ezzsteel

حـديـد عـز

EZZSTEEL REPORTS CONSOLIDATED H1 2016 RESULTS

Cairo, [29 September] 2016 – 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 2016. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	H1 2015	H1 2016	YoY % (+/-)
Net sales	9,254	**9,003**	-3
Gross profit	432	**819**	+90
EBITDA*	378	**808**	+113
Net profit after tax and minority interest	(337)	**(376)**	
Earnings per share**	(0.62)	(0.69)	
Net debt to equity	2.69	2.92	

*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:

"Continuing the trend we have seen in the first quarter of 2016, international steel markets remained weak during the second quarter and this, combined with the erratic volatility of the Egyptian financial environment, has led to us recording a loss during the period.

"However, our average overall operating margin has remained solid and we are seeing greater balance in the operating margin across the business units. This is due to the enhanced flexibility that we have built into our business model in recent years representing a first step towards gradual recovery."

For further information:

ezzsteel

Kamel Galal	+20 2 3304 6060	+20 100 539 5499
Ashraf El Ghannam	+20 2 3304 6060	
Ahmed Saad	+20 2 3304 6060	

CNC Communications

Nick Bastin	+44 20 3219 8814	+44 7931 500 066
Maximilian Karpf	+44 20 3817 9937	+44 7921 078 920

About ezzsteel

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

In 2015, the Company produced 3.2 million tonnes of long products (typically used in construction) and 636,000 tonnes of flat products (typically used in consumer / industrial goods). ezzsteel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.

Operational Review

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

Sales & Production

Consolidated net sales for H1 2016 were EGP 9 billion, representing a decrease of three per cent year on year was mainly due to the timing of the holy month of Ramadan, which largely fell within the second quarter of 2016. Flat product prices were down by nine per cent versus the same period of last year while long product prices were up by three per cent during the same period.

Sales after elimination *EGPMn*	**ESR/ERM**	**EZDK**	**EFS**	**Consolidated**
Long	2,783	3,773	1,120	**7,676**
Flat	-	1,233	10	**1,243**
Others		79	5	**84**
Total	**2,783**	**5,085**	**1,135**	**9,003**

Long steel products accounted for EGP 7.7 billion, or 85 per cent of sales in H1 2016, while flat steel products represented 14 per cent of sales at EGP 1.2 billion. Long product exports accounted for three per cent of total long sales. Flat product exports accounted for 32 per cent of total flat sales.

Sales Value *EGPMn*	**Domestic**	**per cent**	**Export**	**per cent**
Long	7,473	97	203	3
Flat	844	68	398	32

Long sales volumes were 1.72 million tonnes during H1 2016, one per cent lower than the 1.73 thousand tonnes sold during the same period last year.

Flat sales volumes, which were concentrated at EZDK, fell by 15 per cent to 323 thousand tonnes in H1 2016, due to lower production, as weak international markets made sales of flat products unattractive.

The group's consolidated sales volumes totalled 2,042 million tonnes in H1 2016, a decrease of three per cent from the 2,112 million tonnes sold in H1 2015.

The contributions of ESR/ERM, EZDK and EFS to the consolidated net sales for the period ending 30 June 2016 were 31 per cent, 56 per cent, and 13 per cent respectively.

Long steel production volumes totalled 1,636 thousand tonnes during H1 2016, flat compared to H1 2015. Flat steel production volumes decreased by six per cent to 361 thousand tonnes for the period, compared to 384 thousand tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for H1 2016 represented 91 per cent of sales, leading to an increase in gross profit margin from five per cent in H1 2015 to nine per cent in H1 2016.

EFS's Cost of Goods Sold was at 109 per cent, compared with 121 per cent in the same period last year and 133 per cent in Q4 2015. This reflects the slightly improved capacity utilization level at that facility. EZDK's COGS to sales ratio gradually improved to reach 91 per cent, versus 93 per cent in the prior year period, as the shortage of natural gas has been slightly ameliorated due to increased LNG imports into Egypt.

	Standalone figures			Consolidated
EGPMn	**ESR/ERM**	**EZDK**	**EFS**	**ezzsteel**
Sales	2,831	5,068	1,138	9,003
COGS	2,353	4,632	1,242	8,184
COGS/Sales	**83%**	**91%**	**109%**	**91%**

Gross profit

Gross profit of EGP 819 million was recorded for H1 2016, an increase of 90 per cent from the EGP 432 million recorded in H1 2015.

EBITDA

EBITDA for H1 2016 amounted to EGP 808 million, representing an increase of 113 per cent from EGP 378 million in H1 2015.

Tax

During H1 2016 benefited from a deferred tax asset of EGP 143 million and income tax of EGP 10.8

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 376 million for H1 2016, 12 per cent higher than during the same period in 2015. This was mainly due to EGP 553 million of foreign exchange losses from the devaluation of the Egyptian pound during the period.

Liquidity and capital resources

At the end of the period, ezzsteel had cash on hand of EGP 3.8 billion and net debt of EGP 13.6 billion. The company has a gearing of Net Debt / Equity of 2.92 times.

Outlook

The successful launch of our new DRI facility at Suez has extended the advantages of our flexible business model to all ezzsteel business units. This flexibility will prove instrumental in mitigating the adverse conditions in which ezzsteel is expected to operate in the coming quarters.

Divisional Overview

EZDK Sales (EGP):	**H1 2015**	**H1 2016**	
Value:	6,185	5,067	Mn
Volume:			
Long:	1,045,690	855,005	Tonnes
Flat:	380,901	320,153	Tonnes
Exports as % of Sales:			
Long:	4	6	
Flat:	37	38	
EBITDA:	416	461	Mn
Production:			
Long Products:	853,292	841,882	Tonnes
Flat Products:	384,118	337,640	Tonnes
Billets:	865,029	853,467	Tonnes
ESR/ERM Sales (EGP):			
Value:	2,952	2,831	Mn
Volume:	648,201	616,509	Tonnes
Exports as % of Sales:	-	-	
EBITDA:	51	349	Mn
Production:			
Long Products:	595,218	567,563	Tonnes
Billets:	368,778	183,667	Tonnes
EFS Sales (EGP):			
Value:	906	1,138	Mn
Volume:			
Long:	199,205	254,573	Tonnes
Flat:	-	2,480	Tonnes
Exports as % of Sales:			
Long:	-	-	
Flat:	-	-	
EBITDA:	(97)	(7)	Mn
Production:			
Long Products:	193,664	227,050	Tonnes
Flat Products:	-	24,127	Tonnes
Billets:	24,859	217,361	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 6 month period ending 30 June 2016. 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, 2016
And Limited Review Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2016
And Limited Review Report
Index

KPMG

Hazem Hassan
Public Accountants & Consultants

Translation from Arabic

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

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 financial position of Ezz Steel Company “an Egyptian joint stock company” as of June 30, 2016 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows 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, 2016 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matters

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

1- As explained in note no. (36-1) 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, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, and the court session was delayed to December 5, 2013 then the said case was adjourned to overturn the judgment issued by the lower court due to the fact that the administration of justice in this regard. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings.

Accordingly, the court case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on November 1, 2016. Currently, it is difficult in the meantime to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

2- As explained in note no. (34-3-1) 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 subsidiary's management opinion is that the tax inspection was previously made for the company pertaining to these years, and an agreement was reached in the Internal Committee, while the disputed point pertaining to the cancellation of the development duty on the exempted movable tax base was referred to the

Appeal Committee which issued a resolution on June 12, 2010 to the effect of cancelling the development duty imposed on the exempted movable tax base, while the other tax bases shall remain exempted for the disputed years. The due tax was paid in full as per the resolution of the Internal Committee; accordingly the dispute amicably came to an end and became final and decisive.

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute during September and October 2011 against paying LE 50 million, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million fell due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts are LE 254.2 million, including delay interest amounting to LE 35 million.

The subsidiary 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 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, in the session held on March 26, 2016 court ruled lack of jurisdiction and transfer the dispute to Alexandria implementation court, the company appealed on this rule no. 144 for year 72 J, although the ministry of finance appealed as well appeal no. 142 for the year 72 J, both appeals were joined for one ruling on August 3, 2016 session, the court canceled the appeal and returned the case to first degree court with different committee to adjudicate once more and the court did not set a session for it till now.

3- As explained in note no. (27-1) and note no. (37-2) 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 subsidiary including the lift of attachment on the subsidiary'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.

