt with the same terms to recover the credit limit to the amount of LE 600 million with amending the debit interest rate for Egyptian Pound to become 1.75% over corridor rate for lending for one night published from the Central Bank of Egypt.

On December 31, 2014 the company agreed another addendum to extend the revolving medium term loan for another three years till 17, October, 2018. The balance as of December 31, 2014 is LE 598 million.

- On June 30, 2014 the company has made an agreement with the Export Development Bank of Egypt to extend the short term credit facilities granted to the company to become a revolving medium term credit facility (for 3 years) with an amount of EGP 350 million or the equivalent in foreign currency to finance the ongoing activities of the company at an interest rate of 2.5% above corridor mid-rate of the Central Bank over one night with respect to withdrawals in Egyptian pound and 3% above LIBOR for a month with respect of withdrawals in US Dollars.

The revolving medium term loan includes a portion in local currency amounting to EGP 39 million as of December 31, 2014 and a portion in foreign currency amounting to LE 344 million the equivalent to USD 48 million and Euro 105 K, which represents as of December 31, 2014.

15.3 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 lien on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favor 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. The company reached an agreement with the lenders to reschedule the loan installments in September 2004. The company started paying the rescheduled installments regularly as of August 2004 until August 2010, and the company is in process of reaching an agreement with the banks to reschedule loans installments again.

The balance of the loan installments due within a year according to the loans agreements amount to USD 106 million equivalent to LE 759 million representing the installments due since the payment cessation date until December 31, 2014.

15.4 Ezz Rolling Mills (Subsidiary)

The loan balance represents as follows:-

	31/12/2014 LE (000)	31/12/2013 LE (000)
Total loan balance	2 245 322	1 506 158
Less:		
Current portion	111 143	-
Non-Current portion	**2 134 179**	**1 506 158**
Add:		
Accrued interest	45 129	28 261
Unamortized borrowing cost	(12 266)	(19 750)
Net long term loan	**2 167 042**	**1 514 669**

16. TRADE AND NOTES PAYABLE

	31/12/2014 LE (000)	31/12/2013 LE (000)
Trade payables	1 839 758	1 654 791
Notes payable	21 790	32 764
	1 861 548	**1 687 555**

17. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Fixed assets – creditors		16 481	8 887
Accrued interest		89 882	64 206
Accrued expenses		140 737	189 857
Accrued claims		-	32 102
Tax Authority		70 967	96 801
Performance guarantee retention		16 262	14 159
Sales tax installments		23	23
Tax Authority – sales tax		72 005	33 537
Dividends payable		1 561	1 561
Due to related parties		4	89
Alexandria Port Authority		5 135	5 013
Alexandria Port Authority - sales tax	(20-1)	3 973	3 973
Other credit balances		88 867	82 191
		505 897	**532 399**

18. 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 balance of the subscriptions share paid till December 31, 2014 amounted to LE 10.2 million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 3 million till December 31, 2014 while the value of the supplementary pension scheme cost reached during the year ended as at December 31,2014 the amount of LE 16.5 million which was charged to the consolidated income statement according to the report prepared by the actuary that was issued on February 25, 2015.

	Note No	31/12/2014 LE (000)	31/12/2013 LE (000)
Present value of the non-financed scheme liabilities		99 028	81 019
Less:			
Unrecognized cost of Previous service benefit scheme*		58 731	62 352
		40 297	**18 667**
Total liability Of The Supplementary Pension Scheme and distributed as follow:			
Recorded in current liabilities		3 045	1 233
Recorded in long term liabilities	(20)	37 252	17 434
		40 297	**18 667**

* This item is represented in the previous service benefits cost till December 31, 2014 that is not due and amortized based on straight-line method over the average period during which the said benefits become due, that reached 17.6 years according to the calculation made by the actuary and for which an actuarial certificate was issued on February 25, 2015.

First: The movements of liabilities during the financial year are represented in the following:-

	31/12/2014 LE (000)	31/12/2013 LE (000)
Balance at the beginning of January	77 422	-
Present service cost	5 133	4 732
Return cost	7 654	6 592
Present value of the non-financed liabilities for previous service periods	-	66 097
Employees paid subscriptions	10 237	4 674
	100 446	**82 095**
Less:		
Paid pensions during the year	1 418	1 076
	99 028	**81 019**

Second: The amounts recognized in the statement of income are represented as follows:-

	31/12/2014 LE (000)
Current service cost	5 133
Return cost	7 654
Previous service cost installment recognized during the period	3 746
	16 533

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

Average assumptions to determine the assets of the benefits	**31/12/2014**	**31/12/2013**
A- Average discount rate	10 %	10 %
B- Average inflation rate	6.45 %	6.45 %

Average assumptions to determine the liabilities of the benefits	**31/12/2014**	**31/12/2013**
A- Average discount rate	14.5 %	10 %
B- Average inflation rate	6.45 %	6.45 %

Sensitivity Analysis of the system:

The following is the impact of the sensitivity assumptions movement of the discount rate related to the liabilities/cost of the supplementary pension scheme benefits according to the study prepared by the actuary.

