EZZSTEEL REPORTS CONSOLIDATED H12014 RESULTS

Cairo, 25 September 2014 – 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 30 June 2014. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGP Million	H12013	H1 2014	YoY (+/-)
• **Net sales**	11,141	**10,264**	-8%
• **Gross profit**	1,422	**598**	-58%
• **EBITDA***	**1,436**	**595**	-59%
• **Net profit before tax and minority interest**	**857**	**-132**	-115%
• **Net profit after tax and minority interest**	302	**-176**	-158%
• **Earnings per share** **	0.56	**-0.32**	
• **Net debt to equity**	1.24x	**1.81x**	

**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:

“The first half of 2014 has been a challenging period for the business, as the disrupted availability of utilities in Egypt has had a material impact on output and margins. As a consequence, we have suffered from a reduction in production at our steel plants, which has affected our sales volumes and our bottom line.

“We expect the operational efficiency of our business model to partially offset the negative impact of the detrimental conditions in which our industry will operate in Egypt during the remainder of 2014.”

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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 5.8milliontonnes of finished steel.

In 2013, the Company produced 3.7 million tonnes of long products (typically used in construction) and 990 thousand 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 H1 2014 were EGP 10.3 billion, which represents a decrease of 8 per cent year on year. This decrease in sales is due to a significant decrease in export volumes, especially long, as weakness in the international steel markets drove down realised selling prices and made it more attractive to sell into the domestic market. Long product prices were flat in the local market and consequently more attractive than in export markets. Flat export prices were down by 1 per cent, whilst local prices increased by 2 per cent, up on the previous quarter, as demand slowly started to pick up following the commencement of the Government's infrastructure programme and a more buoyant Egyptian economy following the conclusion of the Presidential election.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	2,769	4,245	995	**8,009**
Flat		2,103		**2,103**
Others		146	6	**152**
Total	**2,769**	**6,494**	**1,001**	**10,264**

Long steel products accounted for EGP 8 billion or 78 per cent of sales in H1 2014, while flat steel products represented 20 per cent of sales at EGP 2.1 billion. Long steel sales volumes were down 8 per cent, due to uncertainty leading up to the Presidential election in May. Long product exports accounted for 4 per cent of total long sales. Flat product exports accounted for 45 per cent of total flat sales.

Sales Value EGPMn	**Domestic**	**per cent**	**Export**	**per cent**
Long	7,673	96	336	4
Flat	1,167	55	936	45

Long sales volumes were 1.78 million tonnes during H1 2014, 8 per cent lower than the 1.94 million tonnes sold during the same period last year.

Flat sales volumes, which are concentrated at EZDK, fell by 10 per cent to 469,876 tonnes in H1 2014, due to lower production at EZDK. However, flat sales volumes were up 3 per cent on the previous quarter.

The group's consolidated sales volumes were a total of 2.3 million tonnes in H1 2014, a decrease of 9 per cent from the 2.5 million tonnes sold in H1 2013.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2014 were 27 per cent, 63 per cent, and 10 per cent respectively.

Long steel production volumes totalled 1.9 million tonnes during H1 2014, down 4 per cent compared to H1 2013.Flat steel production volumes decreased by 10 per cent to 451,825 tonnes for the period, compared to 504,583 tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2014 represented 94 per cent of sales, reflecting a decrease in gross profit margin from 13 per cent in H1 2013 to 6 per cent in H1 2014.

EFS's Cost of Goods Sold, at 114 per cent, reflects the low capacity utilization level currently at that facility. At EZDK, a continued shortage of natural gas impacted DRI production, which forced the company to use more expensive scrap.

	Standalone figures			**Consolidated**
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	2,957	6,450	1,173	10,268
COGS	2,880	5,792	1,340	9,666
COGS/Sales	**97%**	**90%**	**114%**	**94%**

Gross profit

Gross profit of EGP 598 billion was recorded for H1 2014, a decrease of 58 per cent from the EGP 1.4 billion recorded in H1 2013.

EBITDA

EBITDA for H1 2014 amounted to EGP 595 million, representing a decrease of 59 per cent from EGP 1.4 billion in H1 2013.

Tax

The company's tax charge decreased 95 per cent from EGP 235 million in H1 2013 to EGP11 million in H1 2014, a result of the decrease in the group's profitability during the period.

Net profit after tax and minority interests

Net profit after tax and minority interests recorded a loss of EGP 176 million for H1 2014, in comparison to a profit of EGP 302 million for H1 2013.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 1.4 billion and net debt of EGP 11.08 billion. The company has a gearing of Net Debt / Equity of 1.84 times.

In May, ezzsteel announced the early redemption of 4.4 mn bonds, amounting to EGP 440 mn, representing the total outstanding value of its bond programme.

Outlook

The gradual return to political stability following successful elections, in addition to the implementation of large scale infrastructure projects, are expected to help to absorb the burden of additional production costs due to the drastic utility price increases in Egypt during 2014.

Divisional Overview

<u>**EZDK**</u> <u>**Sales (EGP):**</u>	**H1 2013**	**H1 2014**	
Value:	6,937	6,450	Mn
Volume: Long: Flat:	 1,014,219 522,460	 950,934 469,876	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 14 46	 7 45	
EBITDA:	1.4	0.6	Bn
Production:			
Long Products:	1,015,971	1,022,993	Tonnes
Flat Products:	504,583	451,825	Tonnes
Billets:	1,032,690	1,079,650	Tonnes
<u>**ESR/ERM**</u> <u>**Sales (EGP):**</u>			
Value:	3,255	2,957	Mn
Volume:	682,576	615,311	Tonnes
Exports as % of Sales:	5	2	
EBITDA:	79	5	Mn
Production:			
Long Products:	698,835	639,006	Tonnes
Billets:	393,032	394,078	Tonnes
<u>**EFS**</u> <u>**Sales (EGP):**</u>			
Value:	1,331	1,173	Mn
Volume: Long: Flat:	 246,400 0	 219,750 0	 Tonnes Tonnes
Exports as % of Sales: Long: Flat:	 0 0	 0 0	
EBITDA:	-32	-84	Mn
Production:			
Long Products:	247,369	224,091	Tonnes
Flat Products:	0	0	Tonnes
Billets:	282,124	232,186	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 6month period ending 30 June 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 Interim Financial Statements
For the Six Months Ended June 30, 2014
& limited Review Report

