EZZ STEEL REPORTS CONSOLIDATED FY 2019 RESULTS

Cairo, 17 June 2020 – Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 31 December 2019. The audited results have been prepared in accordance with Egyptian Accounting Standards.

Key highlights

EGPMn

	FY 2018	FY 2019	YoY % (+/-)
Net sales	**49,162**	**45,715**	(7%)
Gross profit	**5,578**	**(976)**	(117%)
EBITDA*	**5,437**	**(1,518)**	(128%)
Net profit after tax and minority interest	**(1,643)**	**(6,195)**	
Earnings per share**	(3.03)	(11.40)	

*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

For further information:

Ezz Steel

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Comment

Commenting on the results, Mr Paul Chekaiban, Chairman and Managing Director of Ezz Steel, said: "The compounded effect of adverse conditions facing the steel sector in 2019 was exceptional. Internationally, steel continued to be among the most affected by trade wars and different protectionist measures. Concerns about iron ore availability, due to the collapse of one of Vale's tailings dam in a Brazilian mine, resulted in raw materials price spikes throughout most of the year. Locally the exceptionally high interest rates took an additional toll. Utilities prices remain very high compared to international prices. Safeguard measures on steel products are insufficient; flat steel local markets are left unprotected altogether.

Amid these challenges, Ezz Steel group was able to accomplish an important restructuring. In November 2019 EZDK concluded the full acquisition of EFS and ERM, which will allow Ezz Steel to increase its equity stake in EZDK to 64%. This restructuring further emphasises the size and strength of EZDK as an integrated steel company and is a confident step forward towards unleashing the potentials of EFS/ERM.

In the beginning of 2020, the COVID-19 pandemic started to cast its shadow over the world. Economies contracted worldwide, and with them steel consumption. This will delay the positive value added of the restructuring. While several countries around the world have started easing lockdown measures, uncertainty remains as to the full economic impact of the global crisis. We expect that the situation may gradually start improving in the second half of the year.

About Ezz Steel

Ezz Steel (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 7 million tonnes of finished steel per annum.

In 2019, the Company produced 3.3 million tonnes of long products (typically used in construction) and 1.1 million tonnes of flat products (typically used in consumer / industrial goods). Ezz Steel 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 Ezz Steel's consolidated financials, which include the consolidated financial performance of EZDK. Following the successful acquisition of EFS/ERM, both are full subsidiaries of EZDK.

Sales & Production

Sales after elimination

EGPMn

	Ezz Steel Standalone	EZDK Consolidated*	Ezz Steel Consolidated
Long	7,150	26,988	**34,138**
Flat	-	10,992	**10,992**
Others	-	584	**584**
Total	**7,150**	**38,564**	**25,258**

*Includes figures for ERM

Ezz Steel's consolidated net sales for FY 2019 were EGP 45.7 billion, representing a decrease of 7 per cent year on year. This decrease was driven by a 26 per cent decrease in flat sales; long sales increased by 1 per cent. The decline in flat sales was particularly evident in the export market as protection measures worldwide continued to have a negative effect. Prices declined in Egypt and international market for both long and flat steel during 2019.

Long steel products accounted for EGP 34.14 billion, or 75 per cent of sales in FY 2019, while flat steel products represented 24 per cent of sales at EGP 10.99 billion. Long product exports accounted for 6 per cent of total long sales. Flat product exports accounted for 46 per cent of total flat sales.

Sales Value ***EGPMn***	**Domestic**	**per cent**	**Export**	**per cent**
Long	32,003	94%	2,134	6%
Flat	5,941	54%	5,051	50%

Long sales volumes were 3.51 million tonnes during FY 2019, 12 per cent higher than the 3.14 million tonnes sold during the same period last year. The introduction of safeguard measures in Egypt, although insufficient, enabled the company to increase its market share and substitute part of the imports. Consolidated flat sales volumes declined by 13 per cent to 1.16 million tonnes in FY 2019.

The group's consolidated sales volumes totalled 4.67 million tonnes in FY 2019, an increase of 4 per cent from the 4.48 million tonnes in FY 2018.

Long steel production volumes totalled 3.30 million tonnes during FY 2019, down 5 per cent compared to FY 2018. Flat steel production volumes decreased by 19 per cent to 1.14 million tonnes for the period, compared to 1.41 million tonnes in the previous year.

Cost of Goods Sold

Consolidated Cost of Goods Sold for FY 2019 represented 102 per cent of sales, leading to a decrease in gross profit margin from 11 per cent in FY 2018 to -2 per cent in FY 2019. High iron ore price compared to product prices, high utilities cost, and lack of sufficient local market protection were the main factors that led to such decrease in gross profit.

Ezz Steel Standalone reported a COGS/Sales ratio of 99% for FY 2019, compared to 94% in FY 2018. At EZDK Consolidated the COGS/Sales ratio stood at 103%.

EGPMn	**ESR Standalone**	**EZDK Consolidated***	**Ezz Steel Consolidated**
Sales	7,150	38,564	45,714
COGS	7,055	39,634	46,689
COGS/Sales	**99%**	**103%**	**102%**

*Includes figures for ERM

Gross profit

A loss of EGP 976 million was recorded for FY 2019, compared to a profit of EGP 5.6 billion recorded in FY 2018.

EBITDA

EBITDA for FY 2019 amounted to EGP –1.5 billion, compared to EGP 5.4 billion in FY 2018.

Tax

During FY 2019, Ezz Steel had deferred taxes in the amount of EGP 126.4 million and income tax of EGP 228.2 million.

Net result after tax and minority interests

Net result after tax and minority interests recorded a loss of EGP 6.2 billion for FY 2019, compared to a loss of EGP 1.6 billion during the same period in 2018.

Liquidity and capital resources

At the end of the period, Ezz Steel had cash on hand of EGP 1.85 billion and net debt of EGP 29.5 billion.

Outlook

In the beginning of 2020, the COVID-19 pandemic started to cast its shadow over the world. Economies contracted worldwide, and with them steel consumption. This will delay the positive value added of the restructuring. While several countries around the world have started easing lockdown measures, uncertainty remains as to the full economic impact of the global crisis. We expect that the situation will gradually start improving in the second half of the year.

Divisional Overview

The below figures represent sales before eliminations

EZDK Standalone Sales (EGP):	**FY 2018**	**FY 2019**	
Value:	36,099	34,955	Mn
Volume:			
Long:	2,248	2,519	Tonnes
Flat:	1,025	1,102	Tonnes
Exports as % of Sales:			
Long:	10%	10%	
Flat:	48%	49%	
EBITDA:	5,279	(206)	Mn
Production:			
Long Products:	2,033	1,778	Tonnes
Flat Products:	1,081	1,098	Tonnes
Billets:	2,071	2,047	Tonnes
Ezz Steel Standalone Sales (EGP):			
Value:	7,854	7,291	Mn
Volume:	720	726	Tonnes
Exports as % of Sales:	0%	0%	
EBITDA:	(28)	(310)	Mn
Production:			
Long Products:	756	689	Tonnes
Billets:	684	651	Tonnes
EZDK Consolidated* Sales (EGP):			
Value:	41,435	38,564	Mn
Volume:			
Long:	2,425	2,786	Tonnes
Flat:	1,340	1,162	Tonnes
Exports as % of Sales:			
Long:	7%	9%	
Flat:	53%	46%	
EBITDA:	4,863	(863)	Mn
Production:			
Long Products:	2,708	2,615	Tonnes
Flat Products:	1,410	1,139	Tonnes
Billets:	2,669	2,797	Tonnes

***Includes figures for ERM**

– Ends –

Disclaimer:

This press release is issued by Ezz Steel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the 12-month period ending 31 December 2019. 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, 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 Ezz Steel, 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, no 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 Ezz Steel's actual results.

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Financial Year Ended December 31, 2019
And Auditor's Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Financial Year Ended December 31, 2019
And Auditor's Report

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Translation from Arabic

AUDITOR'S REPORT

To the Shareholders of Ezz Steel Company

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ezz Steel Company "An Egyptian Joint Stock Company", which comprise the consolidated statement of financial position as of December 31, 2019 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ezz Steel Company as of December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of matters

Without qualifying our opinion mentioned above, we draw attention to the following:

1- As explained in note no. (30-1) of the notes to the consolidated financial statements, some of the subsidiaries companies have recognized deferred tax asset amounted to LE 1.455 Billion as of December 31, 2019 for tax carried forward losses amounted to LE 6.5 Billion, According to the restructuring plan of the subsidiaries as explained in note no. (1-3) and in the context of the future plan, these subsidiaries' management prepared a budget for the years from 2019 to 2023, in addition to, obtaining the support and financing required for operation from the main shareholders, which will reflect positively on the operational and financial indicators in the subsequent periods, and to have the tax benefits of the tax carried forward losses, which depends on the realization of the future assumptions which have been used in the preparation of the budget mentioned above.

2- As explained in note no. (39) of the notes to the consolidated financial statements, During the first quarter of the year 2020 most of the world countries, including Egypt, were exposed to the novel coronavirus (Covid-19) pandemic, which caused disturbances in the majority of commercial and economic activities in general. So, it is possible to have a material impact on the elements of assets, liabilities and its recoverable value thereof, and the results of operations in the company's consolidated financial statements during the current and subsequent period, in addition to the potential impact on the provision of raw materials, supplies necessary for production and operation, the demand on the company's products, and the available liquidity. According to the mentioned above note, the company's management is currently managing the risk of this impact on its current consolidated financial statements and confirms that the values of assets and liabilities in the consolidated financial statements have been determined based on the best estimate of the most recent data available to them. However, due to instability and uncertainty as a result of current events, the magnitude of the impact of that event depends mainly on the expected time frame, in which these event and their consequences, are expected to be ended, which is difficult to determine at the meantime.

3- As explained in note no. (34-3-1) of the notes to the consolidated financial statements, the tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) – amounted to LE 219 million according to the forms received from the Tax Authority on February 17, 2011 in addition to delay penalties concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

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

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

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above-mentioned dispute. The paid amounts are LE 254.2 Million, including delay interest amounted to LE 35 Million.