	Discount rate 14.25 %	**Discount rate 14.5 %**	**Discount rate 14.75 %**
Liability current cost	59 881	58 553	57 271
Service cost	3 088	3 008	2 932

The expected liabilities of the supplementary pension scheme

	31/12/2014 LE (000)
Expected compensations during the period	2 473
	2 473

19. PROVISIONS

	Balance as of 1/1/2014 LE (000)	**Charged to statement of Income LE (000)**	**Used during the year LE (000)**	**Balance 31/12/2014 LE (000)**
Tax provision and claims	195 357	14 756	(7 452)	202 661
Lawsuits and claims provision	1 955	-	-	1 955
	197 312	**14 756**	**(7 452)**	**204 616**

20. OTHER LIABILITIES – LONG TERM

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Fixed assets- creditors		244 136	322 851
Alexandria Port Authority	(20-1)	37 059	36 019
Sales tax installments –Import capital goods		104 090	104 090
New temporary license installments	(20-2) , (35-1)	113 869	153 841
Liability of the supplementary pension scheme	(18)	37 252	17 434
lending from others	(20-3)	266 048	258 581
		802 454	**892 816**

20.1 The balance recorded in the other liabilities- long term amounted to LE 37 059 k represents the value of delay interest claimed by the Alexandria Port Authority. Al Ezz El Dekheila for Steel – Alexandria – subsidiary - paid all the amounts due to the Alexandria Port Authority according to the license granted to the company from the port authority inspit of the company's reservation on the materials stevedoring category and the usufruct stated in the license clauses legally disputed in the civil court case No. 6652 for 2002. Formalities for filing a case alleging unconstitutionality with the Supreme Constitutional Court were taken and it has been decided that the claims of the port authority be suspended until the decision of the supreme constitutional court is issued.

The balance recorded in the short-term liabilities due within one year amounted to LE 3 973 k represents the value of the original sales tax due to the Port Authority for previous years as there is still a dispute between the Port and Tax Authorities about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not and the dispute was referred to court.
And the said dispute between Alexandria Port Authority and the Tax Authority resulted in the fact that the Company is the entity that shall bear the tax amounts in case of the settlement of the dispute to the contrary to the benefit of the Authority, in addition, due to the fact that Alexandria Port Authority issued on June 19, 2011 an administrative attachment on the Company's accounts in some banks, the company filed lawsuit No. 1409 of the year 2011 in order to lift the attachment order and all the banks were notified of the lawsuit for the lift of the attachment.

However, the lawsuit was postponed for the session held on September 17, 2012, and a ruling was issued to the effect of rejecting the company's Lawsuit.

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. 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.

Consequently, the company filed an appeal against the ruling under No. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action No.54 for the judicial year No.35 Supreme Constitutional court is constitutionally settled, and the lawsuit has been completed, the report and the said report has not been submitted yet. (Note No. 36-2).

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 due to the fact that they are not subjected to sales tax. Furthermore, 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. However, the company's management paid an amount of LE 127.5 million 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 favor of the Port Authority (Note No. 36-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

***20.2* New Temporary License for Al Ezz Rolling Mills – Subsidiary Company:**

	Note No.	31/12/2014 LE (000)	31/12/2013 LE (000)
Total value of license	(35-1)	330 000	330 000
Less:			
Paid amount from the license	(35-1)	49 500	49 500
		280 500	**280 500**
Less:			
Differences resulting from the change in the fair value of the license		54 431	70 559
Installments due within one year		112 200	56 100
Present value for the license installments		**113 869**	**153 841**

20.3 Al Ezz Flat Steel Company borrowed USD 37 054 K equivalent to LE 266 048 K 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 which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

21. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales transactions of products in favor of those companies which amounted to LE 52 207 K and purchasing amounted to LE 694 K in addition to rent amounted to LE 1 318 K, The following is the most important of these transactions and related balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance as of 31/12/2014 Debit/(credit) LE (000)	Balance as of 31/12/2013 Debit/(credit) LE (000)	Balance Sheet Caption
Al Ezz for Trading and Distributing Building Materials	- Sales	52 011	(4)	-	Creditors and other credit balances – due to related parties
Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	- Sales - Purchases - Rent	196 694 1 318	30 926	33 669	Debtors and other debit balances – due from related parties

21.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	31/12/2014 LE (000)	31/12/2013 LE (000)
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	30 926	33 669
Al Ezz Group Holding Company For Industry & Investment	Holding company	154 111	2 086
Gulf of Suez Development Company	Affiliated company	165	17
Ezz Steel Algeria*		-	6 760
		185 202	**42 532**

* The balance due from Al Ezz steel – Algeria has been written off cause of liquefied the company and written off from the commercial register in Algeria on 3/9/2013, all related balances has been written off from the company`s books according to unusual general assembly for Al Ezz steel – Algeria on May 29, 2013 - Note No (11).

22. CAPITAL

22.1 Authorized capital

The company's authorized share capital is LE 8 billion.

22.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 k (two million, seven hundred and sixteen thousand, three hundred and twenty five thousand Egyptian pound) distributed over 543 265 027 shares 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.

23. RESERVES

	31/12/2014 LE (000)	31/12/2013 LE (000)
Legal reserve*	1 358 163	245 949
Other reserves (Additional paid in capital)**	2 620 756	3 732 970
The difference resulting from the acquisition of additional percentage in subsidiaries' capital***	(3 599 573)	(3 599 573)
	379 346	**379 346**

* **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. 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:** the General Assembly may form other reserves based on the Board of Directors' recommendation.