KPMG

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Translation from Arabic

Limited Review Report on Consolidated Interim Financial Statements

To The Board of Directors of Ezz Steel Company

Introduction

We have performed a limited review on the accompanying consolidated balance sheet of Ezz Steel Company "an Egyptian joint stock company" as of June 30, 2014 and the related consolidated statements of income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2014 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Translation from Arabic

Emphasis of matters

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

1- As explained in note no. (35-1) to the consolidated interim 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, The session was scheduled on April 6, 2013 and it was postponed to November 3, 2014 as a date set for the expert committee to submit its report.
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 interim 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 provided that the company should pay 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 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 that is to be held on October 18, 2014. 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 interim 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 details in note no. (35-3) of the notes to the consolidated interim financial statements, The Cairo Economic court issued its ruling on November 6, 2013 concerning the indictments against some officers of Ezz Steel company and some companies of Ezz group in relation to the violation of competition law and anti-competitive practices during the period from May 16, 2005 until December 31, 2006 and the total amount of the penalties imposed "jointly" on Ezz group companies stated in the said ruling reached LE 200.5 million.
Based on the opinion of the legal advisor of the group, the management of Ezz Steel company is of the opinion that the aforementioned appeal ruling is most probable to be vacated due to lack of justification, the erroneous implementation of law and violation of what was proved in the case documents in case of being appealed against before the court of cassation. However, The management of Al-Ezz Group companies appealed against the ruling and resorted to the Court of Cassation. A session date to consider the appealed against ruling has not been determined yet to the said ruling that is used under No.2898/84 J year – Economic Court of Cassation, hence, Cairo Criminal Court issued a ruling during the session on September 4, 2014 to the effect of suspending the implementation of the judgment issued with respect to the aforementioned case that is registered under number 268 for the year 2013 Appellate Court Misdemeanor by virtue of the judgment issued in the aforementioned case that affect of ceasing the execution of the ruling in the said lawsuit, it is difficult at present to determine the liabilities that may be imposed on Ezz Steel company in relation to the said ruling, if any, until a judgment is issued to this effect before the court of cassation.

5- As explained in note no. (33-4) of the notes to the consolidated interim 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, September 24, 2014

KPMG Hazem Hassan
Public Accountants and Consultants
(23)

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As of June 30, 2014

	Note No.	30/6/2014 LE(000)	31/12/2013 LE(000)
Long Term Assets			
Fixed assets (net)	(4)	11 238 469	11 287 009
Projects under construction	(5)	3 672 552	3 177 523
Financial 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)	31 879	31 160
Sales tax installments	(8)	187 638	172 333
Goodwill	(3-8)	315 214	315 214
Total long term assets		15 555 747	15 093 234
Current Assets			
Inventory	(9)	4 378 421	3 225 266
Trade and notes receivable	(10)	201 212	167 112
Debtors and other debit balances	(11)	1 239 815	1 108 358
Suppliers - advance payments		52 306	68 297
Investments in treasury bills	(3-7)	40 257	43 124
Cash and cash equivalents	(13)	1 377 692	2 153 736
Total current assets		7 289 703	6 765 893
Current Liabilities			
Banks - overdraft	(14)	3 033 924	2 851 680
Loan installments and facilities due within one year	(15)	4 318 347	3 781 904
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)	1 585 335	1 687 555
Trade receivables - advance payments		315 431	267 489
Creditors and other credit balances	(17)	775 394	494 069
Income tax		103 293	400 949
Liability of the supplementary pension scheme	(18)	2 482	1 233
Provisions	(19)	197 214	197 312
Total current liabilities		10 443 620	10 176 089
Increase of current liabilities over current assets		(3 153 917)	(3 410 196)
Total investment		12 401 830	11 683 038
Financed as follows:			
Shareholders' Equity			
Issued and paid - up capital	(22-2)	2 716 325	2 716 325
Reserves	(23)	3 978 919	3 978 919
Retained earnings		1 288 879	1 281 430
Net (loss) for the period / profit for the year		(175 749)	134 361
Treasury stocks	(24)	(71 921)	(71 921)
Translation difference adjustments		442 969	404 226
Company's share in employees interm dividends & board of directors remunerations of EZDK-subsidiary company- during the year		—	(51 844)
		8 179 422	8 391 496
The difference resulting from the acquisition of additional percentage in subsidiaries' capital	(2-5)	(3 599 573)	(3 599 573)
Total holding company shareholders' equity		4 579 849	4 791 923
Non-controlling interest		1 537 205	1 732 182
Total Shareholders' equity		6 117 054	6 524 105
Long Term Liabilities			
Long-term loans	(15)	4 994 099	3 426 968
Other liabilities	(20)	542 870	892 816
Deferred tax liabilities	(26-1)	747 807	839 149
Total long term liabilities		6 284 776	5 158 933
Total equity and long term liabilities		12 401 830	11 683 038

The accompanying notes from No. (1) to No. (37) form an integral part of these consolidated interim financial statements.

Chairman & Managing Director

Paul Philipe Chekaiban

Limited Review Report "attached"