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

4- As explained in note no. (37-2) of the notes to the consolidated financial statements, there is a dispute raised between Al Ezz El Dekheila for Steel – Alexandria company (subsidiary company) and the Sales Tax Authority regarding the amount of the additional 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.

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

Based on the opinion of its tax advisor, the subsidiary company's management is of the opinion that Alexandria Port Authority is not entitled to claim the Company to pay sales tax in return for 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 subject to sales tax.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, June 16, 2020

KPMG Hazem Hassan
Public Accountants and Consultants
(26)

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as of:

	Note No.	31/12/2019 LE (000)	31/12/2018 Restated LE (000)
Non Current Assets			
Fixed assets (Net)	(10-1)	24 473 462	26 661 941
Projects under construction	(11)	334 971	361 503
Investments in associates	(12-1)	115	115
Investments available-for-sale	(12-2)	4 094	109 880
Deferred tax assets	(30-1)	1 898 137	1 821 596
Long term lending to others	(13)	51 024	51 011
Other assets	(14)	19 828	22 306
Goodwill	(40-9)	315 214	315 214
Total non current assets		**27 096 845**	**29 343 566**
Current Assets			
Inventory	(15)	7 859 098	12 903 759
Trade and notes receivables	(16)	1 859 937	371 877
Debtors and other debit balances	(17)	4 841 532	4 270 405
Suppliers - advance payments		579 192	697 060
Investments in treasury bills	(40-8)	97 053	10 580
Cash and cash equivalents	(19)	1 850 553	2 621 422
Total current assets		**17 087 365**	**20 875 103**
Total Assets		**44 184 210**	**50 218 669**
Shareholders' Equity			
Issued and paid - up capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	182 090	182 090
Modification surplus of fixed assets	(10-3)	1 334 264	1 965 084
Retained losses		(12 103 846)	(5 044 752)
Treasury stocks	(22)	(71 921)	(71 921)
Foreign entites translation reserve		2 778 780	3 945 964
Interim dividends		–	(98 212)
(Deficit) / Total holding company shareholders' equity		**(5 164 308)**	**3 594 578**
The contribution of NCI in the increase in capital of the subsidiary	(1-3)	1 109 514	–
Non-controlling interest		1 720 904	2 661 410
(Deficit) / Total Shareholders' equity		**(2 333 890)**	**6 255 988**
Liabilities			
Non Current Liabilities			
Long-term loans	(27)	11 214 198	11 233 811
Long-term liabilities	(29)	1 214 993	1 383 882
Finance lease liabilities	(28)	362 779	406 659
Deferred tax liabilities	(30-1)	3 774 609	3 899 211
Total non current liabilities		**16 566 579**	**16 923 563**
Current Liabilities			
Banks - overdraft	(19)	180 005	35 918
Credit facilities and loan installments due within one year	(27)	19 964 635	15 431 817
Finance lease liabilities due within one year	(28)	43 880	32 843
Trade and notes payables	(23)	5 865 470	6 607 327
Customers - advance payments		1 112 001	1 938 125
Creditors and other credit balances	(24)	2 322 846	2 051 857
Income tax liabilities		219 323	703 829
Liability of the supplementary pension scheme	(25)	16 831	13 124
Provisions	(26)	226 530	224 278
Total current liabilities		**29 951 521**	**27 039 118**
Total liabilities		**46 518 100**	**43 962 681**
Total shareholder's equity and liabilities		**44 184 210**	**50 218 669**

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

ezzsteel
حديد عز
شركة حديد عز ش.م.م
EZZ STEEL CO. S.A.E.
القطاع المالى
FINANCIAL DIVISION
F1

Managing Director

Hassan Ahmed Nouh

Auditor's Report "attached"

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

For The Financial Year Ended 31 December:

	Note No.	2019 LE (000)	2018 Restated LE (000)
Sales (net)	(40-18)	45 713 678	49 161 647
Less :			
Cost of sales	(3)	(46 689 296)	(43 583 506)
Gross (loss) profit		**(975 618)**	**5 578 141**
Add / (Less):			
Other operating revenues	(4)	123 007	231 332
Selling and marketing expenses	(5)	(586 076)	(330 343)
Administrative and general expenses	(6)	(1 417 421)	(1 271 029)
Other operating expenses	(7)	(465 830)	(335 297)
Operating (loss) profit		**(3 321 938)**	**3 872 804**
Add / (Less):			
Finance income	(8)	117 346	409 996
Finance cost	(8)	(4 680 006)	(4 241 798)
Foreign currency exchange gains (losses)	(8)	77 080	37 162
Net finance cost	(8)	**(4 485 580)**	**(3 794 640)**
Net (loss) profit for the year before tax		**(7 807 518)**	**78 164**
(Less):			
Income tax		(228 232)	(770 995)
Deferred tax	(30-2)	126 444	(330 878)
Total Income Tax		(101 788)	(1 101 873)
Net loss for the year		**(7 909 306)**	**(1 023 709)**
Attributable to:			
Owners of the holding company		(6 195 201)	(1 637 361)
Non-controlling interest		(1 714 105)	613 652
Net loss for the year		**(7 909 306)**	**(1 023 709)**
Basic and diluted loss per share for the year (LE/share)	(9)	**(11.61)**	**(3.28)**

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

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December :

	2019	2018
		Restated
	LE (000)	LE (000)
Net loss for the year	**(7 909 306)**	**(1 023 709)**
(Less):		
Other comprehensive income items		
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)	(180 693)	(229 877)
Actuarial (losses) earnings from pension scheme	(11 709)	4 306
Foreign entities translation differences	(542 893)	81 349
Total comprehensive income	**(8 644 601)**	**(1 167 931)**
Attributable to:		
Owners of the holding company	(6 715 334)	(1 720 334)
Non-controlling interest	(1 929 267)	552 403
	(8 644 601)	**(1 167 931)**

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

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity

For The Financial Year Ended December 31, 2019

	Note no.	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Interim Dividends LE (000)	Total holding company shareholders equity LE (000)	Non-controlling interest LE (000)	The contribution of NCI in the increase in capital of the subsidiary LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2018 as previously reported		2 716 325	182 090	2 125 452	(3 382 059)	3 870 920	(71 921)	–	5 440 807	3 377 642	–	8 818 449
Adjustments resulting from adaption of EAS "49"	(38)	–	–	–	(13 781)	–	–	–	(13 781)	–	–	(13 781)
Balance as of 1/1/2018 - Restated		2 716 325	182 090	2 125 452	(3 395 840)	3 870 920	(71 921)	–	5 427 026	3 377 642	–	8 804 668
Comprehensive income												
Net loss for the year - Restated		–	–	–	(1 637 361)	–	–	–	(1 637 361)	613 652	–	(1 023 709)
Other Comprehensive income												
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)		–	–	(160 368)	–	–	–	–	(160 368)	(69 509)	–	(229 877)
Actuarial earnings as from pension scheme		–	–	–	2 351	–	–	–	2 351	1 955	–	4 306
Foreign entites translation differences		–	–	–	–	75 044	–	–	75 044	6 305	–	81 349
Total comprehensive income - Restated		–	–	(160 368)	(1 635 010)	75 044	–	–	(1 720 334)	552 403	–	(1 167 931)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)		–	–	–	160 368	–	–	–	160 368	69 509	–	229 877
Transactions with company's shareholders												
Non-controlling interest share in subsidary companies' dividends of year 2017		–	–	–	–	–	–	–	–	(367 510)	–	(367 510)
The share of the company and the non controlling interest in the employees and board of directors of the subsidiary companies 2017 dividends		–	–	–	(174 270)	–	–	–	(174 270)	(150 476)	–	(324 746)
Non-controlling interest share in subsidary companies' dividends		–	–	–	–	–	–	–	–	(728 310)	–	(728 310)
The share of the company and the non controlling interest in the employees and Board of Directors dividends of the subsidiary companies distribution in the subsidiary companies		–	–	–	–	–	–	(98 212)	(98 212)	(91 848)	–	(190 060)
Total transactions with the company's shareholders		–	–	–	(174 270)	–	–	(98 212)	(272 482)	(1 338 144)	–	(1 610 626)
Balance as of 31/12/2018 - Restated		2 716 325	182 090	1 965 084	(5 044 752)	3 945 964	(71 921)	(98 212)	3 594 578	2 661 410	–	6 255 988
Balance as of 1/1/2019 - Restated		2 716 325	182 090	1 965 084	(5 044 752)	3 945 964	(71 921)	(98 212)	3 594 578	2 661 410	–	6 255 988
Comprehensive income items												
Net loss for the year		–	–	–	(6 195 201)	–	–	–	(6 195 201)	(1 714 105)	–	(7 909 306)
Other comprehensive income items												
Realized portion of modification surplus of the fixed assets (transferred to retained earnings during the year)		–	–	(125 364)	–	–	–	–	(125 364)	(55 329)	–	(180 693)
Actuarial losses as from pension scheme		–	–	–	(6 392)	–	–	–	(6 392)	(5 317)	–	(11 709)
Foreign entites translation differences		–	–	–	–	(388 377)	–	–	(388 377)	(154 516)	–	(542 893)
Total comprehensive income		–	–	(125 364)	(6 201 593)	(388 377)	–	–	(6 715 334)	(1 929 267)	–	(8 644 601)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the year)		–	–	–	125 364	–	–	–	125 364	55 329	–	180 693
Transactions with company's shareholders												
The contribution of NCI in the increase in capital of the subsidiary		–	–	–	–	–	–	–	–	–	1 109 514	1 109 514
The effect of the change in the precentage of the contribution in the subsidiary companies	(3-1)	–	–	(505 456)	(866 137)	(778 807)	–	–	(2 150 400)	1 075 952	–	(1 074 448)
Closing the Interim dividends		–	–	–	(98 212)	–	–	98 212	–	–	–	–
The non-controlling interest share in subsidary company's dividends of year 2018		–	–	–	–	–	–	–	–	(124 971)	–	(124 971)
The share of the company and the non controlling interest in the employees and Board of Directors dividends of the subsidiary companies for year 2018		–	–	–	(18 516)	–	–	–	(18 516)	(17 549)	–	(36 065)
Total transactions with the company's shareholders		–	–	(505 456)	(982 865)	(778 807)	–	98 212	(2 168 916)	933 432	1 109 514	(125 970)
Balance as of 31/12/2019		2 716 325	182 090	1 334 264	(12 103 846)	2 778 780	(71 921)	–	(5 164 308)	1 720 904	1 109 514	(2 333 890)