***** The difference resulting from the acquisition of additional percentage in subsidiaries' capital is represented in the following:**

	LE (000)
Represent the difference between the cost of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital on February 2006 (represents 29.39% from its capital) and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group.	3 280 493
Represent the difference between the cost of acquiring 55% of Al Ezz Flat Steel (EFS) capital –subsidiary – on July 2009 through Al Ezz El Dekheila for Steel – Alexandria and the net carrying amount of these shares since this difference was internally generated as a result from transactions under common control from companies within the same group.	191 918
	3 472 411
Represent the difference between the cost of acquiring additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital – subsidiary – on April 2010 (which represents 1.35% from its capital) and the net carrying amount of these shares since this transaction was made in the presence of the company's control over the subsidiary. the company has purchased these shares from shareholders outside Ezz group.	127 162
	3 599 573

24. TREASURY STOCKS

- Treasury stocks as of December 31, 2014 represents 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – a subsidiary company – amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

25. BONDS LOAN

	31/12/2014 LE (000)	31/12/2013 LE (000)
The balance of bonds loan granted to the company according to the approval of the company's Extra-ordinary General Assembly meeting held on December 31, 2007, it has been approved to issue negotiable nominal bonds not convertible to shares, equivalent to bank loans and any issuance of new bonds in regard to the priority of payments for a period not exceeding seven years through one issuance with a total amount of LE 1.1 billion (one billion and 100 million Egyptian pound) at a nominal value of LE 100 per bond, subject to accelerated payment at any date starting from the third year from issuance, those bonds are paid/amortized over 10 equal installments/payments starting from the fifth coupon (that was due on June 30, 2010) with the value of LE 110 million per installment.	-	440 000
These bonds are used to settle the company's outstanding debt among the long term debts and a part of the short term debts from certain some banks.		
These bonds were underwritten in public offering with an interest rate of 11.5% annually, paid semi-annually; the public offering was fully subscribed in these bonds on 29/5/2008*.		
Less:		
- Bonds issuance cost balance	-	(2 202)
- **Installments due within one year recorded in the current liabilities in the balance sheet.**	**-**	**437 798**

* The bondholders resolved in their meeting dated October 15, 2011 the continuation of bonds after adjusting their interest rate to be of fixed annual interest rate of 13.5% payable every six months starting from 1/7/2011 till 30/6/2012 and to be reconsidered the rate when the credit rating certificate for the year 2011 is issued, on August 6, 2012 the bondholders resolved in their meeting the continuation of bonds after adjusting their interest rate to be of fixed annual interest rate of 14.5% payable every six months starting from 1/7/2012 till 30/6/2013 and to be reconsidered the rate when the credit rating certificate for the year 2012 is issued.

On June 9, 2013 the bondholders resolved in their meeting the continuation of bonds and postponement of the installments due on 30/6/2013 and 31/12/2013 each amounted to LE 110 million to the year 2014, thus the installment due on June 30, 2014 shall be LE 220 million and the installment due on December 31, 2014 shall be LE 220 million. Thus, the company shall pay the accrued interest on its due date during the years 2013, 2014. In addition to amending the interest rate to be of fixed annual interest rate of 16.5% payable every six months starting from 1/7/2013 till the payment of all installments in full.

In accordance with item No.16,19 of the issuance terms and conditions of the subscription prospectus of Ezz Steel bonds (second issuance) and its amendments that are approved by the Egyptian Financial Supervisory Authority, the company announced the following:

1- Payment of the due installment on 30/6/2014 for 2 200 000 bonds with an amount of LE 220 million on its due date.

2- Accelerate the payment of the last installment due on 31/12/2014 for 2 200 000 bonds with an amount of LE220 million on 30/6/2014.

Accordingly, the amount that will be paid on 31/12/2014 is the total amount of the bonds that are currently listed and are represented in 4 400 000 bonds with a total amount of LE 440 million.

26. DEFERRED TAX

26.1 Recognized deferred tax assets and liabilities

	31/12/2014		31/12/2013	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Items				
Fixed assets	-	(1 669 735)	-	(1 619 906)
Provisions	31 153	-	25 689	-
Impairment loss on debtors	14 161	-	11 801	-
Impairment loss on investments	5 318	-	4 432	-
Write-down of inventory	1 280	-	992	-
Tax losses carried forward	879 948	-	737 843	-
Undistributed profit in subsidiaries	-	(34 706)		
	931 860	**(1 704 441)**	**780 757**	**(1 619 906)**
Net deferred tax (liability)	**-**	**(772 581)**	**-**	**(839 149)**

26.2 Recognized deferred tax charged to statement of income.

	31/12/2014 LE (000)	31/12/2013 LE (000)
Net deferred tax	(772 581)	(839 149)
Less:		
Translation difference	(1 736)	(1 859)
Previously charged deferred tax	(839 149)	(785 995)
Deferred tax charged to statement of income	**68 304**	**(51 295)**

26.3 Unrecognized deferred tax assets

	31/12/2014 LE (000)	31/12/2013 LE (000)
Receivables , debtors and other debit balances	10 799	14 466
Provisions	28 305	23 639
	39 104	**38 105**

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.