ezzsteel
Sadat City
شركة حديد عز ش.م.م
Ezz Steel Co. S.A.E

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Statement of Income

	No.	For The Six Months Ended in: 30/6/2014 LE(000)	For The Six Months Ended in: 30/6/2013 LE(000)	For The Three Months Ended in: 30/6/2014 LE(000)	For The Three Months Ended in: 30/6/2013 LE(000)
Sales (net)	(3-17)	10 263 721	11 141 356	4 976 664	5 560 809
Less:					
Cost of sales	(27)	9 665 594	9 719 390	4 750 977	4 898 515
Gross profit		598 127	1 421 966	225 687	662 294
Less:					
Selling and marketing expenses	(28)	67 691	75 858	37 060	43 643
Administrative and General expenses	(29)	285 606	246 700	157 293	129 211
Impairment loss on assets	(12)	73	90	73	—
Provisions	(19)	—	8 100	—	1 000
Total expenses		353 370	330 748	194 426	173 854
Results from operating activities		244 757	1 091 218	31 261	488 440
(Less) Add :					
Net finance cost					
Interest & finance expenses		(392 492)	(451 415)	(208 325)	(215 719)
Interest income		49 356	41 348	23 320	23 723
Amortization of bonds issuance expenses		(2 200)	(1 100)	(1 650)	(550)
Foreign exchange differences		(61 328)	99 350	(25 467)	(3 638)
		(406 664)	(311 817)	(212 122)	(196 184)
Add :					
Reversal of impairment loss on assets		—	13 634	—	13 632
Other revenues		17 617	63 688	5 670	51 608
Capital gain		12 575	218	10 809	218
		(376 472)	(234 277)	(195 643)	(130 726)
Net (loss) profit for the period before income tax		(131 715)	856 941	(164 382)	357 714
(Less) Add :					
Income tax	(3-19)	(103 293)	(243 429)	(25 384)	(128 571)
Deferred tax	(26-2)	92 505	8 091	27 097	20 866
Net (loss) profit for the period		(142 503)	621 603	(162 669)	250 009
Attributable to:					
Equity holders of the holding company		(175 749)	301 843	(157 100)	99 422
Non-controlling interest		33 246	319 760	(5 569)	150 587
Net (loss) profit for the period		(142 503)	621 603	(162 669)	250 009
(Losses) Earnings per share for the period (LE/share)	(34)	(0.33)	0.47	(0.30)	0.19

The accompanying notes from No. (1) to No. (37) form an integral part of these consolidated interim financial statements.

Limited Review Report "attached"

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Statement of cash flows
For the Six Months Ended :

	Note No.	30/6/2014 LE(000)	30/6/2013 LE(000)
Cash flows from operating activities			
Net (loss) profit for the period before income tax		(131 715)	856 941
Adjustments to reconcile net (loss) profit to net cash (used in) provided by operating activities			
Depreciation	(4)	350 191	336 335
Amortization of accrued interest		(1 934)	(2 887)
Amortization of bond issuance costs		2 200	1 100
Reversal of impairment loss on assets		—	(13 634)
Impairment loss on assets	(12)	73	90
Provisions		—	8 100
Capital gain		(12 575)	(218)
Interest & finance expenses		392 492	451 415
Amortization of the difference resulting from the change in fair value of long term lending		(879)	(741)
Differences resulting from the change in liability of the supplementary pension scheme		8 174	7 535
Foreign currency exchange differences		47 672	(107 524)
		653 699	1 536 512
Changes in working capital			
Inventory		(1 135 503)	35 699
Trade receivables, debtors and other debit balances		35 424	(201 818)
Trade payables, creditors and other credit balances		(436 186)	173 842
Liability of the supplementary pension scheme		1 989	2 036
Used provisions		(98)	(10 854)
Cash (used in) provided by operating activities		(880 675)	1 535 417
Income tax paid		(393 865)	(274 848)
Interest paid		(400 675)	(428 011)
Net cash (used in) provided by operating activities		(1 675 215)	832 558
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(557 417)	(204 992)
Payments for purchase of financial investment (treasury bills)		(85 774)	(97 837)
Proceeds from reclaim of financial investment (treasury bills)		90 575	104 600
Proceeds from sale of fixed assets		12 611	219
payments for sales tax authotity - installment of capital goods		(15 305)	—
Payments for lending others		(10 525)	(23 080)
Proceeds from lending others		8 757	11 405
Net cash used in investing activities		(557 078)	(209 685)
Cash flows from financing activities			
Proceeds / (payments) from credit facilities		1 482 008	(5 315)
Payments for long term liabilities		(16)	—
Proceeds from blocked time-deposits and current accounts		263 495	15 337
Payments for loans		(787 092)	(516 324)
Proceeds from loans		1 359 363	404 898
Payments for bond loan		(440 000)	—
Dividends paid		(321 286)	(210 919)
Net cash provided by (used in) financing activities		1 556 472	(312 323)
Net change in cash and cash equivalents during the period		(675 821)	310 550
Cash and cash equivalents at beginning of the period	(13)	(1 262 524)	(1 061 911)
Translation differences		1 825	(486)
Cash and cash equivalents at the end of the period	(13)	(1 936 520)	(751 847)

The accompanying notes from No. (1) to No. (37) form an integral part of these consolidated interim financial statements.

Limited Review Report "attached"

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Interim Statement of Changes in Shareholders' Equity

For the Six Months Ended June 30, 2014

	Capital LE (000)	Reserves LE (000)	The difference resulting from the acquisition of additional percentage in subsidiaries capital LE (000)	Retained earnings LE (000)	Translation difference adjustments LE (000)	Treasury stocks LE (000)	Employees and board of directors' share in interim distributions 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	3 966 993	(3 599 573)	1 408 519	273 693	(71 921)	(43 719)	8 381	4 658 698	1 648 762	6 307 460
Setting off profit of year 2012 in retained earnings	–	–	–	8 381	–	–	–	(8 381)	–	–	–
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	–	–	–	–
Setting off 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)
Setting off 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)
Translation difference adjustments	–	–	–	–	139 342	–	–	–	139 342	82 323	221 665
Net profit for the period from 1/1/2013 to 30/6/2013	–	–	–	–	–	–	–	301 843	301 843	319 760	621 603
Balance as of 30/6/2013	2 716 325	3 978 919	(3 599 573)	1 313 302	413 035	(71 921)	–	301 843	5 051 930	1 887 786	6 939 716
Adjustment to retained earnings	–	–	–	(31 839)	–	–	–	–	(31 839)	–	(31 839)
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 difference adjustments	–	–	–	–	(8 809)	–	–	–	(8 809)	(6 210)	(15 019)
Net (loss) profit for the period from 1/7/2013 to 31/12/2013	–	–	–	–	–	–	–	(167 482)	(167 482)	78 514	(88 968)
Balance as of 31/12/2013	2 716 325	3 978 919	(3 599 573)	1 281 430	404 226	(71 921)	(51 844)	134 361	4 791 923	1 732 182	6 524 105
Setting off profit of year 2013 in retained earnings	–	–	–	134 361	–	–	–	(134 361)	–	–	–
Setting off company's share & non-controlling interst in employees and the board of directors' share in EZDK interim dividends of 2013	–	–	–	(124 382)	–	–	51 844	–	(72 538)	(63 017)	(135 555)
Dividends for the year 2013	–	–	–	–	–	–	–	–	–	(182 078)	(182 078)
Transferred to retained earnings - Adjustment to Non controlling	–	–	–	(2 530)	–	–	–	–	(2 530)	(2 106)	(4 636)
Translation difference adjustments	–	–	–	–	38 743	–	–	–	38 743	18 978	57 721
Net (loss) profit for the period from 1/1/2014 to 30/6/2014	–	–	–	–	–	–	–	(175 749)	(175 749)	33 246	(142 503)
Balance as of 30/6/2014	2 716 325	3 978 919	(3 599 573)	1 288 879	442 969	(71 921)	–	(175 749)	4 579 849	1 537 205	6 117 054

The accompanying notes from No. (1) to No. (37) form an integral part of these consolidated interim financial statements.