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

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash flows
For The Financial Year Ended 31 December:

	Note No.	2019 LE(000)	2018 Restated LE(000)
Cash flows from operating activities			
Net (loss) profit for the year before income tax		(7 807 518)	78 164
Adjustments to reconcile net (loss) profit to net cash used in operating activities			
Depreciation	(10-1)	1 455 843	1 501 382
Amortization of other assets	(14)	5 458	5 801
Amortization of accrued interest on treasury bills		(3 211)	(1 469)
Amortization of the difference from the change in the fair value of the long term lending		(2 086)	2 722
Provision formed during the year	(7)	3 252	—
Impairment of assets	(7)	16 891	—
No longer required impairment of assets		—	(5 791)
Profit from sale of investments	(4)	(9 150)	
Capital loss	(7)	1 964	47 060
Interest & finance expenses		4 680 006	4 238 992
Tax adjustments		39 546	—
Financial grants for the development of the gas station		(887)	—
Differences resulting from the change in liability of the supplementary pension	(25)	53 468	15 762
Foreign currency exchange differences		(125 272)	(65 779)
		(1 691 696)	**5 816 844**
Changes in working capital			
Inventory		4 831 624	(5 420 456)
Trade receivables, debtors and other debit balances		(6 158 163)	(974 482)
Trade payables, creditors and other credit balances		2 438 471	1 858 099
Change in lending to employees		(6 032)	(12 672)
Liability of the supplementary pension scheme		(977)	466
Net		**(586 773)**	**1 267 799**
Finance interest paid		(4 376 483)	(4 403 359)
Income tax paid		(53 730)	(81 856)
Used provisions		(1 000)	(79 180)
Impairment of assets		—	(25 760)
Net cash flows used in operating activities		**(5 017 986)**	**(3 322 356)**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(676 615)	(862 537)
Proceeds from sale of fixed assets		—	48
Payments for purchase of investments in subsidiaries		(2 501)	—
Proceeds from retrieval of financial investment (treasury bills)		42 000	38 050
Payments for purchase of financial investment (treasury bills)		(129 276)	(38 747)
Net cash flow used in investing activities		**(766 392)**	**(863 186)**
Cash flows from financing activities			
Net proceeds from credit facilities		6 440 267	3 584 303
Payments for loans		(620 260)	(624 552)
Net proceeds from finance lease contracts		—	292 920
Finance lease payments		(32 843)	(4 021)
Proceeds from time-deposits and restricted current accounts		12 373	1 018 231
Paid dividends to non-controlling interest		(367 741)	(854 533)
Paid dividends to employees and Board of Directors		(41 111)	(279 673)
Net cash provided by financing activities		**5 390 685**	**3 132 675**
Change in cash and cash equivalents during the year		**(393 693)**	**(1 052 867)**
Cash and cash equivalents at the beginning of the year	(19)	**1 978 376**	**3 019 728**
Translation differences of financial statement of foreign entities		(17 574)	11 515
Cash and cash equivalents at the ending of the year	(19)	**1 567 109**	**1 978 376**

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

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For The Financial Year Ended December 31, 2019

1. BACKGROUND

1.1 Basic Data

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law No. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under No. 472 on April 2, 1994. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette issue No. 231 of April 1994. The Company is located in Sadat City.
- The term of the company is 25 years from the date of registration of the company in the commercial register. On October 24, 2018, the Company's Extraordinary General Assembly decided to extend the company's term for another 25 years starting from April 2, 2019. The necessary procedures are being taken to amend the Company's Commercial Register in this regard.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebanon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- The Company is a subsidiary company of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" which participated (direct and indirect) in the company's capital by 65.55%, on April 21, 2020 the shares which represents the percentage of indirect contribution has been sold to the parent company's main shareholder therefore the contribution of the parent company confined on the direct investment only which represents 28.40 % with continuation of considering the company as a subsidiary to the parent company.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

1.2 Subsidiaries

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

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

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

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

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

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

1.3 The Purpose of the Company & analysis of its subsidiaries

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

The following is an analysis of investments in the subsidiary Companies of Ezz Steel Company which are included in the consolidated financial statements:

	31/12/2019 Percentage Share %	31/12/2018 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	54.58 (Direct and Indirect) through Al Ezz El Dekheila	98.909 Direct
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	54.59 (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

- On August 4 2019 the Board of Directors of Al Ezz El Dekheila agreed to buy 42 million share from El Ezz for flat steel (a subsidiary company) with a percentage of contribution representing 56% which is the rest of 100% of company's shares, and that after deducting the share of Al Ezz El Dekheila with a percentage of 44% and number of shares of 89.8m share with a percentage of 100% from the shares of El Ezz for Rolling Mills Company according to the fair value of the shares.
- The board of directors approved the studies of the financial consultant of the fair value, and it represents an amount of LE 1 176.85 per share, the fair value of El Ezz Flat Steel share representing 10.09 USD per share and the fair value of for El Ezz For Rolling Mills share representing LE 23.07
- Also, the increase of Al Ezz El Dekheila For Steel authorized share capital was approved amounting to LE 1.5 Billion to be LE 4 Billion, also the increase of authorized share capital by 13 Million share with a 1 176.85 fair value per share, representing 100 par value plus 1 076.85 shares premium, and the old shareholders were invited to buy 12 175 202 shares from the new issued shares in cash or by using the credit balances resulted from the acquisition by EZZ El Dekheila For Steel of their shares in el Ezz for Flat Steel and El Ezz For Rolling Mills according to the percentage of their contribution, and allocating the rest of shares representing 824 798 shares for the rest shareholders in El Ezz for Flat Steel and El Ezz for Rolling Mills (ERM) for their credit balances resulting from the acquisition.
- On September 22 2019 the unordinary general assembly of El Ezz El Dekhelia approved the previously mentioned transaction.
- On October 3 2019 the BOD of Ezz steel approved the acquisition transaction by Al Ezz El Dekheila of all the shares owned by El Ezz steel in El Ezz for flat steel and El Ezz for Rolling Mills according to the previously mentioned acquisition transaction
- Within the fourth quarter in 2019, the ownership of 88 921 050 share and 35 289 000 share of EL Ezz For Rolling Mills and El Ezz For Flat Steel was transferred with an amount equals LE 7 809 993 calculated according to the price for the shares mentioned above of Ezz El Dekhelia For Steel
- During May 2020 the increase in El Ezz Dekhelia's capital was completed and this was confirmed in the commercial register for the company on May 17 2020 and the company bought 5 204 842 share from the shares related to the increase in capital for LE 6 125 318 calculated

according to the share price mentioned above by using a portion of the credit balance resulted from the mentioned above ownership transfer transaction, hence the contribution of Ezz Steel in in El Ezz Dekhelia company represents 63.14% in this date, The share of the non-controlling interests (NCI) in increasing the capital of Al-Ezz Al-Dekheila Steel Company - Alexandria is amounted to LE 1 109 514 K, which was included in the equity in the consolidated statement of financial position on December 31, 2019.

- The effect of the previously mentioned transactions was eliminated between the group's subsidiaries when preparing the consolidated financial statements.

1.4 Issuance of consolidated financial statements

- These consolidated financial statements were approved by the company's BOD for issuance on June 16, 2020.

2. Basis for the preparation of the consolidated financial statements

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standard and in light of Egyptian laws and regulations related to.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in thousands of Egyptian pounds

2.4 Use of estimates and judgments

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

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

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

2.5 Fair value measurement

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

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

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

2.6 Basis of consolidation

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

3. COST OF SALES

	Note No.	2019 LE (000)	2018 LE (000)
Raw Materials		26 335 260	28 409 898
Salaries & wages		1 962 067	1 828 111
Fixed assets depreciation	(10-1)	1 408 676	1 455 889
Other assets amortization	(14)	5 458	5 801
Supplementary pension scheme cost		41 889	11 753
Manufacturing overhead expenses		14 521 179	15 310 275
Used provisions		-	(74 215)
Manufacturing cost		**44 274 529**	**46 947 512**
Change in inventory–finished products and work in process		2 414 767	(3 364 006)
		46 689 296	**43 583 506**

4. OTHER OPERATING REVENUES

	2019 LE (000)	2018 LE (000)
Gain on sale of investment available for sale	9 150	-
Assets impairment reversal	-	5 791
Other revenues	113 857	225 541
	123 007	**231 332**

5. SELLING & MARKETING EXPENSES

	Note No.	2019 LE (000)	2018 LE (000)
Salaries & wages		107 051	97 137
Advertising expenses		106 059	34 371
Fixed assets depreciation	(10-1)	565	5 098
Supplementary pension scheme cost		2 962	1 474
Other expenses		369 439	192 263
		586 076	**330 343**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	2019 LE (000)	2018 Restated LE (000)
Salaries & Wages		761 865	791 217
Spare parts and maintenance expenses		17 338	13 589
Fixed assets depreciation *	(10-1)	46 602	40 395
Supplementary pension scheme cost		8 617	2 610
Other expenses *		582 999	423 218
		1 417 421	**1 271 029**

* Restatement was made to same of the comparative figures as shown in note no. (38).

7. OTHER OPERATING EXPENSES

	Note No.	2019 LE (000)	2018 LE (000)
Donations		187 879	186 579
Impairment of receivables and other debit balances	(18)	16 891	-
Formed provisions during the year	(26)	3 252	-
Capital loss		1 964	47 060
Other expenses		255 844	101 658
		465 830	**335 297**

8. FINANCE INCOME AND COST

	2019 LE (000)	2018 Restated LE (000)
Finance income		
Finance and interest income	117 346	409 996
Total finance income	**117 346**	**409 996**
Finance Cost		
Interest & finance cost *	(4 680 006)	(4 241 798)
Total finance cost	**(4 680 006)**	**(4 241 798)**
Foreign currency exchange differences gains	**77 080**	**37 162**
Net finance costs	**(4 485 580)**	**(3 794 640)**

* Restatement was made to same of the comparative figures as shown in note no. (38).