KPMG Hazem Hassan
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants and Consultants
26

Cairo, September 28, 2016

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Balance Sheet
As At 30 June 2016:

	Note No.	30/6/2016 LE(000)	31/12/2015 LE(000)	1/1/2015 LE(000)
Non Current Assets				
Fixed assets (net)	(16)	11 808 215	11 210 886	11 072 630
Projects under construction	(17)	4 922 334	4 616 690	3 792 694
Investments in associates	(18-1)	115	115	115
Financial investments available-for-sale	(18-2)	109 880	109 880	109 880
Sales tax installments - long term		—	—	197 511
Long term lending to others	(19)	35 561	34 675	32 062
Other assets	(20)	30 315	30 315	—
Long term debit balances	(21)	14 193	—	—
Goodwill	(40-9)	315 214	315 214	315 214
Total long term assets		**17 235 827**	**16 317 775**	**15 520 106**
Current Assets				
Inventory	(11)	3 966 284	4 322 299	4 093 098
Trade and notes receivable	(12)	65 395	14 849	84 828
Debtors and other debit balances	(13)	2 489 044	2 259 704	1 886 017
Suppliers - advance payments		199 294	274 918	696 938
Investments in treasury bills	(40-8)	16 882	19 468	50 493
Cash and cash equivalents	(15)	3 767 549	4 784 403	916 239
Total current assets		**10 504 448**	**11 675 641**	**7 727 613**
Total Assets		**27 740 275**	**27 993 416**	**23 247 719**
Shareholders' Equity				
Issued and paid - up capital	(29-2)	2 716 325	2 716 325	2 716 325
Reserves	(30)	182 090	182 090	379 346
Retained earnings		(435 524)	(58 018)	560 206
Treasury stocks	(31)	(71 921)	(71 921)	(71 921)
Foreign entites translation reserve		873 982	529 438	441 773
Interim dividends for employees & board of directors in subsidiaries		—	—	(32 556)
Total holding company shareholders' equity		**3 264 952**	**3 297 914**	**3 993 173**
Non-controlling interest		1 383 739	1 483 758	1 241 444
Total Shareholders' equity		**4 648 691**	**4 781 672**	**5 234 617**
Liabilities				
Long Term Liabilities				
Long-term loans	(22)	7 172 701	6 971 255	5 894 183
Long-term liabilities	(27)	434 991	383 311	688 585
Deferred tax liabilities	(10-1)	449 200	589 353	772 581
Total long term liabilities		**8 056 892**	**7 943 919**	**7 355 349**
Current Liabilities				
Banks - overdraft		189 398	181 797	68 463
Loan installments and credit facilities due within one year	(22)	9 993 364	10 267 828	7 533 817
Trade and notes payable	(23)	2 557 083	2 641 939	1 861 548
Trade receivables - advance payments		1 049 781	1 008 428	438 580
Creditors and other credit balances	(24)	1 012 874	942 913	505 897
Income tax		10 817	7 275	41 787
Liability of the supplementary pension scheme	(25)	4 214	3 757	3 045
Provisions	(26)	217 161	213 888	204 616
Total current liabilities		**15 034 692**	**15 267 825**	**10 657 753**
Total liabilities		**23 091 584**	**23 211 744**	**18 013 102**
Total shareholders equity and long term liabilities		**27 740 275**	**27 993 416**	**23 247 719**

The accompanying notes from No. (1) to No. (40) form an integral part of these consolidated interim financial statements.

Chairman & Managing Director

Paul Philipe Chekaiban

ezzsteel Sadat City شركة Ezz Steel Co. S.A.E

Limited review's Report "attached"

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

	Note No.	for the six months ended June 30, 2016 LE(000)	2015 LE(000)	for the three months ended June 30, 2016 LE(000)	2015 LE(000)
Sales (net)	(40-18)	9 002 681	9 253 631	4 035 998	4 460 314
Less :					
Cost of sales	(3)	(8 183 803)	(8 821 438)	(3 704 280)	(4 250 242)
Gross profit		**818 878**	**432 193**	**331 718**	**210 072**
Add (Less):					
Other operating revenues	(4)	22 605	17 459	6 678	11 019
Selling and marketing expenses	(5)	(72 013)	(82 391)	(39 882)	(44 490)
Administrative and General expenses	(6)	(337 403)	(341 548)	(185 500)	(189 075)
Other operating expenses	(7)	(12 710)	(24 375)	(3 559)	(15 005)
Net profit from operating activities		**419 357**	**1 338**	**109 455**	**(27 479)**
Add (Less):					
Finance income	(8)	150 177	64 748	75 759	41 936
Finance cost	(8)	(764 894)	(558 825)	(401 285)	(289 282)
Foreign currency exchange differences loss	(8)	(553 150)	(19 862)	(186 517)	(29 152)
Net finance cost		**(1 167 867)**	**(513 939)**	**(512 043)**	**(276 498)**
Net loss for the period before income tax		**(748 510)**	**(512 601)**	**(402 588)**	**(303 977)**
(Less) Add :					
Income tax		(10 817)	(3 169)	(5 694)	(1 240)
Deferred tax	(2-10)	143 071	78 201	27 348	13 587
Net loss for the period		**(616 256)**	**(437 569)**	**(380 934)**	**(291 630)**
Attributable to:					
Owners of the company		(376 463)	(337 060)	(239 567)	(200 755)
Non-controlling interest		(239 793)	(100 509)	(141 367)	(90 875)
Net loss for the period		**(616 256)**	**(437 569)**	**(380 934)**	**(291 630)**
Losses per share for the period (LE/share)	(9)	**(0.71)**	**(0.63)**	**(0.45)**	**(0.38)**

The accompanying notes from No. (1) to No. (40) form an integral part of these consolidated interim financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

	Note No.	For the six months ended 6/30/2016 LE(000)	For the six months ended 6/30/2015 LE(000)	For the three months ended 6/30/2016 LE(000)	For the three months ended 6/30/2015 LE(000)
Net loss for the period		(616 256)	(437 569)	(380 934)	(291 630)
comorehensive incom items					
Translation differences of financial statements of entities in foreign currency		485 403	112 281	4 391	(928)
Net comorehensive incom for the period after income tax		**(130 853)**	**(325 288)**	**(376 543)**	**(292 558)**
Attributable to:					
Owners of the company		(31 919)	(265 384)	(249 693)	(201 361)
Non-controlling interest		(98 934)	(59 904)	(126 850)	(91 197)
Net comorehensive incom for the period after income tax		**(130 853)**	**(325 288)**	**(376 543)**	**(292 558)**

The accompanying notes from No. (1) to No. (40) form an integral part of these consolidated interim financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity

For The Financial Period Ended June 30, 2016:

	Capital	Reserves	Retained earnings	Foreign entites translation reserve	Treasury stocks	Interim dividends for employees & board of directors in subsidiaries	Total holding company Shareholders Equity	Non-controlling interest	Total shareholders' equity
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Balance as of 1/1/2015	2 716 325	379 346	560 206	441 773	(71 921)	(32 556)	3 993 173	1 241 444	5 234 617
comprehinsive income									
Net loss for the year	—	—	(337 060)	—	—	—	(337 060)	(100 509)	(437 569)
comprehinsive incom items	—	—	—	71 676	—	—	71 676	40 605	112 281
total comprehinsive income	—	—	(337 060)	71 676	—	—	(265 384)	(59 904)	(325 288)
transactions with shareholders									
Company and non-controlling interest share of employees and board of directors of EZDK in interim dividendes for the year 2014	—	—	(64 229)	—	—	32 556	(31 673)	(28 564)	(60 237)
total transactions with company's shareholders	—	—	(64 229)	—	—	32 556	(31 673)	(28 564)	(60 237)
Balance as of 30/6/2015	2 716 325	379 346	158 917	513 449	(71 921)	—	3 696 116	1 152 976	4 849 092
Balance as of 1/1/2016	2 716 325	182 090	(58 018)	529 438	(71 921)		3 297 914	1 483 758	4 781 672
comprehinsive income items									
Net loss for the year	—	—	(376 463)	—	—	—	(376 463)	(239 793)	(616 256)
comprehinsive income items	—	—	—	344 544	—	—	344 544	140 859	485 403
total comprehinsive income	—	—	(376 463)	344 544	—	—	(31 919)	(98 934)	(130 853)
transactions with shareholders									
Company and non-controlling interest share of employees and board of directors of EZDK in interim dividendes for the year 2015	—	—	(1 043)	—	—	—	(1 043)	(1 085)	(2 128)
total transactions with company's shareholders	—	—	(1 043)	—	—	—	(1 043)	(1 085)	(2 128)
Balance as of 30/6/2016	2 716 325	182 090	(435 524)	873 982	(71 921)	—	3 264 952	1 383 739	4 648 691