Limited Review Report "attached"

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the consolidated interim financial statements
For the Six Months Ended June 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 – Egypt. Chairman is Mr. / Paul Philipe Chekaiban.

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:

	30/6/2014 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) Throw Al Ezz El Dekheila	63.84 (Direct & Indirect) Throw 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:

	30/6/2014 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 Interim Financial Statements

This Consolidated Interim Financial Statements were approved by the company's management on September 24, 2014

2. Basis For The Preparation of The Consolidated Interim Financial Statements

2.1 *Statement of compliance*

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

2.2 *Basis of measurement*

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

2.3 *Functional and presentation currency*

These consolidated interim 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 management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

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

2.5 *Basis of consolidation*

- The consolidated interim financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the holding company, 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 interim 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 interim financial statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the consolidated interim financial statements. Non controlling share in profits and losses of the subsidiary companies are included in a separate line item in the income statement.

- Al Ezz Algeria company's balances have been excluded from the consolidated balance sheet as of September 30, 2013, and recorded in the consolidated statement of income for the financial period ended March 31, 2013 as a result of the decision taken by the Extraordinary General Assembly Meeting of Al Ezz Steel Algeria company that was held on May 29, 2013 to the effect of liquidating the company and the company was struck off from the Commercial Registry in Algeria on September 3, 2013.

- 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

Translation from Arabic

3. SIGNIFICANT ACCOUNTING POLICIES

These separate interim financial statements are presented in Egypt pound (LE), which is the company's functional currency.

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 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 period. Exchange differences arising from the translation are recorded in the shareholders equity.

Financial statements of Ezz Steel Algeria Company S.P.A

Ezz Algeria company maintains its accounting records in Algeria Dinar 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 period. 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 and constructions	25 – 50
Other buildings	8
Central air conditioning and fixtures	8
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	3 – 10
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 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 at 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 difference between the acquisition cost and the company share in the fair value of the assets and liabilities of the Al Ezz El Dekheila for Steel – Alexandria – a subsidiary company. Goodwill is tested for impairment annually. If events or changes in circumstances indicate that the goodwill might be impaired, impairment loss "If any" is charged to the consolidated income statement for the period.

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, using the first in first out method.

- Spare parts, materials, and supplies: are valued at cost up to bringing them to warehouses, 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 & other debit balances

Trade and notes receivable and debtors & other debit balances 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

The Company considers all cash on hand, bank current accounts, short-term deposits with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value with original maturities of three months or less as cash and cash equivalents. The statement of cash flows is prepared according to the indirect method.

3.12 Trade and notes payable and creditors & other credit balances

Trade and notes payable and creditors & other credit balances 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 with any difference between cost and redemption value being recognized in the income statement on an effective interest basis.

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 from total 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 period 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 period	—	17 549	76 237	18 647	5 992	3 777	—	122 202
Disposals during the period	—	—	(597)	(21 592)	(1 422)	—	—	(23 611)
Translation differences	2 673	71 033	160 808	62	407	1 061	—	236 044
Cost as of June 30, 2014	663 980	4 113 396	15 942 370	146 501	104 683	65 332	3 902	21 040 164
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 period	—	48 237	286 817	8 470	4 064	2 603	—	350 191
Accumulated depreciation of disposals	—	—	(588)	(21 585)	(1 408)	—	—	(23 581)
Translation differences	—	10 684	44 939	56	359	527	—	56 565
Accumulated depreciation as of June 30, 2014	—	1 307 403	8 291 252	84 950	72 636	41 552	3 902	9 801 695
Carrying amount as of June 30, 2014	663 980	2 805 993	7 651 118	61 551	32 047	23 780	—	11 238 469
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 still in use as of June 30, 2014	—	133 458	282 064	64 145	48 124	17 694	3 902	549 387

— 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 Tory's 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 30 million.

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

	30/6/2014 LE(000)	30/6/2013 LE(000)
Operating expenses	342 932	331 775
Selling expenses	1 409	864
General & administrative expenses	5 850	3 696
	350 191	336 335

5. PROJECTS UNDER CONSTRUCTION

	Note No.	30/6/2014 LE (000)	31/12/2013 LE (000)
Constructions expansion		22 294	10 269
Machinery under installation		2 379 393	2 204 254
Capitalized borrowing cost		520 678	414 349
Temporary License for Al Ezz Rolling Mills Company	(35-1)	267 505	259 441
Advance payments for purchase of land		471	471
Design and construction of administrative building		3 930	3 930
Advance payments for purchase of machinery		477 710	284 095
Advance payments for building		313	306
Advance payments for purchase of furniture		258	408
		3 672 552	3 177 523

6. INVESTMENTS

	Participation Percentage %	Investments cost 30/6/2014 LE (000)	Investments cost 31/12/2013 LE (000)
6-1 Financial investments in associates (Al Ezz El Dekheila For Steel - Alexandria (EZDK))			
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 30/6/2014 LE (000)	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 "Ezz Industries"*		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.	30/6/2014 LE (000)	31/12/2013 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		9 640	8 656
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(7-2)	17 304	17 669
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(7-4)	1 907	1 915
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(7-5)	1 557	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)	1 471	1 617
		31 879	31 160

7.2 Present value of the employees' housing loan installments:

The book value of the employees' housing loan installments:

	Note No.	30/6/2014 LE (000)	31/12/2013 LE (000)
Total employees' housing loan		33 064	33 441
Less:			
Short term lending (under the item of debtors & other debit balances)	(11)	4 220	4 049
Nominal value of the long term- employees' housing loan		28 844	29 392
Less:			
Differences resulting from the change in the fair value of the employees' housing loan		11 540	11 723
The present value of the employees' housing long term loan installments		17 304	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 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 June 30, 2014 is 1 408 beneficiary with a total value of LE 33.6 million and the collectible due installments during the year amounted to LE 4.2 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 600 per employee, LE 900 per employee with one member of his family or LE 1 200 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 2 897 k 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 340 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.	30/6/2014 LE (000)	31/12/2013 LE (000)
Total employees' housing loan		2 511	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		1 998	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		527	584
The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments		1 471	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 June 30, 2014 is 171 beneficiary with a total value of LE 2.7 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 187 638 k as of June 30, 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

	30/6/2014 LE (000)	31/12/2013 LE (000)
Raw materials and supplies	1 943 423	1 159 556
Work in process	288 652	183 877
Finished products	806 127	464 605
Spare parts and supplies	1 312 862	1 324 722
Goods in transit	4 145	68 356
Letter of credit	23 212	24 150
	4 378 421	3 225 266

Write-down of inventory by an amount of LE 3 969 k against 3 969 k as of 31/12/2013.

10. TRADE AND NOTES RECEIVABLE

	Note No.	30/6/2014 LE (000)	31/12/2013 LE (000)
Trade receivables		215 654	178 876
Notes receivable		15 215	17 893
		230 869	196 769
Less:			
Impairment loss on trade receivables	(12)	29 657	29 657
		201 212	167 112

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/6/2014 LE (000)	31/12/2013 LE (000)
Deposits with others		294 331	246 425
Tax Authority *		616 979	558 131
Tax Authority – usufruct **		127 477	127 477
Tax Authority – sales tax		31 277	-
Customs Authority		22 791	3 241
Accrued revenues		3	1 325
Prepaid expenses		21 934	35 393
Alexandria Port Authority		42 489	42 489
Short - term lending – employees' housing loan	(7-2)	4 220	4 049
Short - term lending – employees' loans		10 740	9 823
Short - term lending – employees' Umrah loans	(7-4)	3 897	2 870
Short - term lending – employees' Hajj and Jerusalem visit loans	(7-5)	340	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)	40 386	42 532
Advance payment under the account of employees' dividends		34 842	63 034
Other debit balances***		50 834	32 736
		1 303 188	1 170 431
Add:			
Notes receivable		6 500	7 800
		1 309 688	1 178 231
Less:			
Impairment loss on debtors and other debit balances	(12)	69 873	69 873
		1 239 815	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 86 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 127.5 million Note No.(36-2).

***Other debit balances caption includes the investment in Ezz Steel Algeria Company amounted to LE 8 293 k, Also the impairment loss on debtors and other debit balances includes the impairment loss on investment in Ezz Steel Algeria Company amounted to LE 6 722 k, that is according to the decision of the Extraordinary General Assembly Meeting on May 29, 2013 for Ezz Steel Algeria Company to dissolve and liquidate Ezz steel Algeria Company, On September 3، 2013 the company was deleted from the Commercial Registry in Algeria Governorate.

12. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2014 LE (000)	Charged to the statement of income LE (000)	Balance as of 30/6/2014 LE (000)
Impairment loss on trade receivables	(10)	29 657	-	29 657
Impairment loss on debtors and other debit balances	(21-1),(11)	69 873	-	69 873
Impairment loss on advances to suppliers		5 538	73	5 611
Impairment loss on investments available for sale	(6-2)	17 726	-	17 726
Write-down of inventory	(9)	3 969	-	3 969
		126 763	73	126 836

13. CASH AND CASH EQUIVALENTS

	30/6/2014 LE (000)	31/12/2013 LE (000)
Banks – Deposits	25 676	181 166
Banks – current accounts	1 303 854	1 935 695
Cheques under collection	14 115	34 912
Letter of credit cover	20 488	-
Cash on hand	12 627	1 068
Investment funds*	932	895
	1 377 692	2 153 736
Less:		
Cheques under collection	14 115	34 912
Banks – overdraft	3 033 924	2 851 680
Blocked time deposits and current accounts against the service of debt within the credit limits granted by the bank – EZDK	266 173	529 668
Cash and cash equivalents in the statement of cash flows	(1 936 520)	(1 262 524)

* 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 3 033 924 K as of June 30, 2014 in banks – overdraft in Egyptian pound and USDollars (against LE 2 851 680 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								
Banks - credit facilities		Average 11 % for the Egyptian Pound			1 974 476	—	1 974 476	Without guarantees within a limit of LE 2 billion.
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	10 000	421 580	431 580	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 .
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	1-5 years	29 560	1 777 575	1 807 135	Within a limit of LE 2.82 billion granted by group of real estate mortgages and commercial location mortgage
Banks - credit facilities		0.5% over corridor on the uncovered portion from the limit			50 530	—	50 530	Without guarantees within a limit of LE 50 million.
Al Ezz El Dekheila for Steel - Alexandria								
Loans - local currency	To finance Steel Rebars activities and Flat Steel	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	1 373 618	1 732 904	
Loans - foreign currency		Fixed interest 3% - 5.5% Variable interest 3%-4% over monthly Libor	Semiannual installments fully paid in one installment on its due date	2-8 years		1 421 326	1 421 326	
Al Ezz Flat Steel								
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez	Variable	Semiannual installments	August18, 2004 until February18, 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.			1 135 651	—	1 135 651	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 June 30, 2014					4 318 347	4 994 099	9 312 446	
Balance as of December 31, 2013					3 781 904	3 426 968	7 208 872	

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 30/9/2019, 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 10 million stated in long term loan installments due within one year.