27. COST OF SALES

	2014 LE (000)	2013 LE (000)
Raw Materials	15 582 792	15 057 790
Salaries & Wages	926 721	846 204
Fixed assets depreciation	691 093	666 474
Supplementary pension scheme cost	10 810	9 876
Manufacturing overhead	2 179 531	1 964 794
Manufacturing cost	**19 390 947**	**18 545 138**
Change in inventory – finished product and work in process	(683 628)	418 230
	18 707 319	**18 963 368**

28. SELLING & MARKETING EXPENSES

	2014 LE (000)	2013 LE (000)
Salaries & Wages	59 562	61 612
Advertising	15 873	2 359
Fixed assets depreciation	2 847	2 252
Supplementary pension scheme cost	973	987
Other expenses	64 114	77 349
	143 369	**144 559**

29. ADMINISTRATIVE & GENERAL EXPENSES

	2014 LE (000)	2013 LE (000)
Salaries & Wages	363 699	346 925
Maintenance expenses	12 348	11 018
Fixed assets depreciation	12 928	8 163
Supplementary pension scheme cost	4 750	4 207
Other expenses	210 879	196 690
	604 604	**566 003**

30. CONTINGENT LIABILITIES

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

	31/12/2014 LE (000)	31/12/2013 LE (000)
Letters of guarantee		
Egyptian Pound	1 306	1 379
US Dollar	1 100	1 100
Letters of credit		
US Dollar	34 072	110 372
Euro	1 319	4 182

Also there is a contingent liability relating to the guarantee of Al Ezz Rolling Mills Company – subsidiary company – in the execution of the subsidiary's obligations arising from the joint-facility contract between the subsidiary company and some banks with a ceiling of two billion and eight hundred twenty one million Egyptian pound to finance the remaining amount of the plant's construction and operation costs for the production of Direct Reduction Iron (D.R.I) at El Ain El Sokhna area. In addition to Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria (EZDK) issue joint guarantee to the benefit of Al Ezz Flat Steel Company with an amount equivalent to USD 60 million and its interest, commissions in addition to any other terms guarantee to the credit facilities granted by the National Bank of Egypt to Al Ezz Flat Steel Company till the full payment.

The amount of letters of guarantee issued by the banks in favor of Contra Steel Company – subsidiary – to others on December 31, 2014 amounted to LE 245 k fully covered against (LE 245 k on December 31, 2013).

31. CAPITAL COMMITMENTS

The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at December 31, 2014 are represented in machines in the amount of LE 48.6 million as follows:

	LE (000)
Construction project fence Land Bzan and transformers rooms	8 073
Project of construction of scrap transportation truck	6 962
Project of alarm fire	3 969
Establishing the billet storage yard	3 746
Manufacturing and supplying melting pots	3 504
Project of scrap conveyor in trading resourcing section	3 093
Construction of the plant surfaces	3 051
Supplying symantec system	1 655
Supplying slag containers	1 618
The management building – financial sector - Cairo	1 585
Costumers service building	1 435
Supplying scales in surfaces services factor	1 385
Constructing southern land fence	1 285
others	7 245
	48 606

- The capital commitments also include amount of EURO 1.029 million (equivalent to LE 8.9 million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.
- The capital commitments for Contrasteel company – subsidiary company – on December 31, 2014 is amounted LE 40 million at the project of Construction of cracking slag and metal separation plant, an amount of LE 22.4 million has been included in the Project under construction item.

32. TAXATION

32.1 Ezz Steel Company

32.1.1 Corporate tax

- The Company is granted a tax exemption according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, 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 and all disputes were settled until December 31, 2004 and there is no taxes dues.
- The Tax Authority inspected the Company's books for years from 2005 till 2009 and there is an objection by form No. (19) and the dispute is submitted to the Appeal Committee and according to the company's tax advisor this dispute did not result in any tax liability on the company.
- The Tax Authority is currently inspecting years 2010-2011.
- The Company submitted tax returns for years 2010 until 2013 according to the provisions of Law No. 91 of 2005.

32.1.2 Sales tax

- The Company's products are subject to a 8% sales tax. The Company submits sales tax returns on a timely basis. The Tax Authority inspected the Company's books until year 2012 and the tax differences were paid in full and there are no tax disputes or outstanding dues until the date of the financial statements.

32.1.3 Salary tax

- The Tax Authority inspected the Company's books until year 2011 and there is no any due amounts on the company.
- The company paid advance payments under the tax account starting from 2012 till 2014 until the tax inspection takes place.

32.2 Al Ezz Rolling Mills Company

32.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 159 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 and a settlement was made until 2011 and the taxes due were paid.

32.2.2 Sales tax

The Company's products are subject to 8% sales tax. The Company submits sales tax returns on a timely basis. The Tax Authority inspected the Company's books until 2012 and the taxes due were paid.

32.2.3Salary tax

- The Company's books have been inspected by the Tax Authority till year 2011 and the taxes due were paid.

32.3 Al Ezz El Dekheila for Steel – Alexandria Company

32.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of Law No. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000/ 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Causes Court ruling issued on July 16, 2005, The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee.

  And on June 12, 2010 the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004.The due tax was paid in full and form No. (9) paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.

  The company was notified of the tax – claim amounts for the years 2000/2004 according to forms No. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 million, These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same period. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights.

  The Tax Authority has garnished the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. 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 against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts till June 30, 2014 amounting to LE 254.2 million, including delay interest amounting to LE 35 million, The Company is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit No. 405 of 2011.