9. BASIC AND DILUTED LOSS PER SHARE FOR THE YEAR

	2019	2018 Restated
Owners of the company share		
Net loss for the year (LE 000)*	(6 195 201)	(1 637 361)
Holding company's share in employees and board of directors' contribution in subsidiaries profit share (LE 000)	-	(114 580)
	(6 195 201)	**(1 751 941)**
Weighted average number of outstanding shares during the year (share)**	533 802 313	533 802 313
Basic and diluted loss per share for the year (LE / share)	**(11.61)**	**(3.28)**

* Restatement was made to same of the comparative figures as shown in note no. (38).

** 9 462 714 shares were eliminated for calculating the weighted average number of outstanding shares during the year which represent treasury stocks (Note no. 22).

10. FIXED ASSETS (NET)

10.1 The following is the movement of fixed assets during the current year and comparative year:

	Note No.	Land * LE (000)	Buildings * LE (000)	Machinery & equipment LE (000)	Vehicles LE (000)	Furniture & office equipment LE (000)	Tools & appliances LE (000)	Leasehold improvments LE (000)	Total LE (000)
Cost:									
As of January 1, 2018 As previously reported		805 614	10 374 423	36 000 923	297 990	286 167	164 934	3 902	47 933 953
Effect of applying EAS "49" - Lease Contracts	(38)	-	145 000	-	-	-	-	-	145 000
As of January 1, 2018 - Restated		805 614	10 519 423	36 000 923	297 990	286 167	164 934	3 902	48 078 953
Additions during the year		-	62 303	1 045 278	11 383	154 801	52 942	-	1 326 707
Disposals during the year			(4 235)	(324 230)	(536)	(285)	(1 231)	-	(330 517)
Translation differences of foreign entities		2 520	67 057	152 685	17	480	1 385	-	224 144
As of December 31, 2018 - Restated		808 134	10 644 548	36 874 656	308 854	441 163	218 030	3 902	49 299 287
As of January 1, 2019 - Restated		808 134	10 644 548	36 874 656	308 854	441 163	218 030	3 902	49 299 287
Additions during the year		192	41 740	550 196	7 789	34 228	26 581	-	660 726
Disposals during the year		-	-	(139 559)	-	(4 018)	(895)	-	(144 472)
Translation differences of foreign entities		(24 593)	(654 297)	(1 492 306)	(169)	(5 012)	(16 162)	-	(2 192 539)
As of December 31, 2019		783 733	10 031 991	35 792 987	316 474	466 361	227 554	3 902	47 623 002
Accumulated depreciation:									
As of January 1, 2018 As previously reported		-	2 564 291	18 205 640	247 741	166 543	120 346	3 902	21 308 463
Effect of applying EAS "49" - Lease Contracts	(38)	-	6 042	-	-	-	-	-	6 042
As of January 1, 2018 - Restated		-	2 570 333	18 205 640	247 741	166 543	120 346	3 902	21 314 505
Depreciation for the year		-	244 904	1 173 383	29 995	36 154	16 946	-	1 501 382
Accumulated depreciation of disposals during the year		-	(4 235)	(249 676)	(459)	(276)	(1 231)	-	(255 877)
Translation differences of foreign entities		-	15 768	60 252	17	417	882	-	77 336
As of December 31, 2018 - Restated		-	2 826 770	19 189 599	277 294	202 838	136 943	3 902	22 637 346
As of January 1, 2019 - Restated		-	2 826 770	19 189 599	277 294	202 838	136 943	3 902	22 637 346
Depreciation for the year		-	240 500	1 133 428	14 571	48 038	19 306	-	1 455 843
Accumulated depreciation of disposals during the year		-	-	(137 613)	-	(4 000)	(895)	-	(142 508)
Translation differences of foreign entities		-	(164 805)	(622 543)	(164)	(4 224)	(9 405)	-	(801 141)
As of December 31, 2019		-	2 902 465	19 562 871	291 701	242 652	145 949	3 902	23 149 540
Carrying amount:									
As of December 31, 2018 - Restated		808 134	7 817 778	17 685 057	31 560	238 325	81 087	-	26 661 941
As of December 31, 2019		783 733	7 129 526	16 230 116	24 773	223 709	81 605	-	24 473 462
Fixed assets fully depreciated and still in use as of December 31, 2019		-	249 382	2 131 394	260 931	107 669	85 839	3 903	2 839 118

- Restatement was made to some of the comparative figures as shown in note no. (38).

- The land item includes a piece of land with a total area of 928 KM^2 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, according to the contract 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 under the company's name are in process.

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

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

- Depreciation for the year charged to statement of income as follows:

	Note No.	For The Year Ended December 31: 2019 LE(000)	2018 Restated LE(000)
Cost of sales	(3)	1 408 676	1 455 889
Selling and marketing expenses	(5)	565	5 098
Administrative & General expenses	(6)	46 602	40 395
		1 455 843	1 501 382

10.2 **Leased fixed assets:**

Fixed assets are included on December 31, 2019 leased assets as follows:

	Cost at 31/12/2019 LE (000)	Accumulated depreciation at 31/12/2019 LE (000)	Net at 31/12/2019 LE (000)	Net at 31/12/2018 LE (000)
Land *	70 000	-	70 000	-
Building **	145 000	13 292	131 708	135 333
	215 000	**13 292**	**201 708**	**135 333**

* During 2018, the company signed a contract of sale and lease back for 7 years ending 2025 for a plot of land owned by the company, Land cost amounted to L.E. 70 Million, as shown in note no. (28), the company issued an official power of attorney cannot be canceled or revoked in favor of HD Lease in the signing of the initial and final purchase and sale contracts and the final transfer of ownership to it or to other in front of the Real Estate Authority for the above-mentioned plot of land.

** During 2016, the company concluded a financial lease contracts for two floors in Nile Plaza building for 8 years ending 2024 as shown in note no. (28).

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

	LE (000)
Modification surplus of fixed assets at floating foreign exchange rate date (November 3, 2016)	4 013 795
Income tax	(903 104)
Net modification surplus of fixed assets after income tax	**3 110 691**
Recognized portion till December 31, 2018	(514 651)
Net modification surplus of fixed assets at December 31, 2018	**2 596 040**
Recognized portion during the financial year ended December 31, 2019	(180 693)
Net modification surplus of fixed assets at December 31, 2019	**2 415 347**
Attributable to:	
Owners of the Company	1 334 264
Non-controlling interest	1 081 083
	2 415 347

11. PROJECTS UNDER CONSTRUCTION

	31/12/2019 LE (000)	31/12/2018 LE (000)
Constructions expansion	78 769	62 547
Machinery under installation	168 268	256 880
Advance payments for purchase of fixed assets	87 934	42 076
	334 971	**361 503**

12. INVESTMENTS

12-1 Investments in associates

	Participation Percentage %	Investments cost 31/12/2019 LE (000)	Investments cost 31/12/2018 LE (000)
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
Contribution in EZDK Steel UK LTD – (Note no. 37-1)	50	-	-
		115	**115**

12-2 Investments available-for-sale

		31/12/2019	31/12/2018
The Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Atlantic Pacific		4 014	-
Al Ezz Group Holding Company for Industry &		-	109 800
		21 820	**127 606**
(Less):			
Impairment loss on Arab Company for Special Steel	(18)	(17 726)	(17 726)
		4 094	**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 group" (parent company) by 6 100 000 share that constitute a participation percentage of 3.813%. During the period these shares have been sold to the parent company by amount of LE 118 950 k.

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	31/12/2019 LE (000)	31/12/2018 LE (000)
Employees' advance payments		85 000	65 713
Employees' loans present value		39 239	45 056
		124 239	110 769
(Less):			
Employees' loans and advances due within a year	(17)	(60 510)	(44 968)
Long term employees' loans and advances		63 729	65 801
(Less):			
Differences resulted from change in the fair value of long-term employees' loans		(12 705)	(14 790)
		51 024	**51 011**

14. OTHER ASSETS

The amount is represented in the paid-up amount by Al Ezz Flat Steel Company (EFS) – subsidiary company – to Industrial Development Authority which amounted to USD 3 248 K equivalent to LE 22 306 K for the approval of expanding the steel rebar production licence.

	LE (000)
Cost at January 1, 2019	22 306
(Less) / Add:	
Used during the year	(5 458)
Currency translation differences	2 980
Net at December 31, 2019	**19 828**

15. INVENTORY

	31/12/2019 LE (000)	31/12/2018 LE (000)
Raw materials and supplies	2 515 208	4 352 997
Work in process	766 950	364 991
Finished products	2 257 015	5 073 742
Spare parts and supplies	2 111 687	2 100 640
Goods in transit	193 719	1 009 803
Letters of credit	13 812	1 586
Consignment inventory	707	-
	7 859 098	**12 903 759**

16. TRADE AND NOTES RECEIVABLE

	Note No.	31/12/2019 LE (000)	31/12/2018 LE (000)
Trade receivables		1 147 976	286 002
Trade receivables – Related parties	(31-1)	7 596	7 032
Notes receivable		734 022	108 500
		1 889 594	**401 534**
(Less):			
Impairment loss on trade receivables	(18)	(29 657)	(29 657)
		1 859 937	**371 877**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2019 LE (000)	31/12/2018 Restated LE (000)
Deposits with others		1 219 902	948 262
Tax Authority	(17-1)	1 080 530	998 194
Tax Authority – usufruct	(17-2)	127 477	127 477
Tax Authority – VAT		463 005	590 270
Customs Authority		76 844	89 083
Accrued revenues		97	159
Prepaid expenses *		65 606	51 768
Alexandria Port Authority		17 337	19 719
Employees' loans and advance payments due within a year	(13)	60 510	44 968
Letters of credit cash margin		2 520	70 397
Letters of guarantee cash margin	(32)	1 085	885
Due from related parties	(31-2)	1 372 029	1 117 636
Advance payment under the account of employees' dividends		36 573	37 929
The Cairo Economic Court	(17-3)	35 060	35 060
Other debit balances	(17-4)	332 844	171 594
		4 891 419	**4 303 401**
(Less):			
Impairment loss on debtors and other debit balances	(18)	(49 887)	(32 996)
		4 841 532	**4 270 405**

* Restatement was made to the same comparative figures as shown in note no. (38).