15.2 Al Ezz El Dekheila for Steel - Alexandria

- The balance of the local loans in Egyptian pounds includes the amount of LE 898 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 9 installments represent the paid amount until June 30, 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 April 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 28th, 2013 the company concluded another addendum of the medium term finance contract to amend the interest rate of the Egyptian Pound to becomes 1.5% above corridor- lending announced by the Central Bank and 3.5% above libor for one month in respect of the amounts withdrawn in foreign currency. The balance as of June 30, 2014 is LE 294 million equivalent to USD 41 million.
- In April 2008, the company acquired a medium term loan from Qatar National Bank - Al Ahly – (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 3.5% above Libor for 1 month for US Dollars withdrawals.
The revolving medium term loan includes a portion in local currency amounting to EGP 208 million as of June 30, 2014 and the portion in foreign currency amounting to USD 63 million the equivalent of EGP 452 million, which represents as of June 30, 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 USD 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 1, 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.
The balance as of June 30, 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 negotiate with National Bank of Egypt with the same terms to recover the credit limit to the amount of 600 million. The balance as of June 30, 2014 is LE 600 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 for 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 27 million as of June 30, 2014 and a portion in foreign currency amounting to USD 44 million the equivalent of EGP 316 million, which represents as of June 30, 2014.

15.3 Al Ezz Flat Steel

The Inter-creditor Agent is The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank for Al Ezz Flat Steel Company - a subsidiary. It acts also as agent for the international syndicated loans in which 9 banks participated. According to the loan agreements the National Bank of Egypt acts as the Onshore Security Agent, and Royal Bank of Scotland acts as the Offshore Security Agent. The main securities provided are real estate mortgage and commercial pledge on the land, and all tangible and intangible assets of the company, the inventory, assignment of the company's rights under the steel making complex supply & construction contracts, technical support agreement and insurance policies in favor of the lenders.

The interest on local loans in US Dollar and the syndicated commercial loan is calculated by using variable interest rate based on LIBOR. Interest on local loans in Egyptian pound is calculated based on the Central Bank of Egypt Lending discount rate. The company agreed with the lenders to reschedule loan installments during September 2004. The company has started paying the rescheduled amount regularly as of August 2004 till August 2010 and the company will deal with the banks to reschedule loans installments.

The loan installments due within a year according to the loans agreements amount to USD 106 million equivalent to LE 759 million representing the loan installments due since stopping date till June 30, 2014.

15.4 Ezz Rolling Mills

The loan balance represents as follows:-

	30/6/2014 LE (000)	31/12/2013 LE (000)
Total loan balance	1 761 965	1 506 158
Capitalized interest on project under construction	31 618	28 261
Unamortized borrowing cost	(16 008)	(19 750)
Net long term loan for the period / year	1 777 575	1 514 669

16. TRADE AND NOTES PAYABLE

	30/6/2014 LE (000)	31/12/2013 LE (000)
Trade payables	1 549 928	1 654 791
Notes payable	35 407	32 764
	1 585 335	1 687 555

17. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/6/2014 LE (000)	31/12/2013 LE (000)
Fixed assets – creditors		370 036	8 887
Accrued interest		60 920	64 206
Accrued expenses		129 362	151 527
Accrued claims*		6 462	32 102
Tax Authority		89 696	96 801
Performance guarantee retention		15 565	14 159
Sales tax installments		23	23
Tax Authority – sales tax		13 984	33 537
Dividends payable		1 820	1 561
Due to related parties		44	89
Alexandria Port Authority		5 135	5 013
Alexandria Port Authority - sales tax	(20-1)	3 973	3 973
Other credit balances		78 374	82 191
		775 394	494 069

* Accrued claims equivalent to US dollars 900 k represents the value of claims in Ezz Steel company related to the settlement of dispute arised during previous years due to non-execution of contract with a foreign supplier as a result of conflict on the terms of the contract. The claim is recorded during the period as an adjustment on the retained earnings for previous periods.

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 June 30, 2014 amounted to LE 2.8 million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 863 K till June 30, 2014 while the value of the supplementary pension scheme cost reached during the financial period ended as at June 30, 2014 the amount of LE 8.3 million which was charged to the consolidated income statement according to the report prepared by the actuary that was issued on July 25, 2013.

	Note No	30/6/2014 LE (000)	31/12/2013 LE (000)
Present value of the non-financed scheme liabilities		89 399	81 019
Less:			
Unrecognized cost of Previous service benefit scheme*		60 569	62 352
		28 830	18 667
Total liability Of The Supplementary Pension Scheme and distributed as follow:			
Recorded in current liabilities		2 482	1 233
Recorded in long term liabilities	(20)	26 348	17 434
		28 830	18 667

* This item is represented in the previous service benefits cost till June 30, 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 July 25, 2013.

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

	30/6/2014 LE (000)	31/12/2013 LE (000)
Balance at the beginning of the financial year	77 485	-
Present service cost	2 567	4 732
Return cost	3 827	6 592
Present value of the non-financed liabilities for previous service periods	-	66 097
Employees paid subscriptions	2 786	4 674
	86 665	82 095
Less:		
Paid pensions during the period / year	863	1 076
	85 802	81 019

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

	30/6/2014 LE (000)
Current service cost	2 663
Return cost	3 870
Previous service cost installment recognized during the period	1 858
	8 391

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

	30/6/2014	31/12/2013
Average assumptions to determine the assets of the benefits		
A- Average discount rate	10 %	10 %
B- Average inflation rate	6.45 %	6.45 %
Average assumptions to determine the liabilities of the benefits		
A- Average discount rate	10 %	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 9.75 %	Discount rate 10 %	Discount rate 10.25 %
Liability current cost	68 290	66 097	63 999
Service cost	4 457	4 302	4 156

The expected liabilities of the supplementary pension scheme

	30/6/2014 LE (000)
Expected compensations during the period	1 073
	1 073

19. PROVISIONS

	Balance as of 30/6/2014 LE (000)	Balance as of 31/12/2013 LE (000)
Tax provision and claims	195 259	195 357
Lawsuits and claims provision	1 955	1 955
	197 214	197 312

20. OTHER LIABILITIES – LONG TERM

	Note No.	30/6/2014 LE (000)	31/12/2013 LE (000)
Fixed assets- creditors		105	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)	105 805	153 841
Liability of the supplementary pension scheme	(18)	26 348	17 434
lending from others	(20-3)	266 048	258 581
Notes payable		3 415	-
		542 870	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 Port Authority related to previous years and there is legal dispute regarding these concern that has not been settled till now. Al Ezz El Dekheila for Steel – Alexandria 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 long-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 constitutional action was 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. 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.	30/6/2014 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		62 495	70 559
Installments due within one year		112 200	56 100
Present value for the license installments		105 805	153 841