- A ruling was issued on March 25, 2012 to the effect of lack of jurisdiction and the lawsuit is referred to the Alexandria Court of first instance No. 963 of 2012 total tax, At the court session held on November 24, 2012 Alexandria First Instance Court issued its ruling to the effect of delegating an expert in the lawsuit and it was postponed to the session is postponed to July 25, 2015. However, the said delegated expert has not commenced his task up to this date.
- The company's tax inspection was made for years 2005/2006 and the company was notified of form No. (19) – taxes on February 21, 2011. The tax differences amounted to LE 94.56 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the Appeal Committee.
- The company filed the lawsuit No.245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, in addition to referring the lawsuit to the Ministry Of Justice experts office for perusal of the lawsuit file that which shall be considered before court in the session that is to be held on April 30, 2014 and it was postponed to April 19, 2015.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 million, and the company appealed against these forms on the legal due dates. The said differences are currently considered by the Internal committee. During the month of October 2014, the Company paid the amount of EGP 15 million that represented the tax inspection differences along with preserving the Company's right to refund what had been previously paid once the court judgment is issued in favor of the Company.
- The company submitted its tax returns for the years 2009-2012 on the legal due dates according to the provisions of law, and settled the tax due thereon as per these tax returns. The Company's books for years 2009-2010, and the company has been notified with form 19 tax, the company has appealed on this form in the legal time, and the internal committee did not determine the due date up to this date.
- The general department of the Counter Tax Evasion notified the company of tax differences amounting to LE 7 million resulting from fund transfers abroad during the years 2000/2010 and the said issue is still considered before court, and a ruling was issued to the effect of the inadmissibility of considering the case previously adjudicated in relation to felony No. 11743 for the year 2011, El Agouza felonies. However, the public prosecution filed an appeal against the ruling, A ruling was issued at the session held on November 9, 2013 to the effect of cancelling the appealed ruling and referring the lawsuit documents to the Court of First Instance to issue its ruling regarding the subject matter of lawsuit No.639 for the year 2013, And a session shall be held on April 17, 2014 and it was postponed to December 7, 2014 to expert report And a session shall be held on June 14, 2015 for expert report.

32.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- The years from 1990 to 1994 were tax inspected and the resolution of the appeal committee was issued to the effect of having due tax amounting to LE 19 million in addition to delay interests, The dispute was referred to the court, and the ruling of the Court of Appeal was issued on August 17, 2011 to the effect of confirming the resolution of disputes dispersal committee, the previous tax assessment was cancelled and a tax re-assessment was carried out in addition to a delay interests with the amount of LE 2.1 million that was paid in full.

- The tax inspection for the years 2005-2007 was finalized and the company was notified of form No. (38 – Salaries) with tax differences amounting to LE 11.6 million, and objection was made thereto, and the dispute was referred to the Internal Committee which decided that there is due tax amounted to LE 3.9 million which the company paid in full.
- Tax inspection was made for the years 2008-2012 and the company has agreed for the due of tax amounted to LE 7.3 million fully paid.

32.3.3 Sales Tax

- The company submits its monthly tax returns regularly on the specified legal due dates.
- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified us of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.3 million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to law No. 9/2005 and the ministerial decrees Nos. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit No. 988 of year 2011 – Civil Circuit against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company.
- However the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling, On August 29, 2013 the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and the session for considering the said appeal has not been determined up to this date.
- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form No. (15) The tax differences amounted to LE 77.3 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the large tax payer center.

  And points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 million and the dispute is represented in the amount of LE 7 million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company paid an amount of LE 4.5 million, And the remaining portion with the amount of LE 2.5 million is represented in sales tax imposed on the lent billet which was regained.
- The period from the first of January 2011 till December 31, 2012 was inspected and the company has been notified with form 15, the differences amounted to LE 1.5 million fully paid.

32.3.4 Sales Tax on imports of iron oxide ore

- The Egyptian Customs Authority claimed the amount of LE 1.9 billion that represents the value of sales tax on imported iron oxide ore and the claim was made based on retroactive for the period from the first of January 2008 till December 31, 2012. The company has submitted a memo to the Minister of Finance to the effect that iron oxide ore imports should not be subjected to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.
- Hence, the company should not be charged by any amounts because it was not a reason for non-collection of tax nor in how the release of this raw material. The company's management and its tax advisor are of the opinion that the Customs has no right in the amounts claimed from the company because the company is applying the core of the law in addition, the company is an intermediate link with respect to tax collection and remitting it to the Tax Authority on legal due dates and there are no grounds to claim tax differences.
- The company filed lawsuit No.9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and a session to consider the said lawsuit was determined to be held on April 26, 2014, on December 6, 2014 session the college of commissioners decided keeping the lawsuit for report and currently follow up depositing.

32.3.5 Sales Tax for the usufruct amounts claimed by Alexandria Port Authority

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority to that effect without prejudice to the lawsuit No. 797 for the year 2010 that re-registered under No. 5804 for the year 2012 Civil Court, and a ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, However, a session for considering the said appeal has not been determined up to this date (note no. 36-2).

32.3.6 Service Charges Paid to the Customs Authority

- The company filed a lawsuit to reimburse the service charges pertaining to the equipment imported to be used in production which were paid to the Customs Authority under No. 2112/2002 regarding the shipments represented in the equipment and spare parts in implementation of the provision of law No. 66 / 1963, article No. (111) which stipulated the unconstitutionality thereof, since the Customs Authority has not rendered any services to the company with respect to the shipments incoming to the company from abroad. The amounts claimed by the company from the Customs Authority amounted to LE 126 million.