17-1 The Tax Authority balances include an amount of LE 254.2 Million represent advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects penalties and fines for years 2000/2004 according to what is mentioned in detail in Note no. (34-3-1) in addition to an amount of LE 219 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.

17-2 Tax Authority – usufruct balances represent 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. 37-2).

17-3 The Cairo Economic Court balance represents the amount due to the company in the previously paid amounts after deducting the penalties that judged in the misdemeanour No. 368 of the year 2013 related to the monopoly of Steel Bars product against some officials of the group companies that the Court of Cassation issued on November 25, 2014 which is amounted to LE 20.5 Million and the legal procedures are in process to redeem this amount from the court.

17-4 The other debit balances item includes an amount of LE 49.5 Million represents 15% of the license related to the second production line which Ezz Rolling Mills Company- a subsidiary company- production line which paid on February 2012.

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	1/1/2019	Formed during the year	31/12/2018
	No.	LE (000)	LE (000)	LE (000)
Impairment loss on investments available for	(12-2)	17 726	–	17 726
Impairment loss on notes and trade receivables	(16)	29 657	–	29 657
Impairment loss on debtors and other debit	(17)	32 996	16 891	49 887
Impairment loss on advance payments for suppliers		2 332	–	2332
		82 711	**16 891**	**99 602**

19. CASH AND CASH EQUIVALENTS

	31/12/2019	31/12/2018
	LE (000)	LE (000)
Banks - time deposits	37 128	297 448
Banks – current accounts	1 294 497	2 254 767
Cheques under collection	503 665	55 789
Cash on hand	15 263	13 418
	1 850 553	**2 621 422**
(Less):		
Banks – overdraft	(180 005)	(35 918)
Blocked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	(103 439)	(607 128)
Cash and cash equivalents in the statement of cash flows	**1 567 109**	**1 978 376**

20. CAPITAL

20.1 Authorized capital

The company's authorized capital is LE 8 Billion.

20.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 K (Two Billion, Seven Hundred and Sixteen Million, Three Hundred and Twenty-Five Thousand Egyptian Pound) distributed over 543 265 027 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.

21. RESERVES

	31/12/2019 LE (000)	31/12/2018 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital) **	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital***	(3 796 829)	(3 796 829)
	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 and The legal reserve may be used for the benefit of the Company based on a proposal by the Board of Directors after approval by the General Assembly.

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

22. TREASURY STOCKS

- Treasury stocks as of December 31, 2019 represent the value of 9 462 714 shares of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and they are classified as treasury stocks for the consolidation purposes.

23. TRADE AND NOTES PAYABLE

	31/12/2019 LE (000)	31/12/2018 LE (000)
Trade payables	4 861 856	5 752 408
Notes payable	1 147 689	1 034 594
	6 009 545	**6 787 002**
Unamortized portion of the present value of notes payable	(144 075)	(179 675)
Net present value of trade and notes payable	**5 865 470**	**6 607 327**

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2019 LE (000)	31/12/2018 Restated LE (000)
Fixed assets – creditors		128 820	231 470
Accrued interest		779 936	500 518
Accrued expenses		850 727	643 682
Tax Authority		321 968	179 444
Performance guarantee retention		36 813	30 892
Sales tax instalments		96 483	96 483
Dividends payable		1 602	262 915
Due to related parties	(31-3)	19	23
Deferred revenue for grants	(29-2)	897	1 011
Other credit balances		105 581	105 419
		2 322 846	**2 051 857**

* Restatement was made to same of the comparative figures as shown in note no. (38).

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.

	Note No.	31/12/2019 LE (000)	31/12/2018 LE (000)
Balance at the beginning of January		**132 532**	**120 535**
Add:			
Present service cost		32 470	8
Return cost		20 998	15 022
Previous return cost		-	732
Amounts recognized in the consolidated statement of income		**53 468**	**15 762**
		186 000	**136 297**
Actuarial losses from the defined benefits scheme for pensions		11 709	-
Employees paid subscriptions		8 318	7 903
		206 027	**144 200**
(Less):			
Paid pensions during the year		(9 295)	(7 362)
Actuarial gains from the defined benefits scheme for pensions		-	(4 306)
Total liabilities of supplementary pension scheme		**196 732**	**132 532**
Distributed as follows:			
Included in current liabilities		16 831	13 124
Included in long-term liabilities	(29)	179 901	119 408
		196 732	**132 532**

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 liabilities of the benefits	**31/12/2019**	**31/12/2018**
A- Average discount rate	14 %	18 %
B- Average inflation rate	3.63 %	16 %
Average assumptions to determine the net cost of the benefits	**31/12/2019**	**31/12/2018**
A- Average discount rate	18 %	15.5 %
B- Average inflation rate	16 %	14 %

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 17.5% LE (000)	Discount rate 18% LE (000)
Liability current cost	137 342	127 531
Service cost (current and return)	21 956	20 781

26. PROVISIONS

	1/1/2019 LE (000)	Formed during the year LE (000)	Used during the year LE (000)	31/12/2019 LE (000)
Tax provision and claims	222 323	3 252	(1 000)	224 575
Employees Lawsuits	1 955	-	-	1 955
	224 278	**3 252**	**(1 000)**	**226 530**

27- LOANS & CREDIT FACILITIES

	Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1	**Ezz Steel**									
	Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	325 000	476 205	801 205	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 loan.
	Banks - credit facilities			Average 19 % for the Egyptian Pound, and 5.4 % for the US Dollar			4 327 078	-	4 327 078	Without guarantees within a limit of LE 4.06 Billion.
27-2	**Al Ezz El Dekheila for Steel - Alexandria**									
	Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	Installments fully paid in one installment on its due date	2-3 years	8 524	3 861 428	3 869 952	
	Loans - foreign currency		Variable interest	over monthly Libor 3%-4.5%	Installments fully paid in one installment on its due date	2-7 years	507 468	2 846 374	3 353 842	
	Banks - credit facilities	To finance working capital and letters of credit.		Average lending and discount rate published from the Central Bank on withdrawn amounts of the Egyptian pound and based on Libor rate on withdrawn amounts of the US Dollar			10 539 451	-	10 539 451	
27-3	**Al Ezz Flat Steel**									
	Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Central Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	54 696	-	54 696	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledge and possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of banks.
	Loans - foreign currency			variable interest related to the Libor price.			1 276 655	-	1 276 655	
	Banks - credit facilities			Based on an varaiable 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.			1 514 795	-	1 514 795	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 860 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4	**Ezz Rolling Mills**									
	Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 work days beginning from every interest period (3 months for the first and second section) and (monthly for the Third section) in addition to the margin.	quarterly installments for the first and second section and monthly installments for the third section	1-10 years	966 426	4 030 191	4 996 617	Within a limit of LE 3.05 Billion guaranteed by a group of realestate mortgages and commercial mortgage.
	Banks - credit facilities			0.5% - 1.25% over Corridor on the used portion from the limit.			444 542	-	444 542	
	Balance as of December 31, 2019						**19 964 635**	**11 214 198**	**31 178 833**	
	Balance as of December 31, 2018						**15 431 817**	**11 233 811**	**26 665 628**	

27.1 Ezz Steel Company (Holding company)

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the year of the agreement. It will be paid on 26 non equal quarterly instalments, the first instalment accrued on August 2015 starting from the ending of first six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published from the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company got the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till December 31, 2019 deducted from the loan balance.
- The instalments paid until December 31, 2019 amounted to LE 895 Million (against LE 595 Million December 31, 2018).

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

- The Company obtained a revolving medium-term credit facility from National Bank of Egypt amounted LE 800 Million LE for 3 years ending in October 17, 2021 and the balance as of December 31, 2019 is LE 660.65 Million.
- The Company obtained a revolving medium-term credit facility from Qatar National Bank – Al Ahly amounted to LE 1.5 Billion or its equivalent in foreign currencies. Its balance amounted to LE 1 272.95 Million as at December 31, 2019 whose due date is January 2021.
- The Company has made an agreement with the Export Development Bank of Egypt to acquire a revolving medium-term credit facility, whose due date is April 2022, amounted to LE 600 Million or its equivalent in foreign currency. Its balance amounted to LE 540.97 Million as at December 31, 2019 and a portion in the foreign currency whose balance amounted to LE 65.17 Million equivalent to USD 4.1 Million.
- The Company obtained from the Arab African International Bank (AAIB) a revolving medium-term credit facility whose due date is July 2023 with a total amount of USD 158 Million or its equivalent in local currency. It's balance amounted to LE 1 344.24 Million as at December 31, 2019 and a part in foreign currency amounted to USD 24.71 Million equivalent to LE 398.32 Million.
- The company Transferred part of the existing debt to a medium – term loan from Qatar national bank (as a part of the company's financial restructuring plan) with an amount of USD 69.5 Million and the loan is to be paid in twenty-six quarter annual instalments ending at February 28, 2025. The balance as at December 31, 2019 amounted to USD 56 Million equivalent to LE 901.94 Million.
- The company Transferred part of the existing debt to a medium – term loan from Arab African International bank (as a part of the company's financial restructure plan) with an amount of USD 61.5 Million and the loan is to be paid in twenty-eight quarter annual instalment ending at May 28, 2025. The balance as at December 31, 2019 amounted to USD 48.4 Million equivalent to LE 779.54 Million.