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 period are represented in the sales transactions of products in favor of those companies which amounted to LE 22 267 K in addition to rent amounted to LE 656 K which resulted in the following balances

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance as of 30/6/2014 LE (000)	Balance as of 31/12/2013 LE (000)	Balance Sheet Caption
Al Ezz for Trading and Distributing Building Materials	Sales	22 072	44	-	Creditors and other credit balances – due to related parties
Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	Sales	195	31 486	33 669	Debtors and other debit balances – due from related parties
	Rent	656			

21.1 Due from related parties - Debtors and other debit balances

	Nature of Relationship	30/6/2014 LE (000)	31/12/2013 LE (000)
Al Ezz for Ceramics and Porcelain (GEMMA)	Affiliated company	31 486	33 669
Al Ezz Group Holding Company For Industry & Investment "Ezz Industries"	Holding company	2 111	2 086
Gulf of Suez Development Company	Affiliated company	29	17
Ezz Steel Algeria*		6 760	6 760
		40 386	42 532

* The due amount from related parties has been decreased by the value of the due amount from Ezz Steel Algeria company that amounted to LE 6 760 k. the impairment loss was recorded under the item of impairment loss on debtors and other debit balances caption. (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 on October 30, 2008.

23. RESERVES

	30/6/2014 LE (000)	31/12/2013 LE (000)
Legal reserve*	1 358 163	245 949
Other reserves**	2 620 756	3 732 970
	3 978 919	3 978 919

* **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.

24. TREASURY STOCKS

Treasury stocks as of June 30, 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

	30/6/2014 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, on May,30 2014 the company announced the following:

1- Payment of the due installment on 30/6/2014 for 2 200 000 bonds with an amount of LE220 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 30/6/2014 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

	30/6/2014		31/12/2013	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Deferred tax				
Fixed assets	-	(1 646 506)	-	(1 619 906)
Provisions	30 827	-	25 689	-
Impairment loss on debtors	14 161	-	11 801	-
Impairment loss on investments	5 318	-	4 432	-
Write-down of inventory	1 141	-	992	-
Tax losses carried forward	847 252	-	737 843	-
Total deferred tax	898 699	(1 646 506)	780 757	(1 619 906)
Netting off	(898 699)	898 699	(780 757)	780 757
Net deferred tax liability	-	(747 807)	-	(839 149)

26.2 Recognized deferred tax charged to statement of income.

	30/6/2014 LE (000)	30/6/2013 LE (000)
Net deferred tax	(747 807)	(779 511)
Less:		
Translation difference	(1 163)	(1 607)
Previously charged deferred tax	(839 149)	(785 995)
Deferred tax charged to statement of income	92 505	8 091

26.3 Unrecognized deferred tax assets

	30/6/2014	31/12/2013
	LE (000)	LE (000)
Receivables , debtors and other debit balances	16 925	14 466
Provisions	6 651	23 639
	23 576	38 105

Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the company can utilize the benefits therefrom.

27. COST OF SALES

	For the six months ended	
	30/6/2014	30/6/2013
	LE (000)	LE (000)
Raw Materials	8 168 090	7 832 606
Salaries & Wages	437 969	385 841
Fixed assets depreciation	342 932	331 775
Supplementary pension scheme cost	5 333	4 905
Manufacturing overhead	1 157 567	1 032 631
Manufacturing cost	10 111 891	9 587 758
Change in inventory – finished product and work in process	(446 297)	131 632
	9 665 594	9 719 390

28. SELLING & MARKETING EXPENSES

	For the six months ended	
	30/6/2014	30/6/2013
	LE (000)	LE (000)
Salaries & Wages	27 857	29 324
Advertising	1 634	869
Fixed assets depreciation	1 409	864
Supplementary pension scheme cost	515	500
Other expenses	36 276	44 301
	67 691	75 858

29. ADMINISTRATIVE & GENERAL EXPENSES

	For the six months ended	
	30/6/2014	30/6/2013
	LE (000)	LE (000)
Salaries & Wages	180 665	157 959
Maintenance expenses	5 766	5 811
Fixed assets depreciation	5 851	3 696
Supplementary pension scheme cost	2 325	2 130
Other expenses	90 999	77 104
	285 606	246 700

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:

	30/6/2014	31/12/2013
Letters of guarantee	LE (000)	LE (000)
Egyptian Pound	1 379	1 379
US Dollar	1 100	1 100
Letters of credit		
US Dollar	59 704	110 372
Euro	2 391	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 – a subsidiary – to others on June 30, 2014 amounted to LE 245 k fully covered against (LE 255 k on December 31, 2014).

31. CAPITAL COMMITMENTS

The capital commitments for Al Ezz El Dekheila for Steel - Alexandria company as at June 30, 2014 are represented in machines in the amount of LE 18 million as follows:

	30/6/2014 LE (000)
Establishing the billet storage yard	2 323
Construction of customers service building	10
Improvement of water station no.1	1 598
Project of construction of scrap transportation truck	6 915
Installing a ventilation system in the flat steel factory	404
Supplying two melting pots	1 184
The issuance of raw materials in Al Dekhila port	1 106
Constructing southern land fence	1 644
Supplying and installing telephone exchange	2 860
	18 044

The capital commitments also include amount of $ 4.8 million (equivalent to LE 34 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.

32. TAXATION

32.1 Ezz Steel Company

32.1.1 Corporate tax

- The Company established its factory in Sadat City (one of the new urban communities) and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is granted a tax exemption for a period of ten years beginning from the first following year to the date of production, which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books 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 for year 2012 and up to this date 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 2008 and the taxes due were paid.
- The Tax Authority inspected the Company's books for years 2009 until 2011 and the dispute points were referred to the Internal Committee.
- The company submitted tax returns for years 2005 until 2013 according to the provisions of Law No. 91 of 2005.

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.

32.2.3 Salary 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 provided that the company should pay 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 October 18, 2014. 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 September 17,2014.

- 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 25.8 million, and the company appealed against these forms on the legal due dates. The said differences are currently considered by the Internal committee.

- 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 are currently being inspected and the company did not notify with any forms.

- 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 September 28,2014.

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 2008-2010 and the company has not been notified of the results up to this date.

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.

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 and it was postponed to November 1,2014.

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 our 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 2013 in 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.