  On February 27, 2011 a ruling was issued by Alexandria Civil Court with respect to lawsuit No. (2112), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement. The ruling was appealed against and a ruling was issued on November 6, 2012 in favor of the company to the effect of conforming the ruling at first degree, currently the executive version of the ruling is in the process of being issued. and to notify the Customs Authority thereof, However, it is currently in the process of following up the issuance of a letter from the State Litigation Authority stating that there is no objection to disbursement, taking into consideration that the company announced on 22/1/2013 that is filed the appeal No.77 for the year 83 J before the court of cassation against the ruling issued by the court of appeal in favor of the company and on November 6, 2012 the ruling of the Court of Appeal was issued in favor of the company to the effect of conforming the ruling issued by the Court of First Instance. And the executive version of the ruling was extracted by the legal affairs department which follows up the reimbursement process. However, the Tax Authority appealed against the issued ruling.

32.4 Al Ezz Flat Steel Company

32.4.1 Corporate tax

- In the light of issuing law No. 114 of 2008 on May 5th, 2008, the private free zones were deleted and the company become subject to corporate tax from that date.
- The company submitted its tax returns for years 2008 till 2012in the due dates.
- The Tax Authority inspected the Company's books for year 2008 and the result of the inspection was tax losses for this year.
- The Tax Authority inspected the Company's books for year 2009 and resulted in tax losses for that year and the dispute points were referred to the Internal Committee.

32.4.2 Salary tax

- The Tax Authority inspected the Company's books until 2007 and finalize all the disputes and there is no any due amounts on the company.
- The Tax Authority inspected the Company's books for years 2008 until 2011 and the dispute points were referred to the Internal Committee.

32.4.3 Sales tax

- The Tax Authority inspected the Company's books until 30/6/2010 and the company paid the due amount.
- The Tax Authority inspected the Company's books for the period from July 1, 2010 until December 31, 2012 and the dispute points were referred to the Internal Committee.

32.4.4 Fiscal stamp tax

- Tax inspection was made till 2012 and no claims on the company in this regard up to this date.

32.5 **Important amendments on the income tax Laws during the year**

- On June 4, 2014, law no. 44 of 2014 was issued, imposing temporary additional 5% increase in the tax rate for three years on individuals and corporate entities whose annual income exceeds one million Egyptian pounds. This tax will be calculated and collected according to the provisions of the income tax law, and shall come into force on 5 June 2014.

  And on June 30, 2014, a presidential decree no. 53 of 2014 was issued, amending certain provisions of the income tax Law No. 91 of 2005, the main amendments are:

  1. Imposing income tax on dividends.
  2. Imposing income tax on capital gains from selling shares and securities.

- On April 6, 2015 a Ministerial decree no. 172 of 2015 was issued amending certain provisions of the executive regulation of the income tax law that has been issued by the Finance Ministry decree no. 991 of 2005.

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

33.1 Financial instruments

The Company's financial instruments are represented in cash and cash equivalents, debtors, investments, trade payable, notes payable, creditors, loans, and banks-overdraft balances. The book value of these financial instruments does not materially differ from its fair value at the balance sheet date.

33.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in bonds loan (before deduction of bonds issuance cost), loans and credit facilities which amounted to LE 13 328 000 K as of December 31, 2014 (LE 10 414 121 K as of December 31, 2013). Financing interest and expenses related to these balances amounted to LE 880 746 K during the year (LE 862 057 K during the previous year). Time-deposits and investment fund amounted to LE 1 487 K as of December 31, 2014 (LE 182 061 K as of December 31, 2013), interest income related to these balances amounted to LE 72 339 K during the year (LE 98 049 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

33.3 Credit risk

Credit risk is represented in the inability of credit customers to pay their dues. To mitigate this risk, the Company distributes the credit granted to the private sector companies and individuals with strong and stable financial position.

33.4 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 418 424 K and LE 6 172 885 K respectively, as of the Balance sheet date.

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

Foreign Currency	(Deficit)/Surplus In thousand
US Dollars	(720 452)
Euro	(65 057)
Swiss Frank	13
Sterling Pound	(377)
Japanese Yen	(2 610)

As shown in note no. (3-1) "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 balance sheet date.

Due to the current economic circumstances in the Arab Republic of Egypt, the Company's management faces market risks that are represented in difficulty of providing cash in foreign currency declared at official prices, that is due to the shortage of foreign currency supplies in the official banking markets. As a result this had negatively affected the company's ability to supply its operating requirements in foreign currencies to ensure the continued operation / production process on a regular basis.

The Company and its subsidiaries' management resorted to, within the framework of applying exceptional policies to deal with the market and operation risks, by providing some of its requirements of cash in foreign currency at exceptional exchange rates, that differ from the official exchange rates declared in the official banking markets, in the light of the current circumstances after approving them and their related internal documents by the Company and its subsidiaries' Board of Directors and top management as the best assessment of the exchange rates from its point of view.