The accompanying notes from No. (1) to No. (40) form an integral part of these consolidated interim financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of cash flows
For The Financial Period Ended 30 June

	Note No.	2016 LE(000)	2015 LE(000)
Cash flows from operating activities			
Net loss for the period before income tax		(748 510)	(512 601)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities			
Depreciation	(16)	398 364	370 202
Amortization of accrued interest on treasury bills		(1 146)	(2 485)
Reversal of impairment loss on assets		(3 537)	(600)
Provisions formed during the period		4 000	—
Capital gain		(4 312)	(4 428)
Interest & finance expenses		764 894	558 826
Present value difference of long term lending		(1 147)	(1 485)
Differences resulting from the change in liability of the supplementary pension scheme		7 285	6 249
Foreign currency exchange differences		558 313	(10 231)
		974 204	**403 447**
Changes in working capital			
Inventory		480 886	726 037
Trade receivables, debtors and other debit balances		(58 346)	311 375
Trade payables, creditors and other credit balances		(770 187)	(697 133)
Liability of the supplementary pension scheme		1 463	1 852
Net cash provided by operating activities		**628 020**	**745 578**
Used provisions		(460)	(8)
Income tax paid		(7 275)	(41 786)
Interest paid		(741 486)	(453 650)
Net cash flows provided by (used in) operating activities		**(121 201)**	**250 134**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(539 370)	(451 097)
Payments for purchase of intangible assets		—	(30 241)
Payments for purchase of financial investment (treasury bills)		(41 219)	(130 472)
Proceeds from reclaim of financial investment (treasury bills)		44 950	155 450
Proceeds from sale of fixed assets		5 466	5 771
Payments for sales tax authotity - installment of capital goods		—	(3 922)
Payments for lending employees		(17 323)	(13 262)
Proceeds from lending employees		11 687	9 978
Net cash used in investing activities		**(535 809)**	**(457 795)**
Cash flows from financing activities			
Proceeds from credit facilities		(413 599)	468 760
Payments for long term liabilities		(8)	(10)
proceeds (Payment) from blocked time-deposits and current accounts aginst the medum term financing agreement		626 121	(786 911)
Payments for loans		(286 951)	(1 153 826)
Proceeds from loans		443 207	2 285 834
Dividens paid		(65 511)	(60 237)
Net cash provided by financing activities		**303 259**	**753 610**
Net change in cash and cash equivalents		**(353 751)**	**545 949**
Cash and cash equivalents at beginning of the period	(15)	**1 647 865**	**608 137**
Translation differences		4 349	411
Cash and cash equivalents at the end of the period	(15)	**1 298 463**	**1 154 497**

The accompanying notes from No. (1) to No. (40) form an integral part of these consolidated interim financial statements.

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, 2016

1. BACKGROUND

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on 2 April 1994. The Company is located in Sadat City. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette, issue No. 231 of April 1994.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebnon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- Chairman is Mr. / Paul Philipe Chekaiban.
- The company is – a subsidiary company- of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" which contributed in the company's capital by 65.36%.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

Subsidiaries

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

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 Interim Financial Statements:

	30/6/2016 Percentage Share %	**31/12/2015** Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91	98.91
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59	54.59
Al Ezz Flat Steel (EFS)	71.07 (Direct & Indirect) Through Al Ezz El Dekheila	71.07 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	49.13 (Indirect) Through Al Ezz El Dekheila	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	47.49 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

Issuance of Consolidated Interim Financial Statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on September 28, 2016.

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

2.1 Statement of compliance

- These consolidated Interim financial statement has been prepared in accordance with Egyptian Accounting Standard and in light of Egyptian laws and regulations.

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.

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 consolidated interim financial statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the actual results may differ from these estimates.

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

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

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

- The Consolidated interim financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the holding company, the company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity.
- 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 consolidated income statement.
- The provided profit and losses from acquisition or selling shares from non-controlling interest without changing of the mother company's control, its directly recorded in shareholders' equity.

3. COST OF SALES

	Note No.	For the six months ended 30/6/2016 LE (000)	For the six months ended 30/6/2015 LE (000)	For the three months ended 30/6/2016 LE (000)	For the three months ended 30/6/2015 LE (000)
Raw Materials		5 841 528	6 460 824	3 265 371	3 003 420
Salaries & Wages		547 301	509 914	285 421	278 319
Fixed assets depreciation	(16)	385 574	359 555	196 848	180 110
Supplementary pension scheme cost		4 829	4 125	2 717	2 062
Manufacturing overhead expenses		977 235	939 392	503 587	473 607
Manufacturing cost		**7 756 467**	**8 273 810**	**4 253 944**	**3 937 518**
Change in inventory – finished product and work in process		427 336	547 628	(549 664)	312 724
		8 183 803	**8 821 438**	**3 704 280**	**4 250 242**

4. OTHER OPERATING REVENUES

	For the six months ended 30/6/2016 LE (000)	For the six months ended 30/6/2015 LE (000)	For the three months ended 30/6/2016 LE (000)	For the three months ended 30/6/2015 LE (000)
Capital gain	4 312	4 428	(636)	4 405
Reversal of impairment on assets	1 000	600	1 000	-
Other revenues	17 293	12 431	6 314	6 614
	22 605	**17 459**	**6 678**	**11 019**

5. SELLING & MARKETING EXPENSES

	Note No.	For the six months ended 30/6/2016 LE (000)	For the six months ended 30/6/2015 LE (000)	For the three months ended 30/6/2016 LE (000)	For the three months ended 30/6/2015 LE (000)
Salaries & Wages		31 619	32 263	16 469	16 884
Advertising		3 478	22 908	1 871	13 395
Fixed assets depreciation	(16)	2 658	2 711	1 319	1 354
Supplementary pension scheme cost		404	345	228	127
Other expenses		33 854	24 164	19 995	12 730
		72 013	**82 391**	**39 882**	**44 490**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the six months ended 30/6/2016 LE (000)	For the six months ended 30/6/2015 LE (000)	For the three months ended 30/6/2016 LE (000)	For the three months ended 30/6/2015 LE (000)
Salaries & Wages		231 552	217 247	126 393	119 782
Maintenance expenses		9 216	10 320	7 145	5 001
Fixed assets depreciation	(16)	10 132	7 936	5 237	4 213
Supplementary pension scheme cost		2 052	1 779	1 150	936
Other expenses		84 451	104 266	45 575	59 143
		337 403	**341 548**	**185 500**	**189 075**

7. OTHER OPERATING EXPENSES

	For the six months ended		For the three months ended	
	30/6/2016 LE (000)	30/6/2015 LE (000)	30/6/2016 LE (000)	30/6/2015 LE (000)
Donations	8 317	19 502	3 662	10 267
Formed provisions during the period	4 000	-	-	-
Others expenses	393	4 873	(103)	4 738
	12 710	**24 375**	**3 559**	**15 005**

8. FINANCE REVENUES AND COST

	For the six months ended		For the three months ended	
	30/6/2016 LE (000)	30/6/2015 LE (000)	30/6/2016 LE (000)	30/6/2015 LE (000)
Finance revenues				
Finance and interest revenues	150 177	64 748	75 759	41 936
Total finance revenues	**150 177**	**64 748**	**75 759**	**41 936**
Finance Cost				
Interest & finance expenses	(764 894)	(558 825)	(401 285)	(289 282)
Total finance cost	**(764 894)**	**(558 825)**	**(401 285)**	**(289 282)**
Foreign currency exchange differences loss	(553 150)	(19 862)	(186 517)	(29 152)
Net finance cost	**(1 167 867)**	**(513 939)**	**(512 043)**	**(276 498)**

9. LOSSES PER SHARE

	For the six months ended		For the three months ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
Net loss for the period (LE 000)	(376 463)	(337 060)	(239 567)	(200 755)
Average number of outstanding shares during the period (share)	533 802 313	533 802 313	533 802 313	533 802 313
Losses per share for the period (LE / share)	**(0.71)**	**(0.63)**	**(0.45)**	**(0.38)**

10. DEFERRED TAX

10.1 Recognized deferred tax assets and liabilities

	30/6/2016		31/12/2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Items	**LE (000)**	**LE (000)**	**LE (000)**	**LE (000)**
Fixed assets	-	(1 674 067)	-	(1 571 103)
Provisions	21 182	-	21 692	-
Impairment loss on debtors	10 893	-	10 893	-
Impairment loss on investments	3 988	-	3 988	-
Write-down of inventory	1 068	-	1 509	-
Tax losses carried forward	1 128 871	-	954 082	-
Revaluations differences	65 097	-	11 782	-
Undistributed profit in subsidiaries	-	(6 232)	-	(22 196)
	1 231 099	**(1 680 299)**	**1 003 946**	**(1 593 299)**
Net deferred tax (liability)	-	**(449 200)**	-	**(589 353)**