32.5 Certain provisions of the income tax Law

32.5.1 Certain provisions of the income tax Law issued by presidential decree no. 53 of 2014

On 30 June 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.

According to these amendments, the company assess the effect and the mechanism of applying the amendments starting from the effective date of the law, 1 July 2014 and in light of its executive regulation when issued.

32.5.2 Issued law no. 44 of 2014

On 4 June 2014, law no. 44 of 2014 was issued, imposing additional 5% increase in the tax rate on individuals and corporate entities whose annual income exceeds one million 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.

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 9 312 446 K as of June 30, 2014 (LE 7 648 872 K as of December 31, 2013). Financing interest and expenses related to these balances amounted to LE 392 492 K during the period (LE 451 415 K during the previous period).

Time-deposits and investment fund amounted to LE 26 608 K as of June 30, 2014 (LE 182 061 K as of December 31, 2013), interest income related to these balances amounted to LE 49 356 K during the period (LE 41 348 K during the previous period). 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 1 609 981 K and LE 5 940 214 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	(514 839)
Euro	(63 888)
Swiss Frank	14
Sterling Pound	(390)
Japanese Yen	(11 036)
Algerian Dinar	1

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) EARNINGS PER SHARE

	For the six months ended	
	30/6/2014	30/6/2013
Net (loss) profit for the period (LE 000)	(175 749)	301 843
Less:		
Holding company's share in employees' and board of directors' share in dividends from subsidiaries	-	52 366
	(175 749)	249 477
Average number of outstanding shares during the period (share)	533 802 313	533 802 313
(Losses) Earnings per share for the period (LE / share)	(0.33)	(0.47)

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, The session was scheduled on April 6, 2013 and it was postponed to November 3, 2014 as a date set for the expert committee to submit its report.

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 six 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 June 9, 2014 and it was postponed to October 2,2014.

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 as it did not impose any obligations on the part of the company.

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.

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

1. The fines stipulated in the court ruling must be executed unless the court of cassation issues a ruling to the effect of cessation thereof.
2. The liability of Ezz Steel company and some other companies of Al-Ezz Group as jointly liable has to be within the limit of one third of the total amount stipulated in the ruling.
3. The aforementioned appeal ruling is most probable to be vacated in case of being appealed against in the court of cassation due to the lack of justification and erroneous implementation of law and violation of what has been proved in the case documents as the General prosecutor office filed charges based in an internal report prepared by an internal committee formed to probe the reasons behind the increase of Steel bars prices for the period starting from 2002 until 2006 which has been left a file by the board of directors of Non-competition Authority in its capacity as the technical body competent to determine the extent of violation occurrence, Whether existent or not according to the law that ended up with the lack of violation existence.

In addition, the appeal judgment didn't observe the implementation of the most proper law rule that represents a constitutional rule concerning the punishment as the period of accountability occurs during the years 2005/2006 and the law that must be implemented in such case is the article No.(22) of law No.(3) for the year 2005 concerning the non-competition and monopoly practices where the maximum limit of the fine is LE 10 million and such fine is not affected by the amendment of law No.190 for the year 2008
which intensified the punishment through the increase of the maximum limit to be LE 300 million because the said law is subsequent to the incident attributed to the officers of the company and doesn't apply on them.

Taking into consideration that the Economic court, economic misdemeanors, issued its ruling in the session held on June 30, 2013 to the effect of being not guilty of all the charges attributed to them in regard to what was proved to the court concerning the fact that the actual dominance on steel bars production inside the Egyptian market was realized for Al-Ezz Group when taking into consideration that the said group owns a share exceeds 25% of the said market and has an effective impact on prices and enjoys pricing leadership in addition to the least production cost and the highest profit margin as well as the best quality and the largest production capacity. The matter that doesn't represent in itself a violation of no-competition and anti-monopoly practices or the misusage of dominance status leading to being confined to the distribution of the Group's product or binding the traders dealing with the group to purchase the Group's steel without dealing with the other plants or event preventing imports from abroad, and the court reached the conclusion that the case documents don't include the contracts stating the proof of violation, the matter that makes the charge concerning the limitation of distributing the steel product of your company as being grounded without real or legal justification.

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.

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.

Cairo Criminal Court issued a ruling during the session on September 4, 2014 to the effect of suspending the implementation of the judgment issued with respect to the aforementioned case that is registered under number 268 for the year 2013 Appellate Court Misdemeanor by virtue of the judgment issued in the aforementioned case that affect of ceasing the execution of the ruling in the said lawsuit.

36. OTHER TOPICS

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, the session will be held on March 25, 2013 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 May 8,2014 and it was postponed to October 30,2014 for the diary.

37. SUBSEQUENT EVENTS

On August 11, 2014 ,the Board of Directors of Al Ezz El Dekhaila for Steel- Alexandria approved the conclusion of the studies on finance alternatives for restructuring the finance of Al Ezz Flat Steel Company to reach the optimal way to finance its expansions and maximize the use of the available resources or the resources planned to be used and according to the studies made in this regard that are related to the increase of capital of the company in accordance with the results that have been reached in these studies.

The Holding Company for Natural Gas notified Al Ezz El Dekheila for Steel – Alexandria of reducing the quantities of gas supply for the company's factories for a period of one month starting from August 15, 2014 until the completion of the implementation of some emergent and necessary maintenance works of the national gas grid while taking into consideration that this reduction will result in the shut down of the factories of direct redox reactions of the company completely throughout the mentioned period and the company's management will try to provide what can be found as alternative raw materials during the period of cessation to enable the factories to maintain the continuity of operation in a manner that does not affect the production quantities of the finished product of full lengths and with an attempt to reduce the negative impact on the finished product of flat steel.

On July 22, 2014 the Arab African International Bank approved the extension period of some short-term credit facilities granted to the Al Ezz El Dekheila for Steel – Alexandria, so the facility became a revolving medium term credit facility for a period of 3 years ending October 31, 2017 to finance the current activity of the company with a total amount of USD 158 million, or the equivalent in local currency with an interest rate of 1.5% above the corridor rate over night lending declared by the Central Bank of Egypt for US dollar withdrawals while taking into consideration that in case of any total or partial repayment of the revolving loan or Arab African Bank's share in the long term syndicated loan and the facility limit shall be increased by the same amount paid.