- The company obtained a medium-term loan from bank of Alexandria for the purpose of restructuring part of the outstanding debt by USD 50 Million. The loan is to be paid in 26 quarter annual instalment ending at July 15, 2025. The balance as at December 31, 2019 is amounted to USD 43.7 Million equivalent to LE 703. 84 Million.
- The company obtained a medium-term loan from HSBC to finance the development and construction of the second direct reduction plant at an amount of EURO 12.5 Million and LE 80 Million. the loan is to be paid in 12 Semi-annual instalment ending on July 15, 2025, The balance as at December 31, 2019 is amounted to LE 51.14 Million and a portion of foreign currency amounted to USD 12.11 Million equivalent to LE 195 Million.
- The company obtained a medium-term loan from NBK for the purpose of restructuring part of the outstanding debt by USD 20 Million. The loan is to be paid in 26 quarter annual instalments ending at February 28, 2026. The balance as at December 31, 2019 is amounted to USD 19.25 Million equivalent to LE 310.04 Million.

27.3 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 favour of the banks.

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

The balance of the loan instalments due within a year according to the loan's agreements amount to USD 82.661 Million representing the instalments due since the payment cessation date until December 31, 2019.

28. Finance lease

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
		Restated		Restated		Restated
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Due within one year	124 170	120 591	80 290	87 748	43 880	32 843
Due within one year	**124 170**	**120 591**	**80 290**	**87 748**	**43 880**	**32 843**
Due from 1:2 years	124 480	124 170	70 675	80 290	53 805	43 880
Due from 3:5 years	354 074	373 439	131 679	174 452	222 395	198 987
Due more than 5 years	101 028	206 143	14 449	42 351	86 579	163 792
Long term liabilities	**579 582**	**703 752**	**216 803**	**297 093**	**362 779**	**406 659**
Total	**703 752**	**824 343**	**297 093**	**384 841**	**406 659**	**439 502**

* Restatement was made to some of the comparative figures as shown in note no. (38).

- The company signed finance lease contracts (No.4537 & 4538) with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building for Eight years ending June 2024, the contracts provide the right to the company to own those assets at a predetermined value at the end of the contract year. On July 18, 2017, the company signed appendixes to these contracts to finance fixtures and finishes for one of the leased floors and adding it to the leased asset and amending the lease contract, for Eight years ending July 2025. On September 20, 2018, the company signed an appendix to these contracts to increase the finance related to the leased asset in a form of revaluation of that asset and modify the capital lease contracts, the repayment of the extra finance will be on 32 quarterly equally instalment starts from December 20, 2018 till September 20, 2026, The cost of acquiring these two floors has been included in the buildings item in the fixed assets of the company in accordance with the Egyptian Accounting Standard No. (49) Leasing contracts, as shown in note no. (38).
- On November 13, 2016, the company signed a finance lease contract (Contract no.4675) with Corplease (Leasing Company) to finance the fixtures and finishes for the floors that have been leased in Nile Plaza building for the period of Eight years ending November 2024.
- During December 2018, the company signed contracts of sale and lease back (Contract no.1) with HD company For Capital Lease for a piece of land of the lands owned by the company, and as per the contracts with the mentioned company, the lease is for 7 years ending December 25, 2025, and the contract gives the company the right to own the mentioned land at the end of the contract's period at predetermined amount in the contract. It has been determined that the above-mentioned contracts are not representing the sale of the plot of land. Accordingly, the plot of land has been re-recognized in the fixed assets and recognized a financial liability equal to the proceeds of transfer, that is in accordance with Egyptian accounting standard (49) Lease Contracts, as shown in note no. (38).
- The details of mentioned contracts as follow:

Description	**Contract number**	**Contract date**	**Contract period**	**Total of contract LE (000)**	**Instalments Quarterly**	**Payments till 31/12/2019 LE (000)**	**Capital lease 31/12/2019 LE (000)**
Corplease	4537 & 4538	2016	8 years	528 493	32	169 727	358 766
Corplease	4675	2016	8 years	21 101	32	6 451	14 650
HD For Capital Lease	1	2018	7 years	407 499	28	77 163	330 336
				957 093		**253 341**	**703 752**

- The company has issued post-paid cheques in favour of the leasing companies for all capital lease liabilities till September 2026.

29. LONG TERM LIABILITIES

	Note No.	**31/12/2019 LE (000)**	**31/12/2018 Restated LE (000)**
Notes payable		746 792	869 469
Liability of the supplementary pension scheme	(25)	179 901	119 408
lending from others	(29-1)	596 795	665 490
Deferred revenue for grants	(29-2)	1 567	2 809
		1 525 055	**1 657 176**
Unamortized portion of present value of the notes payable		(310 062)	(273 294)
Present value for long term liabilities		**1 214 993**	**1 383 882**

* Restatement was made to some of the comparative figures as shown in note no. (38).

29.1 Al Ezz Flat Steel Company – a subsidiary company - borrowed USD 37 Million equivalent to LE 620 Million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

29.2 Deferred revenues represents the amount of financial assistance granted by "Exon Mobil" to the renovation of the car-catering and service station owned by Contra Steel (Subsidiary company) with an amount of LE 3 820 K. Deferred revenues within one year is amounted to LE 897 K (Note no. 24).

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	31/12/2019		31/12/2018	
	Assets	Liabilities	Assets Restated	Liabilities Restated
	LE (000)	LE (000)	LE (000)	LE (000)
Fixed assets *	-	(3 690 196)	-	(3 850 191)
Unpaid dividends in subsidiary companies	-	-	-	(36 290)
Provisions and assets impairment	84 357	-	38 125	-
Financial lease liabilities *	26 184	-	43 250	-
Tax carried forward loss **	1 732 964	-	1 618 420	-
Losses from foreign currency exchange differences translation	54 632	-	121 801	-
Gains from foreign currency exchange differences translation	-	(84 413)	-	(12 730)
	1 898 137	**(3 774 609)**	**1 821 596**	**(3 899 211)**
Net deferred tax (liability)		**(1 876 472)**		**(2 077 615)**

* Restatement was made to some of the comparative figures as shown in note no. (38).

** This item included LE 1.455 Billion deferred tax assets recognized for the tax carried forward loss of Al Ezz Flat Steel company and Al Ezz Rolling Mills Company (subsidiaries companies) which amounted to LE 6.5 Billion.

30.2 Recognized deferred tax charged to the consolidated statement of income.

	2019	2018 Restated
	LE (000)	LE (000)
Net deferred tax	(1 876 472)	(2 077 615)
Less:		
Translation differences	114 823	(9 870)
Tax liabilities adjustments	(40 124)	-
Previously charged deferred tax	(2 077 615)	(1 736 867)
Deferred tax	**126 444**	**(330 878)**

30.3 Unrecognized deferred tax assets

	31/12/2019	31/12/2018
	LE (000)	LE (000)
Impairment loss on Receivables and debtors	6 091	7 954
Provisions	23 364	23 364
Tax losses	-	329 003
	29 455	**360 321**

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.

31. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the year are represented in the sales and purchases transactions of products in favour of those companies which amounted to LE 2.395 Million and LE 366 K respectively in addition to rent amounted to LE 1 682 K The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the year LE (000)	Balance as of 31/12/2019 Debit/(credit) LE (000)	Balance as of 31/12/2018 Debit/(credit) LE (000)
31.1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	Sales	2 395	7 596	7 032
			7 596	**7 032**
31.2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company for Industry & Investment (parent company)	sale of Financial investments available for sale	118 950	1 351 811	1 099 233
- Gulf of Suez Development Company (Affiliated company)			8	45
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)	Purchases	366	20 210	18 358
	Rent	1 682		
			1 372 029	**1 117 636**
31.3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(19)	(23)
			(19)	**(23)**

32. CONTINGENT LIABILITIES

Contingent liabilities are represented in the value of bails and guarantees granted from the company and Al Ezz El Dekheila for Steel – Alexandria company (Subsidiary) for some subsidiaries to guarantee the fulfilment of all of its commitments stated in the credit facilities and loans contracts between the mentioned subsidiaries and some banks, the company and subsidiary's General Assembly has approved these bails and guarantees which are as follows:

The subsidiary company	Bail value	Subject of the bail
Al Ezz Rolling Mills Company	LE 5 669 Million	The execution of the subsidiary's obligations arising from the joint-facility contract between it and some banks to finance the remaining part of the construction and operating costs of a plant to produce DRI in Al Ain Al Sokhna.
	LE 1 050 Million	Bailing the subsidiary in the short-term finance which is given to it by the National Bank Of Egypt and in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 400 Million.
Al Ezz Flat Steel Company	LE 860 Million	Guarantees unconditional and irrevocable solidarity of the amount of the credit facilities granted by the National Bank of Egypt to the subsidiary and its interest, commissions and any other burdens until payment is completed.

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

	31/12/2019 Equivalent LE (000)	31/12/2018 Equivalent LE (000)
Letters of guarantee		
Egyptian Pound	65 273	6 529
US Dollar	17 717	19 745
Letters of credit		
US Dollar	1 241 587	837 094
Euro	239 260	38 091

- The amount of letters of guarantee fully covered issued by the banks of the Company and its subsidiaries in favour of others on December 31, 2019 amounted to LE 1 085 K (against LE 885 K as of December 31, 2018 fully covered) (Note no.17).

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz Steel Company as of December 31, 2019 are represented in the unexecuted portion of the commitments related to the purchase of machines and equipments amounted to LE 5 544 K
- The capital Commitments of El Ezz El Dekhaila as of December 31, 2019 amounted to LE 91 Million, (whereas the amount as of December 31, 2018 is LE 112.7 Million).

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

- The Company enjoyed tax exemption according to article No. (24) from Law No. (59) for 1979 related to development of the new urban communities, the Company was granted a tax exemption for a period of ten years which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books until December 31, 2014 and there are no outstanding dues or tax disputes. Tax assessment issued and paid.
- The Company submitted tax returns until year 2018 under Law No. 91 for 2005 on the due legal dates.

34.1.2 Sales tax and VAT

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

34.1.3 Salary tax

- The Tax Authority inspected the Company's books until year 2016 and there are no outstanding dues.

34.1.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2018 and all disputes were settled and there are no outstanding dues, and the tax assessment issued.

34.1.5 Property tax

- The tax assessment issued and paid up to 31/12/2018.

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. 59 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books until 2017 and there are no any due amounts on the company for this period.