34. (LOSSES) PROFIT EARNINGS PER SHARE

	2014	2013
Net (loss) profit for the year (LE 000)	(696 559)	129 616
Less:		
Holding company's share in employees' and board of directors' share in dividends from subsidiaries	31 032	104 630
	(727 591)	**24 986**
Average number of outstanding shares during the year (share)	533 802 313	533 802 313
(Losses) Profit Earnings per share for the year (LE / share)	**(1.36)**	**0.05**

35. THE LITIGATION STATUS

35.1 Al-Ezz Rolling Mills Company & Al-Ezz Flat Steel Company– Subsidiaries Companies

Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company.

The company's management has taken procedures to revoke the ruling with all its consequences resulting there from.

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, then the said case was adjourned to overturned the judgment issued by the lower court due to the fact that the administration of justice in this regard on December 5, 2013. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on September 5, 2015.

On October 3, 2012 the Industrial Development Authority decrees to issue a new temporary license to Al-Ezz Rolling Mills Company with a value of LE 330 million and to be renewed annually, on November 13, 2012 the company paid an amount of LE 49.50 million that represents 15% from the value of the license, in addition to granting the company a grace period of 18 months, the remaining 85% of the license value will be paid on five equal annual installments over five years, and in case of the company committed with the installments and paid the full amount it will obtain the permanent license.

35.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

35.2.1 Workers Lawsuits Regarding Profits Differences

Some workers whose services for the company came to an end filed 73 lawsuits claiming the calculation of the profits differences for years from 2004 till 2010 based on the gross salary at a percentage of 10% of the profits and they laid down the grounds of their lawsuits based on the stipulation of the first article of labor law No. (12) for the year 2003 and the stipulation of article No. (41) of the Joint-Stock Companies Law No. 159 of 1981.

The rulings were issued in regard to (70) lawsuits ranging between refusal and dropping as the company complied with the core of the law when calculating the employees' share in profits according to the authority vested thereto by virtue of the stipulation of article No. (12) of the Arab and Foreign Capital Investment Law No. (43)/1974 and article No. (52) of the company's Articles of Association issued by virtue of decree No. (90)/1981 which authorize the board of directors and the General Assembly of the company to determine the percentage, the criterion and the manner of the profits appropriation.

However, the Court of Appeal confirmed the issued rulings of refusal or dropping in 14 lawsuits, and there are (52) lawsuits that have not been appealed against and the rulings thereof acquired the opposability of resjudicata due to the lapse of the date of appeal thereof, while the remaining lawsuits are still being considered before the court.

Some workers of Al Ezz Dekheila Steel Company Alexandria filed 6 lawsuits concerning the financial differences of the social allowances for the years from 1996 until 2010, in which the company insisted on adhering to the agreement that was concluded between the company and the workers on July 7, 2011 which resulted in the fact that the company paid the said financial differences of the social allowances , and a ruling was issued in that respect as follow:

No.	Ruling
2	Refusal (one of them is still appealed)
1	Dropped by limitation (still appealed)
1	Ruling to the effect of being null and void
2	Still considered

The company's management and its legal advisor are of the opinion that the company complied with the proper core of law in regard to the profits appropriation for the employees thereof according to the company's articles of association without prejudice to the rights of any of the employees thereof.

35.2.2 *The lawsuits Referred to the Criminal Court*

On June 26, 2011, a referral order was issued to the Criminal Court by the Public Prosecution "Supreme Public Fund Prosecution" regarding lawsuit No. (197) for the year 2011 - Public Fund Count registered under No. (38) for the year 2011 to limit the scope of the public fund investigation against some of the officials in the company in criminal incidents related to the allegation of illicit gain or facilitating the illicit gain of third parties to the detriment of the public fund, and some decisions were issued regarding conservatory attachment and non-disposal in relation to some officials.

On March 6, 2013 a ruling was issued by the court of criminal justice and sentences against some company officials have been issued including custodial penalties and pecuniary penalties in addition to dismissal from office against those who were convicted.

On December 14, 2013, the Court of Cassation issued its ruling to the effect of nullification of the previously issued ruling and to refer the lawsuit to Giza criminal court, thus the session will be considered on April 12, 2014 and it was postponed to February 8, 2015.

The Legal advisor of the company is of the opinion that:

1- The appeal resulted in the cancellation of all sanctions issued against former officials of the company and a re-trial again for them, especially after the Court of Cassation rejected the appeal of the public prosecutor in acquittals.

2- On legal basis the ruling does not affect its stipulation regarding the principal penalties that are represented in the detentive penalties and the financial penalties imposed on the activity of the company or its financial standing due to the fact that the judicial person of the company is legally separate from the financial standing and the juridical person of the shareholders and the company's employees whereas the penalty is personal whether it is a detentive penalty or a principal financial penalty and such aspect does not affect the funds of the company or its assets in general.

3- The ruling stipulated consequential penalties that are represent in discharge from the position and reimbursement of the amounts of money for those who were convicted, and this aspect also does not negatively affect the financial standing of the company based on the above mentioned paragraph, and the dues to the employees, against whom the penalties of discharge and reimbursement were issued, were suspended until studying the legal consequences regarding the said dues taking into consideration.

35.2.3 Lawsuits before Court Concerning The Trespass on The Company's lands:

Some individuals and companies trespassed a part of the company's lands with an area of approximately 19 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated. December 13, 1998 issued by virtue of decree No. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. Accordingly, the company took legal procedures against the trespassers who made the above mentioned violations on such lands and the said lawsuits are still considered before court.