10.2 Recognized deferred tax charged to statement of income.

	30/6/2016	**30/6/2015**
	LE (000)	**LE (000)**
Net deferred tax	(449 200)	(696 261)
Less:		
Translation difference	(2 918)	(1 881)
Previously charged deferred tax	(589 353)	(772 581)
Deferred tax charged to statement of income	**143 071**	**78 201**

10.3 Unrecognized deferred tax assets

	30/6/2016	**31/12/2015**
	LE (000)	**LE (000)**
Receivables , debtors and other debit balances	7 442	8 002
Provisions	26 442	25 092
Tax losses	55 172	30 472
	89 056	**63 566**

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

11. INVENTORY

	30/6/2016	**31/12/2015**
	LE (000)	**LE (000)**
Raw materials and supplies	899 565	1 174 296
Work in process	112 982	311 121
Finished products	979 615	1 208 855
Finished products - DRI	182 627	72 334
Spare parts and supplies	1 402 755	1 355 499
Goods in transit	351 533	140 096
Letter of credit	37 207	60 098
	3 966 284	4 322 299

12. TRADE AND NOTES RECEIVABLE

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Trade receivables		91 137	42 706
Trade receivables – Related parties	(27-1)	2 865	-
Notes receivable		1 050	1 800
		95 052	**44 506**
Less:			
Impairment loss on trade receivables	(14)	29 657	29 657
		65 395	**14 849**

13. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Deposits with others		626 947	609 107
Tax Authority *		898 677	839 222
Tax Authority – Sales Tax		65 260	-
Tax Authority – usufruct **		127 477	127 477
Tax Authority – sales tax – capital goods installments***		207 299	205 460
Customs Authority		19 716	9 119
Accrued revenues		3 845	4 275
Prepaid expenses****		39 654	47 633
Alexandria Port Authority		54 781	41 699
Short - term lending – employees' housing loan	(19-1)	5 391	5 328
Short - term lending – employees' loans		26 618	18 082
Short - term lending – employees' Umrah loans	(19-2)	2 373	2 030
Short - term lending – employees' Hajj and Jerusalem visit loans	(19-3)	867	641
Short - term lending – employees' housing loan for those who were negatively affected by gate No.(8) project	(19-4)	490	501
Letters of guarantee cash margin		178	135
Letters of credit cash margin		-	11 151
Due from related parties	(27-2)	203 206	196 235
Advance payment under the account of employees' Dividends		163 576	100 239
The Cairo Economic court*****		35 060	35 060
Other debit balances******		63 592	63 273
		2 545 007	**2 316 667**
Less:			
Impairment loss on debtors and other debit balances	(14)	55 963	56 963
		2 489 044	**2 259 704**

* The Tax Authority balances includes 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.(33-3-1) in addition to an amount of LE 233 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).

*** Sales tax installments is represented in the balance of sales tax installments related to import capital goods related to Ezz Rolling Mills Company - a subsidiary.

**** Prepaid expenses includes LE 1 346 K represented in the current portion of advance payment of capital lease contracts – note (21).

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

****** The Other debit balances Item include amount of LE 49.5 Million represented 15% of the license related to second production line which paid on February 2012 by Ezz Rolling Mills Company - a subsidiary.

14. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 31/12/2015 LE (000)	Used during the period LE (000)	Balance as of 30/6/2016 LE (000)
Impairment loss on trade receivables	(12)	29 657	-	29 657
Impairment loss on debtors and other debit balances	(13)	56 963	(1 000)	55 963
Impairment loss on advances to suppliers		5 611	-	5 611
Impairment loss on investments available for sale	(18-2)	17 726	-	17 726
		109 957	**(1 000)**	**108 957**

15. CASH AND CASH EQUIVALENTS

	30/6/2016 LE (000)	31/12/2015 LE (000)
Banks - time deposits	411 932	550 738
Banks – current accounts	3 281 862	4 192 123
Cheques under collection	13 535	37 083
Cash on hand	59 121	3 406
Investment funds*	1 099	1 053
	3 767 549	**4 784 403**
Less:		
Banks – overdraft	189 398	181 797
Restricted time deposits and current accounts within the credit conditions granted by the bank for group companies	2 279 688	2 954 741
Cash and cash equivalents in the statement of cash flows	**1 298 463**	**1 647 865**

* Investments funds are represented in a number of 4 853 investment deeds with accumulated daily interest.

16. FIXED ASSETS (NET)

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Cost as of January 1, 2015	663 980	4 123 806	16 022 883	165 548	118 067	68 251	3 902	21 166 437
Additions during the period	—	3 980	25 431	22 935	13 541	3 970	—	69 857
Disposals during the period	—	(288)	—	(2 732)	(2 877)	(1 203)	—	(7 100)
Translation differences of foreign entities	5 971	158 828	359 245	135	930	2 473	—	527 582
Cost as of June 30, 2015	669 951	4 286 326	16 407 559	185 886	129 661	73 491	3 902	21 756 776
Cost as of January 1, 2016	673 757	4 392 112	16 672 643	200 616	148 583	77 789	3 902	22 169 402
Additions during the period	—	42 237	75 523	6 569	11 449	7 637	—	143 415
Disposals during the period	—	(2 836)	(81 139)	(1 771)	(2 091)	(1 110)	—	(88 947)
Translation differences of foreign entities	13 596	361 718	818 018	308	2 167	5 795	—	1 201 602
Cost as of June 30, 2016	687 353	4 793 231	17 485 045	205 722	160 108	90 111	3 902	23 425 472
Accumulated depreciation as of January 1, 2015	—	1 356 163	8 517 378	95 165	76 789	44 410	3 902	10 093 807
Depreciation for the period	—	50 557	297 664	13 317	5 519	3 145	—	370 202
Accumulated depreciation of disposals	—	(288)		(2 732)	(2 877)	(1 203)	—	(7 100)
Translation differences of foreign entities	—	26 188	107 656	128	843	1 346	—	136 161
Accumulated depreciation as of June 30, 2015	—	1 432 620	8 922 698	105 878	80 274	47 698	3 902	10 593 070
Accumulated depreciation as of January 1, 2016	—	1 497 408	9 199 926	121 389	84 124	51 767	3 902	10 958 516
Depreciation for the period	—	56 478	313 473	16 735	7 700	3 978	—	398 364
Accumulated depreciation of disposals	—	(2 836)	(76 876)	(1 771)	(2 071)	(1 110)	—	(84 664)
Translation differences of foreign entities	—	67 918	271 101	302	2 063	3 657	—	345 041
Accumulated depreciation as of June 30, 2016	—	1 618 968	9 707 624	136 655	91 816	58 292	3 902	11 617 257
Carrying amount as of June 30, 2015	669 951	2 853 706	7 484 861	80 008	49 387	25 793	—	11 163 706
Carrying amount as of December 31, 2015	673 757	2 894 704	7 472 717	79 227	64 459	26 022	—	11 210 886
Carrying amount as of June 30, 2016	687 353	3 174 263	7 777 421	69 067	68 292	31 819	—	11 808 215
Fixed assets fully depreciated and still in use as of June 30, 2016	—	133 558	301 669	62 423	52 849	28 074	3 902	582 475

— The land item includes a piece of land with a total area of 928 k m2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 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 in process.

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

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

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

	Note	for the six months ended in June 30,: 2016	2015
	no.	LE(000)	LE(000)
Cost of sales	(3)	385 574	359 555
Selling and marketing expenses	(5)	2 658	2 711
General & administrative expenses	(6)	10 132	7 936
		398 364	370 202

17. PROJECTS UNDER CONSTRUCTION

	30/6/2016 LE (000)	31/12/2015 LE (000)
Constructions expansion	48 748	58 550
Machinery under installation	3 397 272	3 264 162
Capitalized borrowing cost	1 212 714	1 003 489
Design and construction of administrative building	3 980	3 980
Advance payments for purchase of machinery	259 225	285 979
Advance payments for building	395	530
	4 922 334	**4 616 690**

18. INVESTMENTS

	Participation Percentage %	Investments cost 30/6/2016 LE (000)	Investments cost 31/12/2015 LE (000)
18-1 Investments in associates			
– Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
– Al Ezz El Dekheila for Steel – Egypt (EZDK) (LLC)	50	25	25
– Contribution in EZDK Steel UK LTD – note no. (36-1)	50	-	-
		115	**115**

18-2 Financial investments Available-for-sale	Note No.	Investments cost 30/6/2016 LE (000)	Investments cost 31/12/2015 LE (000)
– Egyptian Company for Cleaning and Security Services		80	80
– Arab Company for Special Steel (SAE)		17 726	17 726
– Al Ezz Group Holding Company For Industry & Investment*		109 800	109 800
		127 606	**127 606**
Less:			
– Impairment loss on Arab Company for Special Steel	(14)	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%.

19. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		12 290	11 346
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(19-1)	18 119	19 366
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(19-2)	1 184	691
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(19-3)	3 271	2 381
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)	(19-4)	697	891
		35 561	**34 675**

19.1 Present value of the employees' housing loan installments:

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Total employees' housing loan		35 971	37 661
Less:			
Short term lending (included in debtors & other debit balances)	(13)	5 391	5 328
Nominal value of the long term- employees' housing loan		**30 580**	**32 333**
Less:			
Differences resulting from the change in the fair value of the employees' housing long term loans		12 461	12 967
The present value of the employees' housing long term loan installments		**18 119**	**19 366**

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

The number of beneficiaries from this loan till June 30, 2016 is 1 775 beneficiary with a total value of LE 36 million and the collectible due installments during the year amounted to LE 5.4 million which is recorded under the item of debtors & other debit balance – short term lending (note no. 13), 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 interim financial statements 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.

19.2 The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 K per employee or LE 18 K per employee with one or more members of his family, in addition to the financial support provided by the company with an amount of LE 1 000 per employee, LE 1 500 per employee with one member of his family or LE 2 000 per employee with two members of his family according to the Human Resources Manager's decision on December 19, 2012 and its amended on October 24, 2013 provided that the said loan shall be paid over 24 months. On June 17, 2015 the company approved increasing Umrah supporting with 25% to be the support which the company presented to the one employee is LE 1 250 and the employee with one of his family is LE 1 875 or LE 2500 in case of two persons from the family. Thus, the installments due for collection within one year amounted to LE 2.4 Million were recorded under the item of debtors & other debit balances- short term lending (note no.13).

19.3 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. And on June 17, 2015 the company approved to increase Hajj support by 25% to become LE 5 000. And on May 4, 2016 it was approved for Hajj loan to become LE 36 K instead of LE 30 K and for Hajj support to increase from LE 5000 to LE 6000. The installments due for collection in one year amounted to LE 867 K were recorded under the item of debtors & other debit balances- short term lending (note no.13).

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

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Total employees' housing loan		1 459	1 725
Less:			
Short term lending (included in debtors & other debit balances)	(13)	490	501
Nominal value of the long term- employees' housing loan for those who were negatively affected by gate No.(8) project		**969**	**1 224**
Less:			
Differences resulting from the change in the fair value of the employees' housing long term loans for those who were negatively affected by gate No. (8) project		272	333
The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments		**697**	**891**

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 is 171 beneficiary with a total value of LE 1.5 million to be paid on installments over a period up to 7 years and the collectible due installments during the year amounted to LE 490 K which is recorded under the item of debtors & other debit balance – short term lending (note no. 13).

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 interim financial statements 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.

20. OTHER ASSETS

The amount is represented in the paid up amount during the period by both of Al Ezz Flat Steel Company (EFS) – subsidiary – Al Ezz Rolling Mills Company – subsidiary – to Industrial Development Authority amounted LE 24 785 K and LE 5 530 K Respectively for the approval of expanding the steel rebar production, the needed procedures to obtain license is process.

21. Long Term Debit Balances

The balance as of June 30, 2016 amounted to L.E. 14 193 k represented in long term advance payment related to capital lease agreements signed during the period. The Company signed lease contracts with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building according to capital lease law, the contracts provide the right to the Company to own those assets at a predetermined value at the end of the contract period.

Description	Contract starting date	Contract period	Total Value of contract LE (000)	Payments till 2016/6/30 LE (000)	Capital lease liability 2016/6/30 LE (000)
Corplease	2016	8 years	268 169	15 539	252 630

– The advance payments stated in company assets as follow :

	Note No.	Balance as at 30/6/2016 LE (000)
Non-current portion		14 193
Current portion	(13)	1 346
		15 539

– The capital lease liabilities till end of agreement as follows :

	2016 LE (000)	2017 LE (000)	2018 LE (000)	2019 LE (000)	5 years or More LE (000)	Total LE (000)
Capital lease liability	10 942	23 842	27 800	32 415	157 631	252 630

– The company has issued checks in favor of the leasing company covered all capital lease liabilities till June 2024.

22- 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
22-1 Ezz Steel									
Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over corridor.	26 installments quarterly	1-7 years	105 000	1 544 830	1 649 830	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement.
Banks - credit facilities			Average 12 % for the Egyptian Pound, and 5% for the US Dollar			2 701 625	—	2 701 625	Without guarantees within a limit of LE 2 billion.
22-2 Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities	Variable interest	corridor deposit 2.5% corridor lending 0.5% - 1.75%	Semiannual installments fully paid in one installment on its due date	2-6 years	179 643	2 386 428	2 566 071	
Loans - foreign currency		Variable interest	over monthly Libor 3%-4%	installments fully paid in one installment on its due date	2-8 years	444 000	316 146	760 146	
Banks - credit facilities	To finance working capital and letter of credit		- Average lending and discount rate puplished from the centeral bank on withdrown amount of egyptian pound - libor rate on withdrown amounts of US Dollar			4 339 093	—	4 339 093	
22-3 Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez		Variable	semiannual	August18, 2004 until February 18, 2013	68 111	—	68 111	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 and technical support and insurance in favor of banks.
Loans - foreign currency						867 107	—	867 107	
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.			1 116 990	—	1 116 990	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.
22-4 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 for the first section) in addition to the margin. (2 months for the second section).	quarterly installments for thr first section and monthly installments for the second section	1-10 years	121 937	2 925 297	3 047 234	Within a limit of LE 2.82 billion grunted by group of real estate mortgages and commercial mortgage
Banks - credit facilities			0.5% over corridor on the uncovered portion from the limit			49 858	—	49 858	Without guarantees within a limit of LE 50 million.
Balance as of June 30, 2016						9 993 364	7 172 701	17 166 065	
Balance as of December 31, 2015						10 267 828	6 971 255	17 239 083	

22.1 Ezz Steel Company (Holding company)

On January 18, 2015 the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to restructure the banks credit facilities granted to the company to grant the company a joint long term loan amounted to LE 1.7 billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the Banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement. It will be paid on 26 non equal quarterly installments, the first installment accrued on August 2015 starting from the ending of six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published form the Central Bank of Egypt paid every three months.

The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 million has been paid when the company get the loan, and the balance after deducting the amortization of the period deducted from the loan balance.

- The installments paid until June 30, 2016 amounted to LE 40 Million (against LE 20 Million on December 31, 2015).

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

22.2.1 The balance of the local loans in Egyptian pounds includes the amount of LE 180 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 12 installments represent the paid amount until June 30, 2016. 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. The balance has been recorded as long term liabilities installments due within one year.

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

- The medium-term revolving facility included a portion in the local currency whose balance amounted to LE 970 Million, as at June 30, 2016.

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

- Several addendums to the finance contracts were concluded, the most recent on March 16, 2015 amending the interest rate on foreign currencies to 3.75% above monthly Libor instead of 3% above monthly Libor according to the facility contract terms.
- The revolving medium term loan includes a portion in local currency amounting to LE 528 million as of June 30, 2016 and a portion in foreign currency amounting to L.E. 223 million the equivalent of USD 26.2 million, which represents as of June 30, 2016.

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

- Several addendums to the finance contracts were concluded, the most recent on March 16, 2015 amending the interest rate on foreign currencies to 3.75% above monthly Libor instead of 3% above monthly Libor according to the facility contract terms.
- The balance as of June 30, 2016 is LE 444 million equivalent to USD 50 million.

22.2.5 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 1.75% above monthly libor with respect to the amounts withdrawn in US Dollar.

- Several addendums to the finance contracts were concluded, the most recent on December 31, 2014 extending the revolving medium term loan for another three years till 17, October, 2018.
- The balance as of June 30, 2016 is LE 495 million.

22.2.6 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.

- Several addendums to the finance contracts were concluded, the most recent on June 1, 2015 where the company was notified the amendment of the interest rate on foreign currency to 4% above montly Libor applied based on the contract terms.
- The revolving medium term loan includes a portion in local currency amounting to L.E. 388 million as of June 30, 2016.

22.3 Al Ezz Flat Steel (Subsidiary)

The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank acts as the inter-creditor agent for Al Ezz Flat Steel Company - a subsidiary - as well as an agent for the international syndicated loans in which nine banks participated.