34.2.2 Sales tax and VAT

- The Tax Authority inspected the Company's books until 2015 and the taxes due were paid.
- The tax inspection is currently settled for the years 2016 till 2018.

34.2.3 Salary tax

- The Company's books have been inspected until year 2015 and the taxes due were paid and there are no any outstanding dues on the company.
- The tax inspection is currently performed for the years 2016 and 2017.

34.2.4 Stamp tax

- The Tax Authority inspected the Company's books until year 2016 and all disputes were settled and there are no outstanding dues.
- The tax inspection is currently performed for the years 2017 and 2018.

34.2.5 Property tax

- The tax assessment issued and paid up to 31/12/2019.

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 and free zone "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 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 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),(4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 Million in additional to delay penalty. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same year. 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.
- On February 17, 2011, the Tax Authority has held the accounts of the company kept at banks with an amount of LE 219.3 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 instalment the first instalment 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 instalments by amount of LE 34.9 Million. 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 favour of the company pertaining to lawsuit No. 405 of 2011. Which recorded with No. 963 year 2012 tax Alexandria. On February 28, 2018 the court issued a ruling dismissing the case. The company appealed against it by appeal No. 268 of 74 J, and the session was postponed to June 1, 2020 for judgment.

- 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 95 Million in addition to delay interests, 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 company filed the lawsuit No. 245 - Alexandria Court for the purpose of plea to the nullification of the Appeal Committee's decision issued on December 14, 2011,The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and it was filed in No.(1 698) for the year 72 J which directed to commissioners committee which in turn assigned an expert to report, No session has been scheduled for the case yet and the company following up.
- The Tax Authority demanded that the company pays an amount of LE 120.6 Million as a delay penalty based on the article No. 111 of the Law No. 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 additional taxes in addition to delay penalty 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 favour.
- The company ensures the validity of its position and the strength of its defence 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 procedures 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 69 J Administrative Justice Alexandria regarding the return of delay, it was rejected on March 31,2018 Session as result the company appealed on the judgment before of the supreme Administrative Court by the appeal No. (64240) for the year 64 J and no session is set yet.
- 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 in addition to LE 9.9 Million represented article No. (56) Tax difference and the company has appealed against this form in the legal due dates as a result an internal committee has been held and it approved a decision of an amount LE 8.8 Million as an entitled tax for these years with tax savings amounted LE 16.2 Million. The internal committee has been notified with that and the dispute has been conciliated.
- The company's tax inspection was made for years 2009/2010 and the company has been notified with form No. (19) tax, the tax differences amounted to LE 105 Million, the company has appealed on this form in the legal dates, and the dispute was transferred to Internal Committee, the committee approved most of the differences except LE 17 Million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 Million as part of the inspection difference and the appeal committee has issued a decision of not approving the donations as it is considered to a normal persons and a law suit no.(1138) of 73 J has been filed appealing on the committee decision and No session has been scheduled for the case yet and the company following up.

- The tax authority inspected the years 2011/2013 and the company has been notified with tax form No. (19), the tax differences amounted to LE 163 Million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 Million.
- The final settlement is made with the tax authority (rather than the previously mentioned current lawsuits) for years from 2007 till 2013 to get advantage of the benefits of Law No. 174 of year 2018 about exemption from delay penalties.
- The tax inspection for years from 2014 till 2017 has inspected, and the company notified with tax form No.(19), the tax differences amounted to LE 21 Million and it is fully covered and paid.

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.
- The tax inspection of the company for the years 2008/2012 was completed and ended all disputes with the Internal Committee and the payment of the tax owed in full and the amount of LE 7.3 Million.
- The tax inspection for the years 2013/2016 was completed and the company was notified by form no. 37 salaries with accrued tax of LE 887 K which have been paid in full.
- Tax inspection for the years 2017/2019 has not been made yet.

34.3.3 Sales Tax and VAT

- 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 the Company of form No. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.7 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 No. 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, the lawsuit was postponed to August 19, 2020 session for getting the expert's report.
- 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 Taxpayer 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. The company made the litigation No. 334 for the year 2013 Tax before it was referred to the administrative court, registered by the number 25999 for the year 67 J Administrative Judiciary. A session of February 26, 2020 the court decided to apply it to the state delegation authority for issuing report and a session is not set yet. 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.

- Tax inspection was made for the period starting from January 1, 2011 till December 31, 2011. And the company was notified of form No. (15). The tax differences amounted to LE 77.3 Million fully paid.
- Tax inspection for the year 2012 were performed and the company was notified with form No. (15) with an amount of LE 18.9 Million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the Law No. (79) for the year 2016 and the company's defence and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by LE 12.1 Million with due tax by LE 6.8 Million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- The tax authority notified the company with an additional tax amounted LE 7.1 Million from the date of wrong admission instead of the committee decision date and filing a lawsuit No. 8967 for the year 72 J Alexandria Administrative Judiciary and the session was set on October 9, 2019 for documents submission. On October 23, 2019 a session set by the state Administrative court issued a ruling dismissing the case and now reviewing the reasons for the dismissal to appeal and no session is set yet.
- Tax inspection for the year 2013 were performed and the company was notified with form No. (15) with differences which are amounted to LE 23.4 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by LE 6.5 Million and it was fully paid and the cancellation of LE 17 Million, and it has been notified with the additional tax using the issuance date by mistake not the committee's date and a lawsuit has been filed No.15083 for the year 72 J Alexandria Administrative Judiciary and on December 25, 2019 session for dismissing the case and the company appealed on the judgement in front of the Administrative judiciary appeal No.(35760) for the year 66 J Administrative court and no session is set yet for the appeal.
- The company was inspected for years from 2014 / 2015 and the company was notified with tax form No. (15) with tax differences amounted to LE 35 Million and the dispute was referred to the Internal Committee, which agreed to cancel the sales tax of LE 24 Million and the difference of LE 11 Million and was paid in full.
- The company's tax examination for the years 2016/2019 has not been completed to date.

34.3.4 Sales Tax on imports of iron oxide ore

- The Egyptian Customs Authority claimed the amount of LE 2 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.
- 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 and No.9160 for year 68 to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 Billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim, on June 25, 2018 a session set by the state Administrative court ruled to assign an expert in the lawsuit The Committee of Experts has deposited its report, and left the matter to the court, as it related to a legal issue. And the session is postponed until the July 1,2020 for information and comment.

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 restricted with No. 36522 of year 69J 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 during the period from February 2003 till December 2013 and The Administrative Court of Alexandria has appointed an expert in the case to examine the company's requests and the expert did not proceed until now and the lawsuit was postponed to August 26, 2020 for getting the expert's report.
- Although the company filed Lawsuit No. 8971 for year 72J - Administrative Court Alexandria – to refund L.E 3 471 K value of what has been collected for sales tax on license for period from January 2014 to September 2016 , the lawsuit was postponed to August 26, 2020 for getting the expert's report and it's managerially postponed as a result of stopping court activities.

34.3.6 Stamp Tax

- The Tax Authority inspected the Company's books for the period started from the 1st of January, 2005 until December 31, 2013 and the company has paid any tax differences for this years.
- The tax inspection performed for the for the years 2014/2016 and the company is not notified with any forms until that date.
- Tax inspection is not performed yet for the years 2017 to 2019.

34.3.7 Real Estate Tax

- The real estate tax was paid up to June 30, 2013 in accordance with the provisions of Law No. 56 of 1954.
- The Real Estate Tax Authority notified the Company of form (3) of the rental value and annual real estate tax as of September 30, 2014, which amounted to LE 8.9 Million. These estimates were challenged on Form (4) on the legal date on May 4, 2016. The company notified with the decision of appeal committee no. 371/372 for the year 2015 stating that a real estate tax of LE 17 Million has been approved annually. The tax due for the period from July 1, 2013 to September 30, 2019, according to the decision of the appeal committee, is 102 Million Egyptian pounds. In front of the Administrative Court No. 26036 for the year 70 J and the session will be on September 2, 2020 the company and pay monthly payments in order to avoid delay in exchange for calculation.
- The Real Estate Tax Authority - the Custom – claimed the company a tax amounted to L.E 4.5 Million for the real estate used inside El Dekheila port , the lawsuit was filed No. 14629 for year 71J with no tax due and paid L.E 6.7 Million as payments until issuance of final judgment, and a session was set on September 2, 2020 for reviewing the documents.

34.3.8 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) for year 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 (Civil Circuit) 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 favour 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.
On November 6, 2012, the appeal ruling was issued in favor of the company supporting the first - degree rule and the executive form of the ruling was extracted by the department of legal affairs which follow the reclaim, the Tax Authority appealed and the case isn't settled till now.

34.3.9 Withholding Tax

- A committee from the Central Administration in Cairo and Burj Al Arab inspected the company for the discount and addition tax for the years 2011 through 2015, and the examination resulted in a tax benefit of LE 1.3 Million, which was paid in full.
- The tax Authority inspected the company for years from 2016 / 2018 and the company was notified about differences from the tax inspection amounting to LE 1m and the amount was paid in full

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing Law No. 114 of 2008 on May 5, 2008, the private free zones license was being cancelled and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's book from the commencement of activity until 31/12/2014 and resulted in tax losses.
- The company submitted the tax return in the legal dates for 2015 till 2018 and preparation is set for an inspection for this year.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books from the date of starting company's activities until 2014.
- Tax inspection was performed for and years 2015 and 2016 and the result is not settled yet.
- The company submit its tax return on legal due dates and the tax inspection was not requested for the years 2017 and 2018 yet.

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2015, tax assessment issued and paid up to legal date.
- The company submitted the tax returns on the legal due dates and the tax inspections were not made for the years 2016 to 2018.

34.4.4 Stamp tax

- Tax inspection was issued and made from 2008 until 2018 and there is no claims on the Company.