35.3 Lawsuits before Court Concerning The Monopoly of Steel Bars productd:

Cairo Economic Court, misdemeanors appeal circuit issued its ruling on the session held on November 6, 2013 concerning lawsuit No.268 of the year 2013 to the effect of accepting the appeal presented by the Public Prosecutor Office and vacated the judgment to the effect of being not guilty concerning the indictment against some officers of Ezz steel company during the period from 16 May 2005 until December 31, 2006 in their professional capacities in Ezz Steel company and some of the companies affiliated to Ezz group relating to the monopoly of steel bars product inside the Arab republic of Egypt in Violation of non-competition and anti-monopoly act No. 3 for the year 2005 and re-affirming a ruling to the effect of imposing a fine on the officers of Ezz Steel company and some other companies of Al-Ezz Group with an amount of LE 200.5 million.

Al Ezz El Dekheila for Steel – Alexandira (EZDK) company during the period from August 3, 2014 until September 1, 2014 issued checks to the benefit of the cairo Economic Court that amounted to LE 55.56 million under the account of penalties issued by virtue of the ruling with respect to the misdemeanor number 268 for the year 2013 as a partial execution of the said ruling by the Economic Appellate Court against some officials of the company.

The management of Al-Ezz Group Companies appealed against the ruling and resorted to the Court of Cassation to the said ruling that is used under No.2898/84 J.year – Economic Court of Cassation, On November 25, 2014, the Court of Cassation issued its ruling to the effect of amending the judgment No. 368 for the year 2013 issued by the court of appeal - economic – and accordingly the financial penalty will be a fine of EGP 20.5 million imposed on some officials of the Company.

The legal advisor of the company is of the opinion that claiming the inflicted penalty imposed on the officers of the Company by virtue of the court ruling is not legally acceptable and each company of the group should bear the fines in proportion to the benefits gained without claiming the officials of the Company fined pursuant to the case.

36. <u>OTHER TOPICS</u>

36.1 EZDK Steel UK limited Company

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 that Institute till the financial statements date (the investment cost reached the amount of LE 510 with a participation percentage of 50% of the company's capital).

36.2 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 sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012. And a judgment was issued to the effect of dismissing the case and 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 is constitutionally settled and the constitutional lawsuit will be considered on November 10, 2013 before the Board of State Commissioners. The commissioner decided to set a date for submitting the report and the said report has not been submitted yet. (note No.20-1).

  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 favor 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, 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 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 has also established Case No. 1609 of year 2014 against both the port authority and the Tax Authority requesting the recovery the collected amount from the company under the name of the sales tax for the period from 15/02/2013 till December 2013 in the amount of LE 249 525 k, A session date to be considered on November 27, 2014 and ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the state Council, However, a session for considering the said appeal has not been determined up to this date.

37. Comparative figures

37-1 Adjustments were made to accrued expenses item included in creditors and other credit balance amounted to LE 20 500 K against decreasing retained earnings and non-controlling interest with an amount of LE 4 693 K and an amount of LE 15 807 K respectively, that represented in the penalty paid for the Economic Court for the judgment on the issue of the competition law and anti-trust No 2898 for the judicial year 84 J that related to the period from May 16, 2005 till December 31, 2006– Note no. (35-3).

Adjustments were made to accrued expenses item creditors and other credit balance amounted to LE 17 830 K against decrease the retained earning with amount of LE 13 085 K and increase the administrative and general expenses with amount of LE 4 745 K and that represented in the value that has not been withdrawn from the natural gas quantities compared to the minimum quantities contracted for the years of 2009 to 2013.

The following is the impact of these adjustments on the consolidated financial statements:-

First:* *Consolidated Balance Sheet

Item	31/12/2013 As previously reported LE (000)	Adjustments Debit LE (000)	Adjustments Credit LE (000)	31/12/2013 Restated LE (000)
Creditors and other credit balances	494 069	-	38 330	532 399
Retained earning	1 281 430	28 892	-	1 252 538
Net profit for the year 2013	134 361	4 745	-	129 616
Non-controlling interest	1 732 182	4 693	-	1 727 489

Secondly:* *Consolidated Statement of Income

Item	2013 As previously reported LE (000)	Adjustments Debit LE (000)	Adjustments Credit LE (000)	2013 Restated LE (000)
Administrative and General expenses	561 258	4 745	-	566 003

37-2 The differences resulting from the acquisition of additional percentage in subsidiaries' capital were reclassified to reserves.

38. SUBSEQUENT EVENTS

- On January 18, 2015 the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to restructure the banks credit facilities granted to the company 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 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 period of the agreement.

- On April 9, 2015 the Board of Directors of Al Ezz Flat Steel Company – subsidiary company - decided to call the Extraordinary General Assembly to consider the increase of the issued capital by USD 15 Million share with the amount of USD 17 per share, the par value is USD 10 per share and the additional paid in capital is USD 7 per share, the total capital increase is USD 255 Million, amend the articles (6) and (7) of the articles of association and Ezz Steel company subscription in the capital increase will be through transferring its debt due from the company to the capital. On April 27, 2015 the Extraordinary General Assembly of Al Ezz Flat steel Company approved to increase the capital according to the mentioned above, the legal procedures are in process to amend the articles of association and recording the capital increase in the commercial register.