According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent. The most significant guarantees provided are represented in real estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory lien on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favor of the banks.

The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt. The company reached an agreement with the lenders to reschedule the loan installments in September 2004. The company started paying the rescheduled installments regularly as of August 2004 until August 2010, and the company is in process of reaching an agreement with the banks to reschedule loans installments again.

The balance of the loan installments due within a year according to the loans agreements amount to USD 106 million equivalent to LE 934.6 million representing the installments due since the payment cessation date until June 30, 2016.

22.4 Ezz Rolling Mills (Subsidiary)

The loan balance represents as follows:-

	30/6/2016 LE (000)	31/12/2015 LE (000)
Total loan balance	3 048 273	2 806 925
Less:		
Current portion	121 937	64 294
Non-Current portion	**2 926 336**	**2 742 631**
Add (Less):	(1 039)	(4 782)
Unamortized borrowing cost		
Net long term loan	**2 925 297**	**2 737 849**

23. TRADE AND NOTES PAYABLE

	30/6/2016 LE (000)	31/12/2015 LE (000)
Trade payables	2 534 559	2 622 537
Notes payable	22 524	19 402
	2 557 083	2 641 939

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Fixed assets – creditors		222 514	317 879
Accrued interest		151 901	120 895
Accrued expenses		198 883	197 018
Tax Authority		89 886	72 798
Performance guarantee retention		23 119	25 573
Sales tax installments		104 114	104 114
Tax Authority – sales tax		124 455	53 138
Dividends payable		1 561	1 561
Due to related parties	(28-3)	7	54
Alexandria Port Authority		39 779	4 737
Alexandria Port Authority - sales tax	(27-1)	3 973	3 973
Other credit balances		52 682	41 173
		1 012 874	942 913

25. 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, 2016 amounted to LE 18.2 million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 4.4 million till June 30, 2016 while the value of the supplementary pension scheme cost reached during the period ended as at June 30, 2016 the amount of LE 7.3 million which was charged to the consolidated income statement according to the report prepared by the actuary.

	Note No	30/6/2016 LE (000)	31/12/2015 LE (000)
Present value of the non-financed scheme liabilities		121 744	114 155
Less:			
Unrecognized cost of Previous service benefit scheme*		56 547	57 706
		65 197	56 449
Total liability Of The Supplementary Pension Scheme and distributed as follow:			
Recorded in current liabilities		4 214	3 757
Recorded in long term liabilities	(27)	60 983	52 692
		65 197	56 449

* This item is represented in the previous service benefits cost till June 30, 2016 that is not due and amortized based on straight-line method over the average period during which the said benefits become due, according to the calculation made by the actuary and for which an actuarial certificate is issued.

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

	30/6/2016 LE (000)	31/12/2015 LE (000)
Balance at the beginning of January	101 806	90 209
Present service cost	1 726	3 423
Return cost	4 462	7 954
Employees paid subscriptions	18 192	15 726
	126 186	117 312
Less:		
Paid pensions during the period	4 360	3 157
	121 826	114 155

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

	30/6/2016 LE (000)
Current service cost	1 726
Return cost	4 462
Previous service cost installment recognized during the year	1 097
	7 285

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

Average assumptions to determine the assets of the benefits	30/6/2016	31/12/2015
A- Average discount rate	15.25 %	15.25 %
B- Average inflation rate	11 %	11 %

Average assumptions to determine the liabilities of the benefits	30/6/2016	31/12/2015
A- Average discount rate	14.5 %	14.5 %
B- Average inflation rate	10 %	10 %

Sensitivity Analysis of the system:

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

	Discount rate 14.5 %	Discount rate 15.25 %	Discount rate 15.5 %
Liability current cost	64 821	63 510	62 242
Service cost	3 088	3 012	2 940

The expected liabilities of the supplementary pension scheme

	30/6/2016 LE (000)	31/12/2015 LE (000)
Expected compensations during the period	3 443	2 782
	3 443	**2 782**

26. PROVISIONS

	Balance as at 1/1/2016	Formed provision during the period	Used provision during the period	Balance as at 30/6/2016
	LE (000)	LE (000)	LE (000)	LE (000)
Tax provision and claims	211 933	4 000	(460)	215 473
Lawsuits and claims provision	1 955	-	(267)	1 688
	213 888	**4 000**	**(727)**	**217 161**

27. LONG TERM LIABILITIES

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Fixed assets- creditors		62	69
Alexandria Port Authority	(27-1)	45 833	40 414
Liability of the supplementary pension scheme	(25)	60 983	52 692
lending from others	(27-2)	328 113	290 136
		434 991	**383 311**

27.1 The balance recorded in the liabilities- long term amounted to LE 45 833 k represents the value of delay interest claimed by the Alexandria Port Authority, in additional to the accrued liabilities due within one year amounted to LE 3 973 k included within creditors and other credit balances (note no. 24) 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 Sales Tax Authority about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not and the dispute was referred to court.

And the said dispute between Alexandria Port Authority and the Tax Authority resulted in the fact that the Company is the entity that shall bear the tax amounts in case of the settlement of the dispute to the contrary to the benefit of the Authority, in addition, due to the fact that Alexandria Port Authority issued on June 19, 2011 an administrative attachment on the Company's accounts in some banks, the company filed lawsuit No. 1409 of the year 2011 in order to lift the attachment order and all the banks were notified of the lawsuit for the lift of the attachment.

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

The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 million in addition to tax amounting to LE 127.5 million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks.

Consequently, the company filed an appeal against the ruling under No. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action No.54 for the judicial year No. 35 Supreme

Constitutional court is constitutionally settled, and the lawsuit has been completed, the report and the said report has not been submitted yet. (Note No. 37-2). 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. 37-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

27.2 Al Ezz Flat Steel Company borrowed USD 37 million equivalent to LE 328 113 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.

28. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the period are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 17 822 K and LE 380 K respectively in addition to rent amounted to LE 724 K, The following is the most important of these transactions and related balances:

Company's Name	Nature of Transaction	Transaction Volume LE (000)	Balance as of 30/6/2016 Debit/(credit) LE (000)	Balance as of 31/12/2015 Debit/(credit) LE (000)
28-1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	- Sales	17 405	2 865	-
			2 865	-
28-2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (Holding			169 048	154 134
- Gulf of Suez Development Company (Affiliated company)			16	1
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	- Sales	417	34 142	42 100
	- purchases	380		
	- Rent	724		
			203 206	**196 235**
28-3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(7)	(54)
			(7)	(54)

29. CAPITAL

29.1 Authorized capital

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

29.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 k (two million, seven hundred and sixteen thousand, three hundred and twenty five thousand Egyptian pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid in capital after the increase was registered in the Commercial Register with no. 1176 Menouf city on October 30, 2008.

30. RESERVES

	30/6/2016 LE (000)	31/12/2015 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital)**	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiaries' capital***	(3 796 829)	(3 796 829)
	182 090	**182 090**

* **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:** Additional paid in capital resulted from capital increase for the acquisition of Al Ezz El Dekheila for Steel shares, and bonds converted to shares.

*** **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 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 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
Represent the difference between the cost of acquiring 7.23% from the capital of Al Ezz Flat Steel Company – subsidiary – on November 2015 and the net carrying amount of these shares, the difference resulted from acquiring additional shares in non-controlling interest share in the subsidiary.	389 174
	3 796 829

31. TREASURY STOCKS

- Treasury stocks as of June 30, 2016 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.

32. 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 and subsidiaries favor of others and the uncovered letters of credit as follows:

	30/6/2016 LE (000)	31/12/2015 LE (000)
Letters of guarantee		
Egyptian Pound	9 768	26 368
US Dollar	1 804	3 558
Letters of credit		
US Dollar	45 185	8 580
Euro	17 252	1 304

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 three billions and fifty million Egyptian pound to finance the remaining amount of the plant's construction and operation costs for the production of Direct Reduction Iron (D.R.I) at El Ain El Sokhna area. In addition to Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria (EZDK) issue joint guarantee to the benefit of Al Ezz Flat Steel Company with an amount equivalent to USD 60 million and its interest, commissions in addition to any other terms guarantee to the credit facilities granted by the National Bank of Egypt to Al Ezz Flat Steel Company till the full payment.

The amount of letters of guarantee issued by the banks in favor of Contra Steel Company – subsidiary – to others on June 30, 2016 amounted to LE 632 k fully covered (LE 632 k as of December 31, 2015 fully covered).