34.4.5 Real Estate Tax

- The company received real estate tax claims and part of these claims were repaid. The company appealed on the estimates of the rental value estimated by the counting committees and the estimate in the legal dates. The decision of the committee of appeal against the rental value was issued mainly for calculating the real estate tax by accepting the appeal in form.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 Financial instruments

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

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities and finance lease liabilities which amounted to LE 32 483 176 K as of December 31, 2019 (LE 28 161 078 K as of December 31, 2018). Financing interest and expenses related to these balances amounted to LE 4 680 006 K during the period (LE 4 241 798 K during t the previous year). Blocked time-deposits, current accounts and investment fund amounted to LE 140 567 K as of December 31, 2019 (LE 904 576 K as of December 31, 2018), interest income related to these balances amounted to LE 117 346 K during the year (LE 409 996 K during the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

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

	Note No.	31/12/2019 LE (000)	31/12/2018 Restated LE (000)
Long term lending to others	(13)	51 024	51 011
Trade and notes receivables	(16)	1 859 937	371 877
Debtors and other debit balances *	(17)	4 841 532	4 270 405
Suppliers - advance payments		579 192	697 060
Investments in treasury bills		97 053	10 580
Cash and cash equivalents	(19)	1 835 290	2 608 004

* Restatement was made to same of the comparative figures as shown in note no. (38).

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 1 517 541 K and LE 13 485 775 K respectively, as of the financial position date.
The Company's net exposures in foreign currencies at the financial position date are as follows:

Foreign Currency	(Deficit)/Surplus Thousands
US Dollars	(678 275)
Euro	(56 128)
Swiss Frank	13
Sterling Pound	(214)
Japanese Yen	(133 020)
AED	4

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

	Closing rate		Average closing rate for the year ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
US Dollars	16.09	17.88	16.882	17.812
Euro	18.0836	20.5012	19.0098	21.043
Swiss Frank	16.6788	18.1911	17.192	18.236
Sterling Pound	21.2887	22.8882	21.685	23.661
AED	4.3807	4.8682	4.59716	4.8495

36. THE LITIGATION STATUS

36.1 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 (71) 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 (55) 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 two lawsuits were cancelled, not renewed and were considered legally as there were not existed.

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 the court lapsed the litigation and there is still on litigation remaining under deliberation.

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 profit's 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 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 17 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. The trespass was erased at September 12,2017 and the company received the land in accordance with the delivery report from the state property protection authority and ElAgami district after erasing trespass from main road and legal actions are in process to finalize the land register.
- As stated on the contract which was dated on February 3, 1999 between the company as the buyer and Dr. Waheed Rafaat as a seller, the Company purchased a plot of land with total area of approximately 29 feddans on the Ezbat Elbarbary next to Om Zeghio – Dekhaila with a total value of L.E 14 007 K ,The company paid L.E 9 404 K and the remaining represents 4 603 k will be paid when the seller obtains the property after a final judgment confirmation.

  The seller filed the lawsuit No. 1646 for the year of 1991 in Alexandria civil court, and the court refused it. The appeal No. 6511 of 59 J was made before the Alexandria Court of Appeals, and on April 9, a session, was judged by confirming the ownership of the land plot to the seller,the state appealed on the jurisdiction cassation No. 12152 for the year 89 J, and no decision nor session has been determined until this date.

  On 25/10/2019, the seller filed a lawsuit No. 1631 of 2019 civil before the West Alexandria initial court requesting of falling and rejecting the company's right of requesting the transferring of the land's ownership to remain in his right of disposal and ownership, and removing the effect of the initial contract between him and the company, and evacuating and dismissing the company of it, The heirs included in the lawsuit Mr / Saif Salih Ghazouli requesting the nullity of the original contract dated February 3, 1990 for its issuance by a non-owner claiming their ownership of the land. The court dismissed their interfere on January 23, 2020 as a result Mr / Waheed Raafat appealed as well as the heirs The appeal No.1921 for the year 76 J and a session was set on June 25, 2020 for consideration and judgement.

According to the opinion of the company's legal advisor, the seller has an eternal obligation in accordance with the provision of Article 439 of the Civil Law not to be exposed to the company as a buyer in the initial contract, whether in the use of the land or the transfer of its ownership to it, because the seller is legally obligated to guarantee, that is, the transfer of the right of ownership by registration to the buyer, This guarantee does not lapse by statute of limitations. It is an obligation expressed, because the legal rule is that the one who must guarantee it has refrained from exposure, and that the legal position of the company is normal in all legal terms.

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

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

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

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

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

38. COMPARATIVE FIGURES

During the year, the company's management has applied the Egyptian Accounting Standard No. (49) "Leasing Contracts" to the outstanding finance leases contracts up to the date of the issuance of this standard , as the accounting policies related to finance lease contract has been modified in according with this standard , according to the transitional guidelines mentioned in that standard the new accounting policy has been implemented on the outstanding finance lease contracts retroactively with recognition of the cumulative effect of the initial adoption of the standard at the primary adoption date as an adjustment to opening balance of retained losses in the initial adoption date (started January 2018) as follows:

First: Impact on the Consolidated Statement of Financial Position:

Description	31/12/2018 As previously Debit/(Credit) LE (000)	Restatement Debit/(Credit) LE (000)	31/12/2018 Restated Debit/(Credit) LE (000)
Fixed assets (net)	26 456 608	205 333	26 661 941
Deferred tax assets	1 778 346	43 250	1 821 596
Debtors and other debit balances	4 293 285	(22 880)	4 270 405
Retained losses *	5 037 010	7 742	5 044 752
Long term liabilities	(1 601 397)	217 515	(1 383 882)
Finance lease liabilities	-	(406 659)	(406 659)
Deferred tax liabilities	(3 853 011)	(46 200)	(3 899 211)
Finance lease liabilities due within one year	-	(32 843)	(32 843)
Creditors and other credit balances	(2 086 599)	34 742	(2 051 857)

Second: Impact on the Consolidated Statement of Income:

Description	2018 As previously LE (000)	Restatement Debit/(Credit) LE (000)	2018 Restated LE (000)
Administrative and general expenses	1 314 565	(43 536)	1 271 029
Finance cost	4 206 350	35 448	4 241 798
Deferred tax	328 829	2 049	330 878
Basic and diluted earnings per share (LE/share)	(3.29)	0.01	(3.28)

Third: Impact on the Consolidated Statement of Cash Flow:

Description	2018 As previously LE (000)	Restatement LE (000)	2018 Restated LE (000)
Net profit for the year before income tax	70 076	8 088	78 164
Fixed assets depreciation	1 497 757	3 625	1 501 382
Interest and finance expense	4 203 544	35 448	4 238 992
Finance lease expense for the year	50 755	(50 755)	-
Deferred revenue for the year	(429)	429	-
Proceeds from the sale of fixed assets	224 638	(224 590)	48
Finance interest paid	(4 368 212)	(35 147)	(4 403 359)
Net proceeds from finance lease contracts	98 097	194 823	292 920
Payments for finance lease	(72 100)	68 079	(4 021)

* Restatement of retained losses at December 31, 2018 represented in reducing the retained earnings in January 1, 2018 with an amount of L.E 13 781 k and increasing the net profit of year 2018 with an amount of L.E 6 039 k.

39. SUBSEQUENT EVENTS

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

40. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following accounting policies have been applied consistently by the group's companies which is coincided with applied policies in all presented periods in this consolidated interim financial statements, taking into consideration restatement was made to the comparative figures in consolidated interim financial statements as shown in note no. (38) regarding the accounting policy related to the finance lease contracts.

40.1 Foreign currency translation

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

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.

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

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

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

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

40.6 *Investments in associates*

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any. The consolidated interim financial statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

In case of the excess in the cost of acquisition over the company share in net fair value of the assets, liabilities and contingent liabilities as well in associates on the date of acquisition, the goodwill is recognized as a part of investment book value, thus it will be subjected to the impairment loss on the investment.

40.7 *Investments available-for-sale*

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

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

40.8 *Investments in treasury bills*

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

40.9 *Goodwill*

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

40.10 *Inventory*

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

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

40.11 *Trade and notes receivables and debtors*

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

40.12 Cash and cash equivalents

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

40.13 Trade and notes payable and creditors

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

40.14 Impairment loss on assets

A. Financial assets

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

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

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

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

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

B. Non-financial assets

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

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

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

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

40.15 Interest-bearing borrowings

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

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

40.16 Provisions

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

40.17 Share capital

Repurchase of share capital

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

40.18 Revenues

a) 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 consolidated income statement on the date where the company has the right to receive investees' dividends occurred after the date of acquisition.

c) Interest income

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

40.19 lease contracts

Finance Lease contracts

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

Finance lease contracts (sell and lease back)

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

Operating lease contracts

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

40.20 Earnings per share

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

40.21 Income Tax

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

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

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

40.22 Grants related to assets

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

40.23 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.

40.23.1 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.

40.23.1.1 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.

40.23.1.2 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.

40.23.2 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.

40.23.3 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.

40.23.3.1 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.

40.23.3.2 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.

40.23.3.3 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.

40.23.4 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 year. The Group is not subject to externally imposed capital requirements.

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

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event 4. Pursuant to the requirements of this standard, the following criteria have been amended: - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date. The Financial Supervisory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020. These amendments shall be effective from the date of application of the standard 47.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard. The finance lease contracts outstanding	Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020.
New Egyptian Accounting Standard (49) "Leases"	1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it. 2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease. 3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease. 4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract.	The management of the Company has applied the accounting treatment stated in the Egyptian Accounting Standard No. (49) Leases Contracts as shown in note no. (34). The Company's management is currently assessing the potential impact on the financial statements when the standard is applied to the remaining lease contracts in which the company is a party.	Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time. The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020 and this regarding operating lease contracts. Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.		the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this will be effective from January 1 , 2020.
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. (17) "Separate financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (42) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted. The Financial Regulatory Authority has postponed applying the standard on the quarterly financial statements during 2020, to be applied on the annual financial statements at 31 December 2020, and this

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	- Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) " Financial Statements" - Egyptian Accounting Standard No. (44) " Disclosure of Interests in Other Entities "		will be effective from January 1 , 2020. The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", and amended 2019.
Egyptian Accounting Standard No. (22) "Earnings per share"	The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.	No effect	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Has been applied on the current financial statements.	Amendment applies to financial periods beginning on or after 1 January 2019