33. CAPITAL COMMITMENTS

The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at June 30, 2016 are represented in machines in the amount of LE 279 million (against LE 267.29 Million on December 31, 2015) as follows:

	LE (000)
1- Modenization of CSP Plant project	198 615
2- ERP System project	52 810
3- The southern wall for western land project	2 961
4- Horizontal beam for winches project	2 756
5- The extension of cargo aria	2 727
6- Fume dust extraction – lime plant	2 846
7- Blade center network module	1 532
8- Electric workshop – control swich	1 454
9- Supplying a ceiling for PKL & ARP factories	2 173
10- Voice call project in factories (Paging system)	2 469
11- Security center perpatual LIC	2 030
12- Others	6 592
Total	**278 965**

- The capital commitments also include amount of EURO 1 million (equivalent to LE 10.1 million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.

- The capital commitments for Contrasteel company – subsidiary company – on June 30, 2016 is amounted LE 42.5 million at the project of Construction of cracking slag and metal separation plant, an amount of LE 37.9 million has been included in the Project under construction item.

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

- The Company is granted a tax exemption according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, for a period of ten years which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books and all disputes were settled until December 31, 2004 and there is no taxes dues.
- The Tax Authority inspected the Company's books for years from 2005 till 2009 and there is an objection by form No. (19) and the dispute is submitted to the Appeal Committee and according to the company's tax advisor this dispute did not result in any tax liability on the company.
- The Tax Authority finished the inspection of the years 2010-2011 and the company appealed on the legal due date and the dispute was settled within specialized internal committee.
- The Company submitted tax returns for years 2012 until 2015 according to the provisions of Law No. 91 of 2005.

34.1.2 Sales tax

- 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 until the date of the financial statements.
- The years 2013 – 2014 were inspected and the company is waiting for the results of the inspection.

34.1.3 Salary tax

- The Tax Authority inspection of the Company's books until year 2012 and there is no any due amounts on the company.
- The Tax Authority finished inspected the Company's books until year 2013 and the company opposed in legal time, currently the company finishing the dispute with internal committee.

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article No. 24 of Law No. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.The Tax Authority inspected the Company's books and a settlement was made until 2011 and the taxes due were paid.
- The Tax Authority is currently inspecting years 2012 and 2013.

34.2.2 Sales tax

- The Tax Authority inspected the Company's books until 2012 and the taxes due were paid.

34.2.3 Salary tax

- The Company's books have been inspected by the Tax Authority till year 2011 and the taxes due were paid.
- The Tax Authority is currently inspecting years 2012 and 2013.

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 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 held the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 million on 24 installments. The first installment amounting to LE 8.3 million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts is LE 254.2 million, including delay interest amounting to LE 35 million, The Company's 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. Which recorded with no. 963 year 2012 tax total Alexandria, in the session held on March 26, 2016 the court ruled lack of jurisdiction and transfer the dispute to Alexandria implementation court, the company appealed on this rule no. 144 for year 72 J, although the ministry of finance appealed as well appeal no. 142 for the year 72 J, both appeals were joined for one ruling on August 3, 2016 session, the court canceled the appeal and returned the case to first degree court with different committee to adjudicate once more and the court did not set a session for it till now.

- 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, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee.
- The appeal committee issued its decision to subject the 5th year to tax in violation of its previous decision related to the years 2000/2004 even though the tax exemption can't be divided or legally canceled, hence 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, on January 27, 2016 court session, The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and the court didn't set a session for it yet.
- The tax authority demanded that the company pays an amount of 124 million based on the article number 111 of the law number 91/2005, the company appealed on that demand by filing a warrant for the chief of the tax authority and his legal advisor, the company paid all these tax differences during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favor.
- The company ensures the validity of its position and the strength of its defense since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedure will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor .the company filed a lawsuit no 269 for the year 69J administrative justice Alexandria requesting with urgency to stop the application of the contested decision and it's the subsequent implications as well canceling the contested decision and that the tax authority has no right in demanding any amounts for the delay of the payment of taxes for the years 2005 till 2014, a session was set on the October 22, 2016 for presenting the notes.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form No. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 million, and the company appealed against these forms in the legal due dates. The said differences are currently considered by the internal committee. During the month of October 2014, the Company paid the amount of EGP 15 million that represented the tax inspection differences along with preserving the Company's right to refund what had been previously paid once a decision is issued in favor of the Company.
- The company's tax inspection was made for years 2009-2010 and the company has been notified with form 19 tax, the tax differences amounted to LE 118 million, the company has appealed on this form in the legal time, and the internal committee working currently to finalize the dispute.
- Tax inspection for the year 2011/2013 is in progress and the company was not notified to date with any tax forms.
- The company presented its tax returns for the years 2014-2015 at the legal dates according to law provisions, the company paid all the due taxes according to these tax returns.
- 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 on April 20, 2014 session, the court assigned an expert in the litigation, the expert commenced his task and didn't file his report till now, the session was postponed to October 23, 2016 for a report to be filed, the company paid all the amounts according to form no 19 issued by the authority beside the additional forms for the years 2000/2010.

34.3.2 Salary Tax

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- Tax inspection was made till year 2012 and tax differences have been fully paid.

34.3.3 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 recorded with No. 10229 for the year 68 J and session will be set on October 30, 2016 for documents.
- 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, 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. It will be deliberated on October 30, 2016 for the expert to present his report. The company paid an amount of LE 4.5 million, and the remaining portion with the amount of LE 2.5 million is represented in sales tax imposed on the lent billet which was regained.
- The period from the first of January 2011 till December 31, 2011 was inspected and the company has been notified with form 15, the differences amounted to LE 1.5 million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form (15) and the company appealed and the dispute is presented to the grievance committee.

34.3.4 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 the lawsuit is held for the report the College of Commissioners. Although the company filed lawsuit No. 563 for the year 2013 commercial total Alexandria which recorded by no. 14721 for the year 69 J Alexandria administrative judgment to clearance the company from the required tax dispute, session will be set on October 30, 2016 for review.

34.3.5 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. The company filed lawsuit no. 1609 for year 2014 Alexandria total to request from both Alexandria port authority and the minister of finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials, the lawsuit has been transferred to Alexandria administrative court and the session has not been determined yet.

34.3.6 Service Charges related to imported equipment for production use

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

On February 27, 2011 a ruling was issued by Alexandria Civil Court with respect to lawsuit No. (2112), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement.

The ruling was appealed against and a ruling was issued on November 6, 2012 in favor of the company to the effect of conforming the ruling at first degree, currently the executive version of the ruling has been issued by the legal affairs department which follows up the reimbursement process. 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, and the tax authority has been appealed against the ruling 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.

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing law No. 114 of 2008 on May 5th, 2008, the private free zones license were deleted and the company become subject to corporate tax from that date.
- The company submitted its tax returns for years 2008 till 2012 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.
- The Tax Authority inspected the Company's books for year 2010 and 2011 and there are dispute points. The company opposed on legal time.

34.4.2 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.

34.4.3 Sales tax

- The Tax Authority inspected the Company's books until 31/12/2012 and the company paid the due amount.
- The tax inspection was performed for the years 2013 – 2014 and no claims are due regarding this matter till the date.

34.4.4 Fiscal stamp tax

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

34.5 Value add tax (VAT)

On September 7, 2016, the law no. 67 for year 2016 of value add tax has been issued to be effective starting from September 8, 2016.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 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 financial position date.

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans and credit facilities which amounted to LE 17 505 388 K as of June 30, 2016 (LE 17 545 082 K as of December 31, 2015). Financing interest and expenses related to these balances amounted to LE 764 894 K during the period (LE 558 825 K during the same period from the previous year). Time-deposits and investment fund amounted to LE 428 814 K as of June 30, 2016 (LE 551 791 K as of December 31, 2015), interest income related to these balances amounted to LE 150 177 K during the period (LE 64 748 K during the same period from the previous year). The company works on getting the best terms available in the market regarding the credit facilities and bonds loan to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	30/6/2016 LE (000)	31/12/2015 LE (000)
Long term lending to others	(19)	35 561	34 675
Trade and notes receivables	(12)	65 395	14 849
Debtors and other debit balances	(13)	2 489 044	2 259 704
Suppliers - advance payments		199 294	274 918
Investments in treasury bills		16 882	19 468
Cash and cash equivalents	(15)	3 708 428	4 780 997

35.4 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 627 281 K and LE 6 841 218 K respectively, as of the consolidated financial position date.

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

Foreign Currency	(Deficit)/Surplus In thousand
US Dollars	(638 728)
Euro	(56 281)
Swiss Frank	13
Sterling Pound	(134)
Japanese Yen	(24 001)

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

- Foreign currencies rates as of the financial position date is as follows:

	Closing rate at 30/6/2016	Closing rate at 31/12/2015
US Dollars	8.88	7.8301
Euro	9.8595	8.5638
Swiss Frank	9.0723	7.93
Sterling Pound	11.9472	11.623

35.5 Fair values for financial instruments

The financial instruments are represented in the balance of cash on hand and at banks, loans and credit facilities, trade receivables, investments, debtors and creditors.

The fair value of these financial instruments does not materially differ from its book value.

36. THE LITIGATION STATUS

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

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

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

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, then the said case was adjourned to overturned the judgment issued by the lower court due to the fact that the administration of justice in this regard on December 5, 2013. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on November 1, 2016.

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 (included in other debit balances Item – note no. (13)) 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, and in case of the company committed with the installments and paid the full amount it will obtain the permanent license.

36.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

36.2.1 Workers Lawsuits Regarding Profits Differences

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

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

However, the Court of Appeal confirmed the issued rulings of refusal or dropping in 14 lawsuits, and there are (53) lawsuits that have not been appealed against and the rulings thereof acquired the opposability of res judicata due to the lapse of the date of appeal thereof, while the remaining three 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)
3	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.

36.2.2 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.

Some of the officials related to this case have been resigned while the remaining employees who referred to the criminal court still in their jobs as the accusations against them had not been issued a final judgment of a criminal court.

- 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, the court has decided to delegate technical committee to examine the lawsuit documents and the session was postponed to November 20, 2016 until an expert committee report is issued.

- The Legal advisor of the company is of the opinion that 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.

36.2.3 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.

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

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

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

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

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

37. OTHER TOPICS

37.1 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).

37.2 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 the company an appeal against the lawsuit No. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action No.54 for the judicial year No.35 the lawsuit deliberation was settled. The commissioner decided to set a date for submitting the report and the said report has not been submitted yet. (note No. 27-1).

  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 as its not subjected for sales tax, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax. the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax.

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

38. CASH FLOWS STATEMENT (NON-CASH TRANSACTIONS)

For cash flows preparation purpose some of the non-cash transactions during the period have been excluded where the capital losses resulted from disposal of fixed assets amounted to LE 3 Million were excluded against excluding the same amount form change in inventory, as the disposed asset was transferred to the scrap warehouse with the same book value to be used in production.

39. COMPARATIVE FIGURES

- The temporary license for Al Ezz rolling mills – subsidiary – has been disposal in result of appealing the rule issue to paid the fees of this license on session dated on December 20, 2012 according to the declaring in note no. (36-1)
- Some of the comparative figures of the consolidated financial position have been reclassified to conform to the current classification of the consolidated interim financial statements and for a better presentation.

First: The effect of adjustment on the consolidated financial statements at December 31, 2015:

Description	31/12/2015 Before adjustment LE(000)	Adjustment LE(000)	reclassification LE(000)	31/12/2015 After adjustment LE(000)
Projects under construction	4 908 387	(291 697)	-	4 616 690
Inventory	4 264 858	-	57 441	4 322 299
Debtors and other debit balances	2 267 645	49 500	(57 441)	2 259 704
Installments due within one year	168 300	(168 300)	-	-
Long Term Liabilities	457 208	(73 897)	-	383 311

Second: The effect on the balances at January 1, 2015:

Description	1/1/2015 Before adjustment LE(000)	Adjustment LE(000)	1/1/2015 After adjustment LE(000)
Projects under construction	4 068 263	(275 569)	3 792 694
Debtors and other debit balances	1 836 517	49 500	1 886 017
Installments due within one year	112 200	(112 200)	-
Long Term Liabilities	802 454	(113 869)	688 585

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

40.1 Foreign currency translation

The group 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 financial statements date, balances of monetary assets and liabilities denominated in foreign currencies are retranslated at the declared exchange rates by the banks which the company deal with at that date thereof. The exchange differences resulting from the value of transactions carried during the period and the value of retranslation at the consolidated financial position date are recorded in the consolidated 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 Interim 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. Equity items are translated by historical rate and Exchange differences arising from the translation are recorded in the shareholders equity.

40.2 *Fixed assets and depreciation*

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

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

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

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

40.3 *Cost subsequent to acquisition*

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

40.4 *Projects under construction*

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

40.5 Other assets

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

40.6 Investments in associates

Investments in associates are accounted for using the equity method (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 interim financial statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

40.7 Available-for-sale investments

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

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

40.8 Investments in treasury bills

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

40.9 Goodwill

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

40.10 Inventory

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

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

40.11 *Trade and notes receivables and debtors*

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

40.12 *Cash and cash equivalents*

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

40.13 *Trade and notes payable and creditors*

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

40.14 *Impairment*

A. *Financial assets*

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

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

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

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

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

B. *Non-financial assets*

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

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

40.15 Interest-bearing borrowings

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

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

40.16 Provisions

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

40.17 Share capital

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

40.18 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.

40.19 Capital lease contracts

The due rental value, expenses of maintenance and repair of assets leased based on capital lease contracts in accordance with the provisions of the Leasing No. 95 for the year 1995 as an expense in the income statement for the period according to the accrual basis, and at end of the contract and if the Company desired to purchase the assets leased, it will be recognized as fixed assets with the amount paid to exercise the right to purchase those assets stated in the contract and to be depreciated over the estimated useful life remaining to them.

40.20 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.

40.21 Income Tax

Income tax on the profit or loss for the period comprises current income tax and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantially enacted at the consolidated financial position date.

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

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

40.22 Financial risk management

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

* Credit risk
* Liquidity risk
* Market risk

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

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

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

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

40.22.1 Credit risk

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

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

Trade receivable & other debtors

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

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

Cash and cash equivalents

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

40.22.2 Liquidity risk

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

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

40.22.3 Market risk

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

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

Currency risk

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

Interest rate risk

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

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

Other market prices risk

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

40.22.4 Capital management

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

40.23 New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) and effective on 1/1/2016.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, while taking into consideration that the early implementation of these standards is not permissible.

* In the following table, we shall review the most prominent amendments on the Egyptian Accounting Standards (EAS) that may have a significant impact on the financial statements of the company at the beginning of the implementation thereof:

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
EAS (1) Presentation of Financial Statements	**Financial Position Statement** • The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. • Adding the statement of financial position in the beginning of the first presented comparative period when the entity applies retroactively accounting policy or amending items in its statements or make "reclassification" for items in its financial statements.	• Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the Standard.
	Income Statement (Profit or Loss)/Statement of Comprehensive Income The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (*Income Statement*) and the other one starts with the profit or loss and presents the other comprehensive income items *(Statement of Comprehensive Income)*.	• Adding a new statement, *Statement of Comprehensive Income*, for the current and comparative period.
EAS (10) Property, Plant and Equipment (PPE)	• The option of using the revaluation model in the subsequent measurement of PPE has been canceled.	Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.
EAS (23) Intangible Assets	• The option of using the revaluation model in the subsequent measurement of intangible assets has been canceled.	The amendment on the standard has no impact on the figures presented in the financial statements.
EAS (45) Fair Value Measurement	• The new Egyptian Accounting Standard No. (45) "Fair Value Measurement" was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value. • This Standard aims the following:	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
	(a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements.	
EAS (14) Borrowing Costs	• Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset.	The entity apply this Standard to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after 1/1/2016
EAS (29) Business Combination	• The purchase method was cancelled and replaced by the acquisition method; as results: 1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date. 2- Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as a part of consideration transferred. 3- Changing the method of measuring goodwill in case of Step Acquisition is made. • The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity as debt instruments directly related to the acquisition process.	The entity apply this standard to the business combination where the start date of acquisition within or after 1/1/2016, and hence no adjustments has been made on assets and liabilities arising from business combination that already acquired before 1/1/2016.
EAS (44): Disclosure of Interests in Other Entities	• A new Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements, and the unconsolidated Structured Entities. • The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows.	Retroactive amendment to all the comparative figures for the disclosures presented.

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
EAS (25) Financial Instruments: Presentation	• Any financial instrument with a resale right shall be classified as an equity instrument instead of classifying it as a financial liability; if it meets the conditions in accordance with the paragraphs (16 A or 16 b) or paragraphs (16 c and 16 d) of the same Standard, from the date the instrument has all the features and meets all the conditions set out in those paragraphs. • An entity shall re-classify the financial instrument from the date the instrument ceases to have all the features or meet all conditions set out in those paragraphs.	Re-presenting any financial instrument meets all the conditions including all the presented comparative periods.
EAS (40) Financial Instruments: Disclosures	• A new Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures" was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became "Financial Instruments: Presentation" instead of "Financial Instruments: Presentation and Disclosure"	Retroactive amendment to all the comparative figures of the presented disclosures shall be carried out.